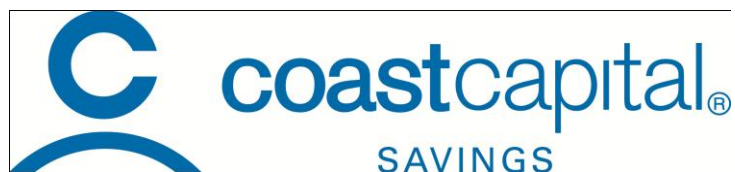


Coast Capital Savings Credit Union Rules

AS AMENDED

April 24, 2012



**COAST CAPITAL SAVINGS CREDIT UNION
RULES**

**AS AMENDED
(2012)**

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COAST CAPITAL SAVINGS CREDIT UNION

RULES (2012)

DEFINITIONS

The meaning of any words or phrases defined in the *Credit Union Incorporation Act*, the *Financial Institutions Act*, and, to the extent that it relates to the credit union, the *Company Act* shall, if not inconsistent with the subject or context, have the same meaning in these Rules. Further, in these Rules, unless the subject or context is inconsistent therewith:

- (a) "Board of Directors" means the board of directors of the Credit Union;
- (b) "Campaign Regulations" means the regulations pertaining to candidates for election as a Director as adopted by the Board of Directors from time to time;
- (c) "Candidate Recommendation Policy" means the candidate recommendation policy as adopted by the Board of Directors and the Nominations Committee from time to time;
- (d) "Chair" means the chair of the Board of Directors;
- (e) "Code of Conduct and Ethics for Directors" means the code of conduct and ethics as adopted by the Board of Directors from time to time;
- (f) "Code of Performance Standards for Directors" means the code of performance standards for Directors as adopted by the Board of Directors from time to time;
- (g) "*Company Act*" means the *Company Act* of British Columbia from time to time in force and any legislation brought into force in replacement thereof, together with all amendments thereto and regulations made pursuant thereto;
- (h) "Conduct Review Committee" means the conduct review committee of the Board of Directors established in compliance with the *Financial Institutions Act*;
- (i) "Conflict of Interest Policy" means the conflict of interest policy as adopted by the Board of Directors from time to time;
- (j) "Credit Union" means Coast Capital Savings Credit Union;
- (k) "*Credit Union Incorporation Act*" means the *Credit Union Incorporation Act* of British Columbia from time to time in force and all amendments thereto and regulations made pursuant thereto;
- (l) "Director" means a director of the Credit Union for the time being;
- (m) "electronic" has the meaning set out in the *Electronic Transactions Act*;
- (n) "*Electronic Transactions Act*" means the *Electronic Transactions Act* of British Columbia from time to time in force and all amendments thereto and regulations made pursuant thereto;

- (o) “*Financial Institutions Act*” means the *Financial Institutions Act* of British Columbia from time to time in force and all amendments thereto and regulations made pursuant thereto;
- (p) “Financially Literate” means to have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised in the Credit Union’s financial statements;
- (q) “Region” means any specific geographic region, the scope of which shall be determined by the Board of Directors in accordance with Rule 13.3, existing within the common bond of the Credit Union; and
- (r) “Registered Holder” means, with respect to an issued share in the capital of the Credit Union, the person registered in the books and records of the Credit Union as being the member, auxiliary member or holder of non-equity shares holding that share.

1. MEMBERSHIP

- 1.1 Every application for membership shall be in writing or prescribed electronic means and be accompanied by payment in full of the number of Class A Equity Shares (“Membership Shares”) required to be held by a member on the date of application for membership. The Board of Directors may, in its sole discretion, delegate the authority to approve or reject applications for membership.
- 1.2 A member in good standing is a member, including a junior member, who at the date on which good standing is determined has purchased, paid for and holds the number of Membership Shares required by these Rules and who is not more than 90 days delinquent in any obligation to the Credit Union.
- 1.3 Subject to the provisions of the *Credit Union Incorporation Act* that specify the minimum number of membership shares for which a member must subscribe and pay, the Board of Directors may establish policies to waive or delay purchase, payment, redemption, and ownership in whole or in part of Equity Shares (hereinafter defined) as required by these Rules, and may set minimum or maximum limits.

2. WITHDRAWAL FROM MEMBERSHIP

- 2.1 A member may withdraw from membership, and the membership of any person may be terminated in accordance with the *Credit Union Incorporation Act*.

3. SHARES

- 3.1 The shares of the Credit Union shall be divided into six classes of equity shares and one class of non-equity shares comprised of:
 - (a) one class of equity shares designated as Class A Equity Shares;
 - (b) one class of equity shares designated as Class B Equity Shares;
 - (c) one class of equity shares designated as Class C Equity Shares;
 - (d) one class of equity shares designated as Class D Equity Shares;
 - (e) one class of equity shares designated as Class E Equity Shares;

- (f) one class of preferred equity shares designated as Preferred Equity Shares; and
- (g) one class of non-equity shares designated as Class P Non-Equity Shares.

The aforesaid classes of equity shares referred to in sub-Rules (a) through (e) inclusive are hereinafter sometimes collectively or individually called the "Equity Shares".

- 3.2 Subject to the *Credit Union Incorporation Act* and to any special rights and restrictions attached to any shares of the Credit Union, the Board of Directors shall allot and issue or otherwise dispose of, and/or grant options to purchase, or otherwise deal in, shares authorized but not yet allotted at such times and to such persons, and in such manner, and upon such terms and conditions, and at the price or for such consideration, as the Board of Directors, in their absolute discretion, may determine.
- 3.3 The Credit Union may pay a commission or allow a discount to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in the Credit Union, or procuring or agreeing to procure subscriptions, whether absolutely or conditionally, for any such shares provided that the rate of the commission or discount shall not in the aggregate exceed such commission as is authorized by the *Company Act*. The Board of Directors may also pay such brokerage as may be lawful.
- 3.4 Each class of the Equity Shares shall rank in respect of the distribution of assets in the event of the liquidation, dissolution or winding-up of the Credit Union or any other distribution of assets of the Credit Union among the holders of its shares for the purpose of winding-up its affairs, whether voluntary or involuntary, in accordance with the *Credit Union Incorporation Act* and these Rules.
- 3.5 Subject to the *Credit Union Incorporation Act* and these Rules, the Board of Directors, in their absolute discretion, may set terms and conditions for entitlement to dividends for each class of shares, may declare and pay dividends on each class of shares in such amounts and at such times as from time to time determined, may declare a dividend on each class of shares in preference to any other class of shares and may declare different rates of dividend for different classes of shares.
- 3.6 Dividends, patronage refunds or bonuses declared, if any, at the discretion of the Board of Directors may be paid as an allocation of Equity Shares or any combination of them.
- 3.7 In accordance with the *Credit Union Incorporation Act*, shares must be issued as fully paid, and if any dividend, patronage refund or bonus results in a member or auxiliary member being entitled to a fraction of a share, the Board of Directors may determine that a cash or other form of payment be made to that member or auxiliary member, in place of that fraction of a share, or otherwise settle any difficulty arising from the payment of any dividend, patronage refund or bonus, stock or otherwise.
- 3.8 Subject to the *Credit Union Incorporation Act* and these Rules, the Board of Directors may from time to time, by resolution, determine the minimum and maximum number of shares, of any class or in total, in the Credit Union permitted to be purchased and held by any member or auxiliary member and all terms and conditions attaching to any application for shares in the Credit Union including the maximum number of applications permitted by a member or an auxiliary member and the minimum or maximum number of shares required for each application.
- 3.9 Subject to specific rules relating to Class A Equity Shares contained in Rules 4.1 to 4.3 inclusive, all Equity Shares may be purchased and held jointly. All jointly held Equity Shares shall carry the right of survivorship unless a contrary statement, in writing, is given at the time of subscription or at any time thereafter and signed by all parties jointly holding the said Equity Shares.

