

1.0 PURPOSE

Kootenay Savings Credit Union (the Credit Union) is a community credit union established to provide services to its Members, without regard to religious or political belief, language, sex, or racial, ethnic or occupational character or other basis of discrimination.

2.0 INTERPRETATION

- 2.1** These Rules are subject to the Credit Union Incorporation Act, the Financial Institutions Act, and the regulations made under those Acts, all of which are called the "Act", and shall be interpreted and take effect accordingly;
- 2.2** Except as otherwise provided, words defined in the Act have the meanings there provided; and the Rules of interpretations applicable to the Act apply to these Rules;
- 2.3** In these Rules:
- (a) "Application" means an application in writing in a form prescribed by the Board;
 - (b) "Auxiliary Member" means a person who owns additional Participation Shares but is not a Member;
 - (c) "Board" means the board of directors of the Credit Union;
 - (d) "Defaulting Member" means a Member who is, and has been for a period of not less than 90 days, in default under any obligation to the Credit Union, or whose obligation has within the previous 7 years been written off by the Credit Union, in either case whether as principal debtor, covenantor, guarantor, or indemnitor;
 - (e) "Junior Member" means a Member who is under the age of 19 years;
 - (f) "Member" means a person, firm or corporation who complies with Rule 3.0;
 - (g) "Member in Good Standing" means a Voting Member who is not a Defaulting Member;
 - (h) "Membership Shares" means Class "A" shares in the Credit Union;
 - (i) "Minimum Shares" means 25 Membership Shares, except for Junior Members, when it means 5 Membership Shares;
 - (j) "Ordinary Member" means a Member who is a human person and specifically excludes a Member who is:
 - (i) other than the first Member named on a joint account; or
 - (ii) a trustee, whether or not a lawyer, notary public or accountant; or,
 - (iii) a government authority, whether federal, provincial, regional, or municipal, or other public body; or
 - (iv) a federal or provincial corporation, society, co-operative, or other association, or a credit union, bank, or trust company.The Board may, generally or specifically, waive any such exclusion in respect of any Member. No member shall be an Ordinary Member more than once, whether or not such Member shall have qualified to be a Member more than once pursuant to the provisions of Rule 3.0;
 - (k) "Owns", "Owned", and "Owning" means beneficially owns, owned, and owning;
 - (l) "Voting Member" means a Member who owns 25 Membership Shares;
 - (m) Every power of the Board to appoint, delegate, determine, prescribe, or set, includes a power from time to time to rescind, replace, or vary the appointment, delegation, determination, prescription, or setting;
 - (n) Words importing the singular number include the plural, and vice versa, whenever the context so requires.

3.0 MEMBERSHIP

A person, or firm, or corporation shall only become a Member on:

- (a) Owning Minimum Shares; and
- (b) approval by the Board of a written application for membership; and
- (c) payment of an annual membership fee as determined from time to time by the Board.

4.0 CLASSES OF SHARES

- 4.1** There shall be 4 classes of shares, namely, Classes "A", "B", "C", and "D";
- 4.2** Shares shall be subject to the following special rights and restrictions:
- (a) no shares shall be transferable or assignable;
 - (b) only Class "A", "B", "C", Shares (all of which are called "Participation Shares") shall be equity shares, and money invested in equity shares is not guaranteed by the Credit Union Deposit Insurance Corporation;
- 4.3** On the winding up of the Credit Union, its obligations shall be paid in accordance with the Act, and any surplus shall be paid proportionately to Members and Auxiliary Members holding Participation Shares;
- 4.4** The Board may set record dates and terms and conditions for entitlement to dividends, and subject to the Act and these Rules, may declare:
- (a) a dividend on one class of shares in preference to another class of shares; and
 - (b) different rates of dividend for each class of shares;
- 4.5** Class "D" Shares ("Old Shares") are those shares issued prior to the initial creation of Participation Shares;
- 4.6** All shares shall have a par value of \$1.00.

5.0 MEMBERSHIP SHARES

- 5.1 Each member shall Own not more than 1000 nor less that 25 Membership Shares, except for Junior Members, who shall own not more than 1000, nor less than 5 Membership Shares;
- 5.2 Membership Shares may be purchased:
 - (a) for cash: or
 - (b) by tendering Old Shares, share for share, for Membership Shares;
- 5.3 Membership Shares may be redeemed or repurchased by the Credit Union on the Application of the Member Owning such shares at any time;
- 5.4 A member who shall cease to Own Minimum Shares shall forthwith cease to be a Member.