- 3.10 The Board of Directors shall issue share certificates for shares of each class of share which may be issued to each person who subscribes and pays for them, save for Class A Equity Shares where the Board of Directors may at their discretion decide to issue or not issue share certificates. All certificates issued for all Equity Shares shall:
- (a) state on their face the words "Not Guaranteed by the Credit Union Deposit Insurance Corporation";
 - (b) comply with the requirements of the *Credit Union Incorporation Act* and the *Company Act* as to indicating that there are special rights and restrictions attached to such shares and that a free copy of the full text of the special rights or restrictions may be obtained at the records office of the Credit Union.
- 3.11 Every share certificate issued by the Credit Union shall be in such form as the Board of Directors approve, and shall comply with the *Credit Union Incorporation Act* and the provisions of the *Company Act* applicable to credit unions.
- 3.12 A share certificate may be mailed by prepaid mail to the person entitled thereto at their registered address, and the Credit Union shall not be liable for any loss occasioned to the member or auxiliary member if any such share certificate is so mailed.
- 3.13 In respect of a share held jointly by several persons, delivery of a certificate for that share to one of several joint holders or to his duly authorized agent shall be sufficient delivery to all.
- 3.14 Except as required by law, statute or these Rules, no person shall be recognized by the Credit Union as holding any share upon any trust, and the Credit Union shall not be bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by law, statute or these Rules provided or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the Registered Holder.
- 3.15 If the Credit Union proposes, at its option, to redeem some but not all of the shares of any class, the Board of Directors may, subject to the special rights and restrictions attached to such class of shares, decide the manner in which the shares to be redeemed shall be selected, and the purchase price therefor.
- 3.16 Shares of any class which are purchased by the Credit Union for redemption in accordance with the Rules and the *Credit Union Incorporation Act* shall be, and be deemed to be, cancelled and returned to the status of authorized but unissued shares of that class.

4. CLASS A EQUITY SHARES

- 4.1 Class A Equity Shares are a requirement of membership in the Credit Union, which may be referred to as Membership Shares, may be issued in an unlimited amount and shall have attached thereto the following special rights and restrictions:
- (a) money invested in Class A Equity Shares and dividends thereon shall not be guaranteed by the fund administered by the Credit Union Deposit Insurance Corporation of British Columbia;
 - (b) subject to the *Credit Union Incorporation Act*, the Credit Union shall redeem, in such manner and on such terms as the Board of Directors may determine from time to time, all the Class A Equity Shares of a member if:

- (i) the member withdraws from membership in the Credit Union;
 - (ii) the Credit Union terminates the membership of the member;
 - (iii) the member is a natural person and dies, subject to Rule 4.3;
 - (iv) the member is a corporation and is dissolved or wound-up;
 - (v) the member is a partnership or other unincorporated association which dissolves; or
 - (vi) the member, in any other case, ceases to be a legal entity according to the statute by or pursuant to which it was created;
- (c) subject to the *Credit Union Incorporation Act* and these Rules, the Credit Union may redeem or purchase any Class A Equity Shares held by a Registered Holder on such terms and conditions and at such times as the Board of Directors, in their discretion, resolve;
- (d) Class A Equity Shares which are redeemed and purchased by the Credit Union shall be redeemed or purchased at par value, plus any dividends declared but unpaid thereon;
- (e) unless permitted by a resolution of the Board of Directors, Class A Equity Shares are not transferable;
- (f) Class A Equity Shares shall be issued at, and shall have a par value of, \$1 each;
- (g) each member of the Credit Union shall subscribe for, fully pay for, and hold the following minimum number of Class A Equity Shares:
- (i) each member: five shares
 - (ii) each junior member (under 19 years of age): five shares
- Notwithstanding the foregoing;
- (iii) at the discretion of the Board of Directors, a member may subscribe for more than five Class A Equity Shares, to a maximum of 1000 Class A Equity Shares;
- (h) in the event of the liquidation, dissolution or winding-up of the Credit Union, or any other distribution of assets of the Credit Union among the holders of its shares for the purpose of winding-up its affairs, whether voluntary or involuntary, and subject to the prior rights of the holders of all other classes of shares with respect to a return of capital and dividends upon the dissolution, liquidation, winding-up or other distribution of its assets for the purpose of winding-up, the holders of Class A Equity Shares shall be entitled to receive the remaining property and assets of the Credit Union.

4.2 Class A Equity Shares may be held jointly, but each of the joint holders must acquire the requisite number of Class A Equity Shares. Entitlement to vote as a member is limited to each joint account holder that has acquired the requisite Class A Equity Shares.

4.3 The Credit Union shall not be required to redeem any Class A Equity Share that is jointly held until one of the events described in Rule 4.1(b) occurs in respect of the last joint holder.

5. CLASS B EQUITY SHARES

5.1 The Class B Equity Shares may be issued in an unlimited amount and shall have attached thereto the following special rights and restrictions:

- (a) money invested in Class B Equity Shares and dividends thereon shall not be guaranteed by the fund administered by the Credit Union Deposit Insurance Corporation of British Columbia;
- (b) subject to the *Credit Union Incorporation Act* and these Rules, the Credit Union may redeem or purchase any Class B Equity Shares held by a Registered Holder on such terms and conditions and at such times as the Board of Directors, in their discretion, resolve;
- (c) Class B Equity Shares which are redeemed or purchased by the Credit Union shall be redeemed or purchased at par value, plus any dividends declared but unpaid thereon;
- (d) unless permitted by a resolution of the Board of Directors, Class B Equity Shares are not transferable;
- (e) Class B Equity Shares shall be issued at, and shall have a par value of, \$1 each;
- (f) for greater certainty, any entitlement to dividends in respect of Class B Equity Shares shall be non-cumulative;
- (g) in the event of the liquidation, dissolution or winding-up of the Credit Union, voluntary or involuntary, or any other distribution of assets of the Credit Union among the holders of its shares for the purpose of winding-up its affairs and subject to the prior rights of the holders of the Class P Non-Equity Shares and Preferred Equity Shares with respect to a return of capital and dividends upon the dissolution, liquidation, winding-up or other distribution of its assets for the purpose of winding-up, the holders of Class B Equity Shares (rateably with the holders of Class C Equity Shares, the holders of Class D Equity Shares and the holders of Class E Equity Shares) shall be entitled to receive the par value of their shares, together with any dividends declared but unpaid thereon, before any amount shall be paid or any property or assets of the Credit Union distributed to the holders of Class A Equity Shares on the occurrence of any such event. After payment to the holders of the Class B Equity Shares of the amount so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Credit Union.

6. CLASS C EQUITY SHARES

6.1 The Class C Equity Shares may be issued in an unlimited amount and shall have attached thereto, as a class, the following special rights and restrictions:

- (a) Class C Equity Shares may, at any time and from time to time, be issued in one or more series with each series consisting of such number of shares as may before the issue thereof be determined by resolution of the Board of Directors;
- (b) money invested in Class C Equity Shares and dividends thereon shall not be guaranteed by the fund administered by the Credit Union Deposit Insurance Corporation of British Columbia;
- (c) unless permitted by a resolution of the Board of Directors, Class C Equity Shares are not transferable;

- (d) Class C Equity Shares shall be issued at, and shall have a par value of, \$1 each;
- (e) subject to the *Credit Union Incorporation Act* and these Rules, the Board of Directors shall, in its absolute discretion and by resolution duly passed before the issue of any Class C Equity Shares of any series, fix the designation and special rights and restrictions to be attached to the Class C Equity Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate or amount of dividends, the date or dates and place or places of payment thereof, the consideration and the terms of any purchase or redemption thereof, conversion rights (if any), and the restrictions (if any) respecting declaration and payment of dividends on any shares ranking junior to the Class C Equity Shares;
- (f) subject to the *Credit Union Incorporation Act* and these Rules, the Board, in its absolute discretion, may establish different rights and restrictions and may declare different rights of dividend for different series of Class C Equity Shares;
- (g) subject to the *Credit Union Incorporation Act* and these Rules, the Credit Union may redeem any shares of any series of Class C Equity Shares on such terms and conditions and for such consideration as was established at the time of issue by resolution of the Board of Directors;
- (h) Class C Equity Shares of each series shall rank pari passu with the Class C Equity Shares or every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Credit Union, whether voluntary or involuntary, or any other distribution of the assets of the Credit Union among the holders of its shares for the purpose of winding-up its affairs;
- (i) as and when declared by the Board of Directors, the Registered Holders of the Class C Equity Shares of each series shall be entitled to receive and the Credit Union shall pay thereon, out of the moneys of the Credit Union properly applicable to the payment of dividends, non-cumulative cash or stock dividends at such rate or rates and on such date or dates as the Board of Directors may fix or may have fixed by the resolution provided for in clause (e) hereof with respect to such series; and
- (j) in the event of the liquidation, dissolution or winding-up of the Credit Union, voluntary or involuntary, or any other distribution of assets of the Credit Union among the holders of its shares for the purpose of winding-up its affairs and subject to the prior rights of the holders of the Class P Non-Equity Shares and Preferred Equity Shares with respect to a return of capital and dividends upon the dissolution, liquidation, winding-up or other distribution of its assets for the purpose of winding-up, the holders of Class C Equity Shares (rateably with the holders of Class B Equity Shares, the holders of Class D Equity Shares and the holders of Class E Equity Shares) shall be entitled to receive the par value of their shares, together with any dividends declared but unpaid thereon, before any amount shall be paid or any property or assets of the Credit Union distributed to the holders of Class A Equity Shares on the occurrence of any such event. After payment to the holders of the Class C Equity Shares of the amount so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Credit Union.

7. CLASS D EQUITY SHARES

- 7.1 The Class D Equity Shares may be issued in an unlimited amount and shall have attached thereto, as a class, the following special rights and restrictions:

- (a) money invested in Class D Equity Shares and dividends thereon shall not be guaranteed by the fund administered by the Credit Union Deposit Insurance Corporation of British Columbia;
- (b) subject to the *Credit Union Incorporation Act* and these Rules, the Credit Union may redeem or purchase and any Registered Holder may require the Credit Union to redeem any Class D Equity Shares held by a Registered Holder;
- (c) Class D Equity Shares which are redeemed or purchased by the Credit Union shall be redeemed or purchased at such amount as determined by the Board of Directors, but in no event at an amount less than the par value, plus any dividends declared but unpaid thereon;
- (d) unless permitted by a resolution of the Board of Directors, Class D Equity Shares are not transferable;
- (e) Class D Equity Shares shall be issued at, and shall have a par value of, \$1 each;
- (f) in the event of the liquidation, dissolution or winding-up of the Credit Union, voluntary or involuntary, or any other distribution of assets of the Credit Union among the holders of its shares for the purpose of winding-up its affairs and subject to the prior rights of the holders of the Class P Non-Equity Shares and Preferred Equity Shares with respect to a return of capital and dividends upon the dissolution, liquidation, winding-up or other distribution of its assets for the purpose of winding-up, the holders of Class D Equity Shares (rateably with the holders of Class B Equity Shares, the holders of Class C Equity Shares and the holders of Class E Equity Shares) shall be entitled to receive the par value of their shares, together with any dividends declared but unpaid thereon, before any amount shall be paid or any property or assets of the Credit Union distributed to the holders of Class A Equity Shares on the occurrence of any such event. After payment to the holders of the Class D Equity Shares of the amount so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Credit Union.

8. CLASS E EQUITY SHARES

- 8.1 The Class E Equity Shares may be issued in an unlimited amount and shall have attached thereto, as a class, the following special rights and restrictions:
- (a) Class E Equity Shares may, at any time and from time to time, be issued in one or more series with each series consisting of such number of shares as may before the issue thereof be determined by resolution of the Board of Directors;
 - (b) money invested in Class E Equity Shares and dividends thereon shall not be guaranteed by the fund administered by the Credit Union Deposit Insurance Corporation of British Columbia;
 - (c) unless permitted by a resolution of the Board of Directors, Class E Equity Shares are not transferable;
 - (d) Class E Equity Shares shall be issued at, and shall have a par value of, \$1 each;
 - (e) subject to the *Credit Union Incorporation Act* and these Rules, the Board of Directors shall, in its absolute discretion and by resolution duly passed before the issue of any Class E Equity Shares of any series, fix the designation and special rights and restrictions to be attached to the Class E Equity Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate or amount of dividends, the date or dates and place or places of

payment thereof and whether such dividends are cumulative or non-cumulative, conversion rights (if any), and the restrictions (if any) respecting declaration and payment of dividends on any shares ranking junior to the Class E Equity Shares;

- (f) subject to the *Credit Union Incorporation Act* and these Rules, the Board, in its absolute discretion, may establish different rights and restrictions and may declare different rights of dividend for different series of Class E Equity Shares;
- (g) subject to the *Credit Union Incorporation Act* and these Rules, the Credit Union may redeem and any Registered Holder may require the Credit Union to redeem any shares of any series of Class E Equity Shares on such terms and conditions and for such consideration as was established at the time of issue by resolution of the Board of Directors;
- (h) Class E Equity Shares of each series shall rank *pari passu* with the Class E Equity Shares or every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Credit Union, whether voluntary or involuntary, or any other distribution of the assets of the Credit Union among the holders of its shares for the purpose of winding-up its affairs;
- (i) as and when declared by the Board of Directors, the Registered Holders of the Class E Equity Shares of each series shall be entitled to receive and the Credit Union shall pay thereon, out of the moneys of the Credit Union properly applicable to the payment of dividends, cash or stock dividends at such rate or rates, on a cumulative or non-cumulative basis, and on such date or dates as the Board of Directors may fix or may have fixed by the resolution provided for in clause (e) hereof with respect to such series;
- (j) in the event of the liquidation, dissolution or winding-up of the Credit Union, voluntary or involuntary, or any other distribution of assets of the Credit Union among the holders of its shares for the purpose of winding-up its affairs and subject to the prior rights of the holders of the Class P Non-Equity Shares and Preferred Equity Shares with respect to a return of capital and dividends upon the dissolution, liquidation, winding-up or other distribution of its assets for the purpose of winding-up, the holders of Class E Equity Shares (rateably with the holders of Class B Equity Shares, the holders of Class C Equity Shares and the holders of Class D Equity Shares) shall be entitled to receive the par value of their shares, together with any dividends declared but unpaid thereon, before any amount shall be paid or any property or assets of the Credit Union distributed to the holders of Class A Equity Shares on the occurrence of any such event. After payment to the holders of the Class E Equity Shares of the amount so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Credit Union.

9. PREFERRED EQUITY SHARES

9.1 The Preferred Equity Shares may be issued in an unlimited amount and shall have attached thereto, the following special rights and restrictions:

- (a) Preferred Equity Shares may, at any time and from time to time, be issued in one or more series with each series consisting of such number of shares as may before the issue thereof be determined by resolution of the Board of Directors;
- (b) money invested in any Preferred Equity Shares and dividends thereon shall not be guaranteed by the fund administered by the Credit Union Deposit Insurance Corporation of British Columbia;

- (c) subject to the *Credit Union Incorporation Act* and these Rules, the Board of Directors shall, in its absolute discretion and by resolution duly passed before the issue of any Preferred Equity Shares of any series, fix the designation and special rights and restrictions to be attached to the Preferred Equity Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate or amount of preferential dividends, the date or dates and place or places of payment thereof, conversion rights (if any), and the restrictions (if any) respecting declaration and payment of dividends on any shares ranking junior to the Preferred Equity Shares;
- (d) subject to the *Credit Union Incorporation Act* and these Rules, the Board of Directors, in its absolute discretion, may establish different rights and restrictions and may declare different rights of dividend for different series of Preferred Equity Shares;
- (e) subject to the *Credit Union Incorporation Act* and these Rules, the Credit Union may redeem and any Registered Holder may require the Credit Union to redeem any shares of any series of Preferred Equity Shares on such terms and conditions and for such consideration as was established at the time of issue by resolution of the Board of Directors;
- (f) Preferred Equity Shares of each series shall, with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Credit Union, whether voluntary or involuntary, or any other distribution of the assets of the Credit Union among the holders of its shares for the purposes of winding-up its affairs, be entitled to preference over the Equity Shares of the Credit Union and over any other share ranking junior to the Preferred Equity Shares on the occurrence of such an event and the Preferred Equity Shares of each series may also be given such other preferences over the Equity Shares and any other shares ranking junior to the Preferred Equity Shares as may be determined as to the respective series authorized to be issued;
- (g) Preferred Equity Shares of each series shall rank *pari passu* with the Preferred Equity Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Credit Union, whether voluntary or involuntary, or any other distribution of the assets of the Credit Union among the holders of its shares for the purpose of winding-up its affairs;
- (h) as and when declared by the Board of Directors, the Registered Holders of the Preferred Equity Shares of each series shall be entitled to receive and the Credit Union shall pay thereon, out of moneys of the Credit Union properly applicable to the payment of dividends, cumulative preferential cash or stock dividends at such rate or rates and on such date or dates as the Board of Directors may have fixed by the resolution provided for in clause (c) hereof with respect to such series. The holders of the Preferred Equity Shares of any series shall not be entitled to any dividends other than the dividends for such series referred to earlier in this clause (h);
- (i) unless permitted by a resolution of the Board of Directors, Preferred Equity Shares are not transferable;
- (j) all Preferred Equity Shares shall be issued at, and shall have a par value of, \$1 each;
- (k) in the event of the liquidation, dissolution or winding-up of the Credit Union, voluntary or involuntary, or any other distribution of assets of the Credit Union among the holders of its shares for the purpose of winding-up its affairs and subject to the prior rights of the holders of the Class P Non-Equity Shares with respect to a return of capital and dividends upon the dissolution, liquidation, winding-up or other distribution of its assets for the purpose of winding-up, the holders of any class of Preferred Equity Shares of each series shall be entitled to receive the par value of

their shares, together with any dividends declared but unpaid thereon, before any amount shall be paid or any property or assets of the Credit Union distributed to the holders of any Equity Shares on the occurrence of any such event. After payment to the holders of the Preferred Equity Shares of each series of the amount so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Credit Union.

10. CLASS P NON-EQUITY SHARES

10.1 Class P Non-Equity Shares may be issued in an unlimited amount and shall have attached thereto the following rights and restrictions:

- (a) subject to the *Credit Union Incorporation Act* and these Rules, the Credit Union may redeem or purchase any Class P Non-Equity Shares held by a Registered Holder on such terms and conditions and at such times as the Board of Directors, in their discretion, resolve;
- (b) Class P Non-Equity Shares which are redeemed or purchased by the Credit Union shall be redeemed or purchased at such amount as determined by the Board of Directors, but in no event at an amount less than the par value, plus any dividends declared but unpaid thereon;
- (c) Class P Non-Equity Shares are not transferable;
- (d) Class P Non-Equity Shares shall be issued at, and shall have a par value of, \$1 each;
- (e) in the event of the liquidation, dissolution or winding-up of the Credit Union, voluntary or involuntary, or any other distribution of the assets of the Credit Union among the holders of its shares for the purpose of winding-up its affairs the holders of the Class P Non-Equity Shares shall not be entitled to share in any distribution of the property or assets of the Credit Union save as allowed for under the *Credit Union Incorporation Act*.

11. DEPOSITS

11.1 A statutory declaration of a Director or officer of the Credit Union that a lien of the Credit Union has been exercised or a share forfeited and stating the date of the exercise or forfeiture shall be conclusive evidence of the facts therein stated.

11.2 The Board of Directors may determine the forms by which a person may place monies on deposit, subscribe for shares, withdraw monies on deposit or request redemption of shares, and the Board of Directors may delegate the power to make such determinations.

11.3 Accounts may be held jointly.

11.4 Interest on deposits and dividends on shares, in the absence of an express share right, contract or agreement, shall be paid or credited at times, intervals and in a manner determined by the Board of Directors.

12. BORROWING AND LENDING

12.1 The Board of Directors may raise and borrow money for the purposes of the Credit Union upon such terms and conditions as to interest, terms of repayment, and security as they determine by resolution.

- 12.2 If the Board of Directors, pursuant to Rule 12.1, issue debt securities related to holdings of Equity Shares, regardless of the terms of the contract, the Board of Directors may redeem the obligation of the Credit Union to the member if the member fails to maintain required holdings of Equity Shares in the Credit Union.
- 12.3 The Board of Directors shall determine the terms and conditions of loans as to interest and other charges, terms of repayment, and security, and may require an additional number of Equity Shares be subscribed for and purchased by a member as a condition of a loan to such member, in excess of the minimum holdings generally required by these Rules from time to time, and may, by resolution, delegate the power to make loans and to make the determination aforesaid.
- 12.4 At the full and timely retirement of the indebtedness by a member referred to in Rule 12.3, any additional shares required in Rule 12, held at the time of the redemption of indebtedness, in excess of the minimum holdings generally required by these Rules from time to time, shall be redeemed upon the member's request in writing, notwithstanding any Rules to the contrary but subject to Rule 4.1.

13. COMPOSITION OF BOARD OF DIRECTORS

- 13.1 Unless changed by a resolution of the members and subject to a resolution of the Board of Directors pursuant to Rule 13.5, the number of Directors of the Credit Union shall be not less than nine and shall be set, from time to time, by the Board of Directors, and at least one third of the Directors on the Board of Directors must be Financially Literate. If at any time at least one third of the Directors are not Financially Literate, the number of Directors on the Board of Directors shall be increased, and the Board of Directors must appoint such number of individuals to the Board of Directors that are Financially Literate to ensure that at least one third of the Directors on the Board of Directors are Financially Literate. The term of a Director appointed pursuant to this Section 13.1 shall be until the close of the next Annual General Meeting.
- 13.2 Except where a Director is appointed or elected pursuant to Rule 13.4 to fill the unexpired portion of a term and subject to the provisions of Rule 13.5, each person elected as a director shall take office for a three-year term commencing immediately following the close of the Annual General Meeting following such election and ending as at the close of the third Annual General Meeting following the commencement of such term.
- 13.3 The Board of Directors may, but shall not be obligated, to require from time to time that a specific number of Directors be residents of any Region specified by resolution of the Board of Directors. Irrespective of any residency requirements, all Directors shall, notwithstanding anything else contained in these Rules, be representatives of, and elected by all members of the Credit Union. Any such residency requirements may be modified by the Board of Directors in their discretion including without limitation reducing or increasing the number of Directors required to be residents of a specific Region. The Board of Directors may, in their discretion, determine from time to time the criteria for determining residency for the purposes of this Rule.
- 13.4 If the number of Directors of the Credit Union prescribed in this Rule 13 is reduced by death, resignation, disqualification, or removal from office or by failure to elect or appoint a Director pursuant to these Rules or for any other reason, the remaining Directors, save as may be provided by any other provision in these Rules, shall have all of the powers of the Board of Directors until the vacancy or vacancies caused thereby have been filled by appointment or election. Subject to Rules 13.3 and 13.5, the remaining Directors may appoint a person eligible under Rule 15.2 to fill any such vacancy. Any person so appointed shall hold office until the expiry of the term of office of the position that was vacated or not filled.

- 13.5 Notwithstanding anything else contained these Rules, if the Credit Union enters into an agreement for an amalgamation or arrangement with, or for the purpose of purchasing all or substantially all of the assets or shares of another credit union, the Board of Directors may by resolution appoint such additional Directors, who are eligible to serve as Directors under Rule 15.2, as the Board of Directors shall determine at their sole discretion and may designate the length of their terms of office, but the total number of Directors following such appointment shall not in any event exceed 20, and the term of office of any such additional Director shall not continue beyond the close of the third Annual General Meeting following such appointment.
- 13.6 Where the term of a Director appointed pursuant to Rule 13.5 has expired or where such position becomes vacant prior to the termination of the appointed Director's term, no vacancy shall be deemed to thereafter exist and, for greater certainty, no person shall be appointed or elected pursuant to Rule 13.4 to fill any unexpired portion of the term of a Director appointed pursuant to Rule 13.5, and Rule 15.1 shall not apply to any person appointed pursuant to Rule 13.5; however, a person appointed as a Director pursuant to Rule 13.5 whose term has expired shall be eligible for election for any other vacancy for which an election is to be held pursuant to these Rules.
- 13.7 At any time the Conduct Review Committee may review any Director's actions in order to make a determination (a "**Determination**") that the Director:
- (a) breached or violated these Rules, the Conflict of Interest Policy, the Code of Conduct and Ethics for Directors, or any such other codes and policies as that Director may become subject to as a Director of the Credit Union from time to time;
 - (b) breached the confidentiality of any proceedings, deliberations, or information of the Board of Directors;
 - (c) failed to meet the standards for Directors set out in the Performance Standards Policy for Directors; or
 - (d) when a candidate for election as a Director, the Director violated the Campaign Regulations or these Rules.

The Director will be provided the opportunity to address the Conduct Review Committee prior to a Determination under this Rule 13.7. In the event that the Conduct Review Committee has made a Determination regarding a particular Director, that Director may be removed as a Director by a resolution passed by not less than 2/3 of the remaining Directors. The Director will be provided the opportunity to address the Board of Directors prior to a vote under this Rule 13.7.

- 13.8 The Board of Directors shall restrict the number of Directors that are not "Independent" at any given time and for these purposes may, in their discretion, adopt policies and procedures in relation to the definition and determination of all matters related thereto. A Director is Independent if a reasonable person with knowledge of all the relevant circumstances would conclude that the Director is independent of management of the Credit Union and has no direct or indirect material relationship with the Credit Union. The Board of Directors may also supplement the definition of Independent in the Conflict of Interest Policy.

14. PROCEEDINGS OF DIRECTORS

- 14.1 The Board of Directors shall, subject to these Rules, manage or supervise the management of the affairs and business of the Credit Union, provide strategic planning advice and, in furtherance of the foregoing, shall:
- (a) meet at least eight times in each calendar year and not less frequently than once in each quarter;
 - (b) within 60 days after each Annual General Meeting, elect from its own members a Chair and may, in its discretion, elect any number of Vice-Chairs; and
 - (c) appoint a Chief Executive Officer to be the senior management officer of the Credit Union and such additional officers as it deems necessary for the continuing operation of the Credit Union.
- 14.2 Upon notice pursuant to the provisions of Rule 14.3, the Chair:
- (a) at any time may call a meeting of the Board of Directors; and
 - (b) within two business days of receipt of a request in writing to call a meeting signed by three Directors, shall call a meeting of the Board of Directors.
- If the Chair is unable to or does not call the meeting requested pursuant to Section 14.2(b) above, the three Directors shall be permitted to call the meeting pursuant to Section 14.3 below.
- 14.3 Notice of the time and place of a meeting of the Board of Directors shall be given to each Director at the last address left by the Director for that purpose by personal delivery, mail or electronic means, not less than 24 hours before the meeting, provided that the required 24 hour notice period may be waived by that Director. Attendance at a meeting shall be deemed to be a waiver of such notice. Accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any Director shall not invalidate the proceedings at that meeting.
- 14.4 A majority of the Directors shall constitute a quorum but a lesser number may adjourn from time to time until a quorum is obtained. A Director who is interested, directly or indirectly, in a proposed contract or transaction with the Credit Union may be counted for the purposes of quorum.
- 14.5 If the Chair is absent or is unable for any reason to act, or if the office of the Chair becomes vacant, a Vice-Chair, or in their absence another member of the Board decided by the Board of Directors shall assume and discharge the duties and responsibilities of the Chair at the meeting in question.
- 14.6 Questions arising at any meeting of the Board of Directors shall be decided by a majority of votes, and the Chair shall not vote except in the event of an equality of votes.
- 14.7 Subject to the *Credit Union Incorporation Act* and *Financial Institutions Act*, the Board of Directors:
- (a) may, by resolution, appoint one or more Board committees consisting of such of the Directors as the Board of Directors thinks fit and may, by resolution, delegate to any such Board Committee any but not all of the powers of the Board of Directors (except the Board of Directors may not delegate the power to fill vacancies in the Board of Directors, the power to change the membership or fill vacancies in any committee appointed by the Board of Directors and the power to appoint or to remove officers appointed by the Board of Directors, or the power to declare dividends); and

- (b) may, by resolution appoint one or more other committees consisting of such of the Directors or of other persons as the Board of Directors thinks fit.
- 14.8 Any committee appointed pursuant to Rule 14.7 shall conform to any regulations that may from time to time be imposed upon it by the Board of Directors, shall keep regular minutes of their transactions and cause them to be recorded in books kept for that purpose and shall report the same to the Board of Directors at such times as the Board of Directors may from time to time require.
- 14.9 The Board of Directors shall have the power at any time to revoke or override any authority given to any Board Committee and to terminate the appointment or change the membership of any committee appointed pursuant to Rule 14.7 and to fill vacancies in it.
- 14.10 Subject to the *Credit Union Incorporation Act* and the *Financial Institutions Act*, a committee appointed pursuant to Rule 14.7 may elect its chair. If no such chair is elected or if at any meeting the chair so elected is not present within ten minutes after the time appointed for holding the meeting, the members present may choose one of their number to be chair of that meeting.
- 14.11 Unless otherwise determined by the Board of Directors, the members of a committee may meet and adjourn as they think proper and questions arising at the meeting of a committee shall be determined by a majority of the members present and, if there should be an equality of votes, the chair of such committee shall not have a second or casting vote and the motion shall fail.
- 14.12 A majority of the members of a committee shall constitute a quorum and a director who is interested, directly or indirectly, in a proposed contract or transaction with the Credit Union may be counted for the purposes of quorum.
- 14.13 Where the Chair serves as a member of a committee solely on an *ex officio* basis, the Chair shall not be counted in determining quorum for the committee and shall not have a vote at meetings of that committee, unless otherwise stated in the terms of reference adopted by the Board of Directors for such committee.
- 14.14 If a majority of the Directors present at or participating in a meeting consent, a meeting of Directors or a committee of Directors may be held by means of electronic or other communications facilities that allow all Directors participating in the meeting to communicate with each other during the meeting, and a Director who participates in the meeting by those means shall be deemed to have so consented and to be present at the meeting and shall be counted in the quorum therefor and entitled to speak and vote thereat using those means. A meeting held under this Rule 14.14 shall be deemed to be held at the place where the records office of the Credit Union is located.
- 14.15 A resolution, whether or not in counterpart, consented to in writing and whether by email, facsimile, or other electronic means of transmitting legibly recorded messages or other means, by all Directors or all the members of a committee and filed with the minutes of the Board of Directors or the committee shall be as valid and effectual as if it had been passed at a meeting of the Board of Directors or of the committee, duly called and constituted.
- 14.16 The Board of Directors must appoint an Audit Committee of not less than three persons who must at all times during the currency of the work of the Audit Committee be and continue to be Directors of the Credit Union. In addition, all of the members of the Audit Committee must be Independent and Financially Literate.

15. ELIGIBILITY TO BE A DIRECTOR

- 15.1 Retiring Directors cease to hold office and newly elected Directors take office, at the close of each Annual General Meeting. A retiring Director is eligible to be nominated for re-election.
- 15.2 Each person, other than a junior member or a person disqualified by Rule 15.3, who is a member in good standing of the Credit Union as at the close of nominations immediately before such member's election or appointment as a Director, is eligible to be a Director.
- 15.3 A person is not eligible to be elected or appointed to the office of Director of the Credit Union and, if holding the office of Director of the Credit Union, shall immediately vacate the office, if such person:
- (a) is not, or ceases to be, eligible to be insured as required under the *Financial Institutions Act*;
 - (b) is an employee of the *Credit Union Deposit Insurance Corporation of British Columbia*, an auditor of a credit union or a public servant concerned by his duties with the affairs of a credit union;
 - (c) is a corporation;
 - (d) is an undischarged bankrupt;
 - (e) is a discharged bankrupt and less than five years has elapsed since the date of discharge from bankruptcy;
 - (f) is convicted of an offence in connection with the promotion, formation or management of a corporation or involving fraud unless five years have elapsed since the latest of:
 - (i) the expiration of the period fixed for suspension of passing of sentence;
 - (ii) the imposition of a fine; or
 - (iii) the conclusion of a term of imprisonment and probation;but the disability imposed by this Rule 15.3(f) ceases on a pardon being granted under the *Criminal Records Act (Canada)*;
 - (g) is found to be incapable of managing his or her own affairs by reason of mental infirmity;
 - (h) being a Director, has failed, without being excused, to attend regular monthly meetings of Board of Directors for three consecutive months in which meetings are held;
 - (i) is an employee of the Credit Union, a subsidiary of the Credit Union or an associated corporation in which the Credit Union holds shares, or a relative of:
 - (A) that employee; or
 - (B) the spouse of that employee;who occupies the same house as that person;
 - (j) is a director, officer, agent, or employee of a credit union, bank, trust company, savings and loan association, loan company, real estate agency, insurance company, insurance agency or any other firm, association, syndicate, company, corporation or other business enterprise engaged in or concerned with or interested in, any business or any part thereof from time to time carried on

by the Credit Union or by any of its subsidiaries (except where such person is a director of a central credit union, a Director of the Credit Union, a director of any credit union all or substantially all of the assets or shares of which have been acquired by the Credit Union, a director of any subsidiary of any credit union all or substantially all of the assets or shares of which have been acquired by the Credit Union, and not otherwise ineligible to be a Director of the Credit Union, or where the Board of Directors determines, by resolution, that this Rule 15.3(j) shall not apply to such person);

- (k) is the spouse of any person referred to in subparagraph (j) of this Rule 15.3;
- (l) has been an employee of the Credit Union, a subsidiary of the Credit Union or an associated corporation in which the Credit Union holds shares at any time during the two-year period immediately before such member's election or appointment; or
- (m) has ever been in default under any obligation to the Credit Union and has failed to pay the debt in full together with accrued interest;
- (n) is a person disqualified from becoming or acting as a director, pursuant to the *Company Act*, the *Credit Union Incorporation Act* or the *Financial Institutions Act*; or
- (o) was removed from the position of Director by the Board of Directors in accordance with Rule 13.7.

For the purposes of this Rule 15.3, the term "employee" includes a person who is paid to provide his or her services, directly or indirectly, to the Credit Union, a subsidiary of the Credit Union or financial institution, as the case may be, on a full-time or part-time basis as an employee, and the term "spouse" has the meaning given to it in the *Credit Union Incorporation Act*. The Board of Directors may, in their discretion, determine additional criteria for determining whether or not a person is an "employee" for the purposes of these Rules.

15.4 Every nominee for election or appointment as a Director shall file with the Nominations Committee, if for election, or with the Board of Directors, if for appointment, in forms prescribed by the Board of Directors:

- (a) the declaration contemplated in Rule 16.6; and;
- (b) a statement of all known conflicts of interest between the nominee and the Credit Union.

The declaration and statement shall not excuse the nominee, if elected or appointed, from compliance with the *Company Act*, the *Credit Union Incorporation Act*, the *Financial Institutions Act*, Credit Union policies and these Rules.

16. ELECTION OF DIRECTORS

16.1 Not later than 60 days after each Annual General Meeting, the Board of Directors shall appoint a Nominations Committee of not less than three persons who must at all times during the currency of the work of the Nominations Committee be and continue to be Directors of the Credit Union.

16.2 If the Board of Directors has required a specific number of Directors to be residents of one or more Regions, at least one member of the Nominations Committee shall be a Director who is a resident of each such specified Region(s). No member of a Nominations Committee responsible for the conduct of an election is eligible to stand for office in that election.

- 16.3 At least 90 days prior to the Annual General Meeting the Board of Directors shall, in accordance with Rule 18.9, determine the method by which ballots for the election of Directors may be distributed and voting may take place.
- 16.4 At least 90 days before each Annual General Meeting, the Board of Directors shall appoint a Returning Officer who shall be responsible for the supervision of elections.
- 16.5 At least 90 days before each Annual General Meeting, the Nominations Committee shall:
- (a) notify all members of the Credit Union that an election of Directors is to take place, specifying the number of positions (and any residency requirements established pursuant to Rule 13.3) which the Nominations Committee knows at that time are required to be filled;
 - (b) invite members to submit to the Nominations Committee, in such form or forms the Nominations Committee shall from time to time prescribe for the purpose, the names of proposed candidates (and, if applicable, the residency of any such person proposed as a candidate) prior to a date which shall be specified in the notice, which date shall not be less than 30 days from the date of the notice; and
 - (c) advise all members, that for purposes of being eligible to vote in the election, a person must be a member, other than a junior member, in good standing on the Voting Record Date established in accordance with Rule 19.1.
- 16.6 Before the name of a member is placed in nomination as a candidate for election as a Director, that member shall deliver to the Nominations Committee a declaration, in writing, stating that the member is willing:
- (a) to stand for election, and if elected or appointed, to serve as a Director;
 - (b) to observe the provisions of the *Company Act*, the *Credit Union Incorporation Act*, the *Financial Institutions Act*, and the *Securities Act* of British Columbia, as applicable;
 - (c) to comply with the Conflict of Interest Policy, the Code of Conduct and Ethics for Directors and the Code of Performance Standards for Directors, each as adopted by the Board of Directors from time to time; and
 - (d) to observe the Rules of the Credit Union and the procedures relating to the election and conduct of Directors contained therein.
- 16.7 The Credit Union shall, prior to the date on which nominations are to close, at such times and places as are specified by the Nominations Committee, hold one or more information sessions for those members who are considering permitting their names to be placed in nomination as candidates for election as a Director. The name of a member shall not be placed in nomination as a candidate for election as a Director if that member has not attended at least one of the information sessions so held, unless the requirement to attend an information session has been waived by the Nominations Committee in accordance with these Rules. Before the name of a member is placed in nomination as a candidate for election as a Director, that member must attend an interview with the Nominations Committee, at the time and place specified by the Nominations Committee pursuant to Rule 16.10, unless the requirement to attend such interview has been waived by the Nominations Committee in accordance with these Rules. If an individual is not able to attend an information session or interview due to extenuating circumstances, the Nominations Committee may waive the applicable attendance requirement. The Nominations Committee may waive either or both of these attendance requirements for any member who is then currently serving on the Board of Directors.

- 16.8 Each nomination of a member as a candidate for election as a Director must be made in writing by at least three members of the Credit Union who are of the age of majority. Each nomination of a member as a candidate for election as a Director must be in the form and accompanied by such information as is prescribed by the Nominations Committee from time to time.
- 16.9 The Nominations Committee may invite candidates to stand for election, having regard to the Candidate Recommendation Policy, if a candidate is eligible and qualified to be a director under the *Credit Union Incorporation Act*, the *Financial Institutions Act* and these Rules. Any candidate that is invited to stand for election as a Director pursuant to this Section 16.9 shall not be required to comply with Section 16.8 above.
- 16.10 The Nominations Committee shall examine each nomination received and determine whether the nomination complies with the *Credit Union Incorporation Act*, the *Financial Institutions Act* and these Rules, and shall accept each nomination of a member qualified to be a candidate whose nomination complies with the foregoing and is otherwise in order and in the form and with the information prescribed by the Nomination Committee and shall reject each nomination of a member who is not qualified to be a candidate or whose nomination does not comply with the *Credit Union Incorporation Act*, *Financial Institutions Act* or these Rules or is otherwise not in order or not in the form and with the information prescribed by the Nominations Committee and shall notify each nominee accordingly and shall, forthwith after the date on which nominations close:
- (a) inform each member whose nomination has been accepted of the provisions of these Rules with respect to the conduct of the election and provide to each member whose nomination has been accepted a copy of the Rules of the Credit Union and any determinations of the Board relating to elections and the conduct thereof;
 - (b) inform each member whose nomination has been accepted of the time and place at which he is required to meet with the Nominations Committee for the interview required by Rule 16.7;
 - (c) request that each member whose nomination has been accepted complete and deliver to the Credit Union the personal information return required to be submitted to the Superintendent pursuant to the *Financial Institutions Act* in the event such member becomes a Director of the Credit Union;
 - (d) place in nomination the names of those members whose nominations have been accepted; and
 - (e) place in nomination the names of other qualified members, so that the total number of members whose names have been placed in nomination as candidates for election as Director is at least equal to the number of vacancies to be filled in the election, having regard to any residency requirements established pursuant to Rule 13.3.
- 16.11 Taking in to account the number of returning Directors that are Financially Literate, the Nominations Committee may recommend any number of candidates and may communicate its recommendations and the reasons for its recommendations to the members in any manner as it thinks fit.

- 16.12 In order to be recommended by the Nominations Committee, a nominee for election or appointment as a director must have any of the following qualifications:
- (a) experience as a board member or senior executive or management with:
 - (i) a business in the financial services or real estate sector, including a financial institution;
 - (ii) a significant not-for profit organization having province or nation-wide operations;
 - (iii) a business of such complexity that would allow the director to have a good understanding of the business of the Credit Union;
 - (iv) a crown corporation;
 - (v) a public corporation; or
 - (b) any experience which in the sole discretion of the Nominations Committee is equivalent to the experience listed in Rule 16.12(a)(i) through (v) above.

The Nominations Committee shall have the sole discretion to determine whether or not a candidate's experience fits within this Rule 16.12.

- 16.13 If there is an election by acclamation, the respective terms of the persons so elected shall be decided by lot by the Nominations Committee, if necessary.
- 16.14 If the number of qualified persons nominated for the offices for which the election is to be held is equal to the number of offices to be filled, the persons so nominated shall be declared by the Nominations Committee to be elected by acclamation.
- 16.15 Where the number of qualified persons nominated for the offices for which the election is to be held is in excess of the vacancies to be filled, having regard to any residency requirements established pursuant to Rule 13.3, an election shall be held before the next Annual General Meeting to fill the vacancies. Where an election is to be held, the Nominations Committee shall make available to all members of the Credit Union entitled to vote, in sufficient time so as to provide the members at least 18 days notice (having regard to section 78(5) of the *Credit Union Incorporation Act*), such information regarding the dates of the election, candidates (and for greater certainty, the Nominations Committee may include more information about recommended candidates), voting eligibility, balloting (including instructions for casting ballots) and any such other information and materials as prescribed and determined appropriate by the Nominations Committee in its sole and unfettered discretion.
- 16.16 Only those members in good standing on the Voting Record Date established pursuant to Rule 19.1 for such election shall be eligible to cast ballots in the election. A ballot cast in any election of Directors must contain the same number of votes as the number of vacancies to be filled in that election of Directors and any ballot indicating another intention is void.
- 16.17 If an eligible member does not receive a ballot pursuant to Rule 16.15, or loses or destroys the ballot before it is cast, then upon receipt prior to the close of voting of a declaration from that member that the ballot was not received, or has been lost or destroyed, and that the member has not cast a ballot in the election, the Credit Union shall make available to that member the items and information to be provided pursuant to Rule 16.15 on the terms and conditions determined by the Nominations Committee from time to time.

- 16.18 The Returning Officer shall cause all ballots to be returned to him or her after the close of voting as described in Rule 16.15 and cause a tally to be made of all ballots received by the Credit Union, that tally to be conducted in a manner ensuring the secrecy of the voting, and for that purpose may employ such scrutineers and clerks who shall not be Directors or officers of the Credit Union, as may in the opinion of the Returning Officer be reasonable.
- 16.19 Notwithstanding anything herein contained, the final decision in determining whether or not a ballot is to be rejected or accepted shall be made prior to the tallying of votes, by the Returning Officer whose discretion is absolute and not open to question or review.
- 16.20 Subject to the provisions of Rule 16.21 and any residency requirements established pursuant to Rule 13.3, where the terms of office of Directors being filled at any election differ, the term of each Director elected shall be determined in proportion to the number of votes received by that Director, the Director receiving the greatest number of votes to hold office for the longest term.
- 16.21 If there are two or more persons having an equal number of votes in any election, the successful nominees or the terms of the persons so elected, as the case may be, shall be determined by the Nominations Committee having regard to any residency requirements established pursuant to Rule 13.3.
- 16.22 As soon as practical but in no event later than ten days from the closing of an election and not later than 48 hours before the commencement of the Annual General Meeting, the Returning Officer shall communicate the results of the election to the Chair of the Nominations Committee, who will communicate such results to each of the Directors and each of the candidates for election.
- 16.23 The results of the election shall be announced at the Annual General Meeting following the election.
- 16.24 A notice of the election or appointment of a person as a Director of the Credit Union shall be filed with the Superintendent in accordance with all applicable laws.
- 16.25 Subject to applicable laws, the Board of Directors shall from time to time determine the method and manner in which candidates shall be permitted to campaign for election in the Campaign Regulations and candidates may only campaign in accordance with the permitted method and manner as determined by the Board of Directors and must not campaign in the method and manner prohibited by the Board of Directors in the Campaign Regulations.
- 16.26 Notwithstanding Rule 16.25, no candidate shall campaign on or interfere with, ingress or egress to the property of the Credit Union in connection with any election or permit anyone to do so on his or her behalf.
- 16.27 Notwithstanding Rule 16.25, no candidate shall campaign or permit any person to campaign on his or her behalf in any of the premises of the Credit Union or subsidiary of the Credit Union or any property where any premises or facilities of the Credit Union or subsidiary of it are situated, except in the method and manner permitted pursuant to these Rules and any regulations as may be determined by the Board of Directors.
- 16.28 Subject to applicable laws, a candidate who campaigns or permits any person to campaign on his or her behalf in any method or manner which in the opinion of two thirds of the Board of Directors is other than as determined by the Board of Directors shall be disqualified as a candidate and no vote cast in favour of that candidate shall be counted in the tally of ballots, but the ballots shall not otherwise be deemed to be void. The candidate will be given the opportunity to address the Board of Directors before such a vote is taken. Within 24 hours of the disqualification of a candidate by the Board of Directors, the Board of Directors shall give written notice of such disqualification to the candidate and the notice shall specify the reason or reasons for the disqualification.

- 16.29 Notwithstanding Rule 16.25, no candidate shall interfere with the election process or seek assistance in connection with the election from any employee of the Credit Union or subsidiary thereof, the Returning Officer or any person employed by the Returning Officer.
- 16.30 If any candidate violates any of these Rules or the Campaign Regulations, the Board of Directors may disqualify the candidate and the determination of the Board of Directors shall be final, non-appealable and binding. In the event of a violation of these Rules or the Campaign Regulation, the Board of Directors may also remove a candidate as Director pursuant to Rule 13.7.

17. AUDITOR

- 17.1 At each Annual General Meeting of the Credit Union an auditor or auditors shall be appointed to hold office until the close of the next Annual General Meeting and, if at that meeting a new appointment is not made, the auditor(s) in office shall continue as auditor(s) until their successor is appointed.
- 17.2 The Board of Directors shall fix the remuneration to be paid to the auditor(s).

18. GENERAL MEETINGS

- 18.1 Annual General Meetings of the Credit Union shall be held annually on a date to be fixed by the Board of Directors and shall be convened and held in accordance with the provisions of the *Credit Union Incorporation Act*.
- 18.2 Rules 18.2(a) to (c) apply in respect of general meetings:
- (a) The Chair of the Board of Directors, or, if a Chair is not appointed, any one of the Vice-Chairs as selected in accordance with Rule 14.5, shall preside as Chair at each general meeting of the Credit Union. If at any meeting neither the Chair nor Vice-Chairs are present within ten minutes after the time appointed for holding the meeting or if none of them is willing to act as Chair, then the members present shall elect one of their number as Chair for that meeting.
 - (b) At a general meeting of the Credit Union, 50 members in good standing shall constitute a quorum.
 - (c) The Chair shall determine any matter in respect of voting at, and the conduct of, any general meeting not governed by the *Credit Union Incorporation Act*, these Rules or any determination of the Board of Directors, and such determination shall be final.
- 18.3 So far as practical, the order of business at an Annual General Meeting shall be:
- (a) Call to order;
 - (b) Determination of compliance with notice and quorum requirements;
 - (c) Approval of the agenda;
 - (d) Appointment of parliamentarian;
 - (e) Approval of minutes of previous general meetings;
 - (f) Business arising out of the minutes;

- (g) Receipt of report of the Board of Directors;
- (h) Receipt of report of the Chief Executive Officer;
- (i) Receipt of auditor's report;
- (j) Receipt of financial statements;
- (k) Appointment of an auditor for the ensuing year;
- (l) Receipt of reports of any Board Committees;
- (m) Report on election of Directors;
- (n) Members' Resolutions and New Business;
- (o) Conclusion; and
- (p) Members' open forum.

18.4 Unless the resolution is submitted by the Board of Directors, in order for an ordinary or special resolution to be eligible for consideration by members at an Annual General Meeting it must be submitted to the Board of Directors for review and consideration at least 90 days prior to the Annual General Meeting and the Board of Directors, at its discretion, shall determine whether the resolution shall be submitted to the members for consideration at the Annual General Meeting.

18.5 At all general meetings:

- (a) each person to be admitted must on request present evidence of identity, membership in good standing and age;
- (b) a junior member (under the age of majority) is not entitled to vote;
- (c) subject to Rule 19.1 and subject to the exception contained in Rule 18.5(b) each member carries the right to one vote to be cast by:
 - (i) the person named on the account;
 - (ii) in the case of an account in the name of more than one person, all eligible members;
or
 - (iii) in the case of a corporation, by its representative duly appointed in writing as provided in the *Credit Union Incorporation Act*.
- (d) no person shall cast more than one vote on a resolution except that in the case of an equality of votes the Chair of the meeting shall be entitled to a second or casting vote; and
- (e) no member may vote by proxy.

18.6 Subject to the provisions of Rules 18.7 to 18.9 inclusive, a resolution adopted at a general meeting of the Credit Union by the requisite majority shall be binding.

- 18.7 The Board of Directors may within seven days after any general meeting at which a resolution has been adopted by the requisite majority determine to refer the resolution to the membership for affirmation and the resolution shall be of no force and effect unless affirmed.
- 18.8 Where the Directors make a determination to submit a resolution adopted at any general meeting to the members for affirmation as provided in Rule 18.7, the Directors may determine that voting may be by mail ballot, ballot at a branch office of the Credit Union or via electronic means, or any combination of these methods, and shall within 180 days of the general meeting at which the resolution was adopted give to each member who is a member in good standing at the date of that meeting:
- (a) a notice containing a brief statement of the action taken by the membership, the determination taken by the Directors to refer the resolution to the membership for affirmation and the reason of the Board of Directors for referring the resolution to the members for affirmation;
 - (b) a ballot containing provision for a vote for or against the affirmation of the resolution;
 - (c) clear and precise instructions for casting the ballot and the return thereof specifying the date by which the ballot must be returned to the Credit Union which date must not be less than 14 days after the giving of the notice referred to in Rule 18.8(a); and
 - (d) such other materials as the Board of Directors deems necessary or advisable in connection with the balloting.
- 18.9 Subject to the *Credit Union Incorporation Act*, at least 90 days prior to any general meeting of members, the Board of Directors shall determine the method by which voting on special resolutions, other resolutions and an election of Directors shall take place.
- (a) The Board of Directors may determine that members may vote:
 - (i) in person at a general meeting or by mail ballot, whichever method the member chooses;
 - (ii) in person at a general meeting or by ballot at a branch office, whichever method the member chooses;
 - (iii) in person at a general meeting, by mail ballot or by ballot at a branch office, whichever method the member chooses;
 - (iv) by mail ballot or voting by ballot at a branch office, whichever method the member chooses;
 - (v) by ballot at a branch office; or
 - (vi) by mail ballot.

- (b) In addition to the voting methods selected by the Board of Directors pursuant to Rule 18.9(a), the Board of Directors may, subject to the *Credit Union Incorporation Act*, the *Financial Institutions Act* and the *Electronic Transactions Act*, determine that members may also vote in an election of Directors and on special resolutions by such electronic means as may be prescribed by the Board of Directors in their discretion.
- (c) Having regard to the determination made in paragraphs (a) and (b), the Board of Directors may determine to deliver ballots:
 - (i) to members by making ballots available in branch offices;
 - (ii) by electronic means;
 - (iii) by mail to all members eligible to cast a ballot;
 - (iv) to members at the general meeting; or
 - (v) a combination of the above methods.

For greater certainty, the Board of Directors may select either the same or a different method of voting for a members' resolution and for the election of Directors. If the Board of Directors does not select a method for voting at a particular general meeting, the Board of Directors shall be deemed to have selected the method set out in Rule 18.9(a)(iii).

- 18.10 Except for special resolutions proposed by the Board of Directors, no special resolution shall be considered or voted on at a general meeting of the Credit Union unless proposed for consideration by proposal or requisition in accordance with the provisions of the *Credit Union Incorporation Act*, in which case the Board of Directors shall adhere to the *Credit Union Incorporation Act* in dealing with such proposal or requisition.
- 18.11 No less than 18 days notice of any general meeting, specifying the time and place of meeting, and in the case of special business, the general nature of the business, shall be given to the membership of the Credit Union.
- 18.12 The following business at a general meeting shall be deemed to be special business:
 - (a) all business at a special general meeting; and
 - (b) all business that is transacted at an Annual General Meeting other than the business referred to in Rule 18.3 (a) through (m), (o) and (p).
- 18.13 The Board of Directors may in their discretion determine that a general meeting (including without limitation an Annual General Meeting) may be held at two or more places by means of electronic or other communication facilities that allow all persons participating in the meeting to communicate with each other during the meeting, all of which together shall constitute one single meeting. A person who participates in a general meeting held in accordance with this Rule 18.13 shall be deemed to be present at the meeting and shall be counted in the quorum therefor. Any person participating in a meeting under this Rule 18.13 and entitled to vote at the meeting may, subject to the *Credit Union Incorporation Act*, the *Financial Institutions Act* and the *Electronic Transactions Act*, vote by means of the electronic or other communication facilities made available by the Credit Union for that purpose.
- 18.14 For greater certainty, subject to the *Credit Union Incorporation Act*, the Board of Directors may, in its sole discretion, determine that voting may take place by written vote or by electronic means in an election or on a resolution or as to any other matter.

19. RECORD DATES

- 19.1 The Board may fix in advance a notice record date for determining members, or persons of a class, entitled to receive notice of a general meeting, a class meeting or voting in an election or on a resolution or as to any other matter (the "Notice Record Date"). The Board may fix in advance a voting record date for determining members, or members of a class of members, entitled to vote on the election of Directors, on a resolution or as to any other matter, whether at a general meeting, class meeting or otherwise (the "Voting Record Date"). The Voting Record Date may be the same date as the Notice Record Date or any date after the Notice Record Date.
- 19.2 If, on the Notice Record Date, a person is not a Registered Holder of the class or classes of shares otherwise entitled to receive notice of a general meeting or a class meeting, that person is not entitled to receive notice of such meeting with respect to that class of shares, notwithstanding
- (a) the rights and restrictions attached to that class of shares; and
 - (b) that the person is a Registered Holder of such class of shares on the date of such meeting or on the Voting Record Date.

20. INDEMNIFICATION AND PROTECTION OF DIRECTORS, OFFICERS AND CERTAIN AGENTS

- 20.1 Subject to the *Financial Institutions Act*, the Credit Union shall indemnify:
- (a) each Director and officer of the Credit Union;
 - (b) each former Director and officer of the Credit Union;
 - (c) each person who acts or who has acted at the request of the Credit Union as a Director or officer of a corporation of which the Credit Union is or was a member or creditor;

against all costs, charges and expenses, including an amount paid to settle any action or proceeding or to satisfy any judgment, reasonably incurred by the Director, officer, former Director, former officer or person for any civil, criminal or administrative action or proceeding, whether threatened, pending, continuing or completed, to which the Director, officer, former Director, former officer or person is or may be made a party by reason of being or having been a Director or officer of the Credit Union or corporation, if the Director, officer, former Director or former officer of the Credit Union or corporation acted honestly and in good faith with a view to the best interests of the Credit Union or corporation, as the case may be, and, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Director or officer or former Director or former officer of the Credit Union or corporation has reasonable grounds for believing that his or her conduct was lawful, and if the Director, officer, former Director, former officer or person is required to include in income or in the income of that individual's estate, any payment made under this indemnification for the purpose of determining income tax payable by the Director, officer, former Director, former officer or person, the Credit Union shall pay an amount by way of indemnity that will fully indemnify for the amount of all liabilities described herein and all income taxes payable as a result of the receipt of the indemnity payment.

21. SEAL

- 21.1 The Credit Union shall have a corporate seal.
- 21.2 The Board of Directors shall provide for the safe custody of the corporate seal of the Credit Union at the registered office of the Credit Union or at such other place as the Board of Directors determines it shall be kept for safekeeping.
- 21.3 The Board of Directors shall appoint authorized signatories to execute documents required to be executed under seal.

22. ALTERATION

- 22.1 The Credit Union may alter its Constitution or these Rules by special resolution from time to time.

23. MISCELLANEOUS

- 23.1 These Rules are subject to the provisions of all applicable legislation.
- 23.2 Subject to the *Credit Union Incorporation Act*, the *Financial Institutions Act* and the *Electronic Transactions Act*, at the Board's discretion, any information or notices that are required to be provided or mailed to members may be either mailed or provided by electronic means and members may vote by electronic means, the Board of Directors may prescribe such technological and other requirements for the use of such electronic means as the Board of Directors in their discretion considers desirable in the circumstances.
- 23.3 Subject to the *Credit Union Incorporation Act*, the *Financial Institutions Act* and the *Electronic Transactions Act*, unless these Rules expressly provide otherwise:
- (a) where these Rules require the use of documents that are "written", "in writing" and other similar words, the Board of Directors may in their discretion permit the use of documents in such electronic means as the Board of Directors in their discretion considers desirable in the circumstances, provided that such documents are accessible in a manner useable for subsequent reference;
 - (b) where these Rules require the notice of, provision or delivery of documents or information, the Board of Directors may in their discretion permit the provision or delivery of such documents or information in such electronic form and by such electronic means (including without limitation making such electronic documents accessible to the intended recipient by an electronic means notified to the intended recipient) as the Board of Directors in their discretion considers desirable in the circumstances, provided that such electronic documents are accessible by the recipient in a manner useable for subsequent reference and capable of being retained by the recipient in a manner useable for subsequent reference; and
 - (c) for the purposes of this Rule 23.3, "document" includes without limitation notices, instruments, resolutions and ballots.

A copy of the credit union Rules is available through your branch or online at www.coastcapitalsavings.com.