6.0 ADDITIONAL PARTICIPATION SHARES

- 6.1 The Board may from time to time set the maximum number of Class "B" and "C" Shares (together called "Additional Participation Shares") which any Member or Auxiliary Member may own. Subject thereto, a Member or Auxiliary Member may own an unlimited number of Additional Participation Shares;
- 6.2 Subject to the Act and to the provisions of Rule 6.3, all dividends and all patronage refunds shall be paid by issuing Additional Participation Shares;
- 6.3 In accordance with the Act, shares must be issued as fully paid, and if a Member or Auxiliary Member is entitled either to dividends or patronage refunds in an amount which is not at least \$1.00, those dividends or patronage refunds will not be paid, and if, either of them exceeds \$1.00 but is not an exact multiple of \$1.00, the excess entitlement will:
 - (a) if it is \$0.49 or less, not be paid; or
 - (b) if it is \$0.50 or more, be paid as if the excess entitlement were \$1.00
- 6.4 Subject to the Act, Additional Participation Shares may be redeemed or repurchased by the Credit Union on the Application of the Member or Auxiliary Member Owning such shares on such terms and conditions as the Board may from time to time determine. Without limitation, the Board may:
 - (a) determine:
 - (i) the maximum number of Applications; and
 - (ii) the minimum and maximum amount of each Application; in each case, which a Member or Auxiliary Member may make in any financial year of the Credit Union; and,
 - (iii) the maximum aggregate amount of redemptions and repurchases by the Credit Union within any financial year of the Credit Union; and
 - (iv) the period of time within any financial year of the Credit Union during which any such application may be made; and
 - (b) generally and specifically, waive or increase determinations and make different determinations from time to time in respect of any such Applications by a Member or Auxiliary Member or the legal and personal representative of a deceased Member or Auxiliary Member.

7.0 OLD SHARES

- 7.1 A Member or Auxiliary Member may own an unlimited number of Old Shares;
- 7.2 Old Shares may be redeemed or repurchased by the Credit Union on the application of the Member or Auxiliary Member owning such shares at any time.

8.0 PATRONAGE REFUNDS

- 8.1 The Board shall set aside from the earnings of the Credit Union adequate reserves for losses on loans and investments and such contingency and other reserves as are required by the Act or are deemed by the Board to be advisable and shall hold the same as general equity for the protection of all Members and Auxiliary Members;
- 8.2 The Board may set a record date for entitlement and declare payable to Members and Auxiliary Members by way of patronage refunds any earnings remaining after setting aside reserves pursuant to Rule 8.1 and reserves for dividends pursuant to Rule 4.4;
- 8.3 Patronage refunds shall be based on interest paid to the Credit Union by a Member or Auxiliary Member, and interest paid to a Member or Auxiliary Member by the Credit Union, and the use by the Member or Auxiliary Member of services of the Credit Union;
- 8.4 The Board may declare a different rate of patronage refund on:
 - (a) different types of deposits; and,
 - (b) different types of loans; and
 - (c) the use of different types of services of the Credit Union;
- 8.5 All allocations and payments of patronage refunds shall be made in accordance with the laws relating to taxation of income.

9.0 REPRESENTATIVE REGIONS AND DIRECTORS

- 9.1 For the purposes of these rules, there shall be the following regions, each called a "Representative Region":
 - (a) Area "A" Representative Region;

- (b) Area "B" Representative Region;
- (c) Area "C" Representative Region;
- (d) Area "D" Representative Region

- 9.2 The directors may by resolution establish and, from time to time, alter the boundaries of a Representative Region, but no such alteration shall affect the term of a director then serving.
- 9.3 (a) "Regional Director" means a director elected or appointed to represent a Representative Region.
(b) "At-Large Director" means an elected or appointed director who is not a Regional Director
- 9.4 In order to be elected or appointed as a Regional Director, a person must have his or her principal residence within the Representative Region that he or she is to represent.
9.4.1 Whenever it is necessary to determine whether a person has his or her principal residence in a Representative Region, the Nominating Committee shall make that determination, which determination shall be final and conclusive.
- 9.5 If a Regional Director changes his or her residence, that Director shall not, for that reason only, be disqualified from serving the balance of his or her term.
- 9.6 Subject to Rule 9.7, there shall be ten Directors of the Credit Union consisting of one Regional Director for each Representative Region, and six At-Large Directors.
- 9.7 (a) Notwithstanding Rule 10.1.1(e), whenever the Credit Union enters into an agreement to purchase all or substantially all of the assets of another credit union, in accordance with the Credit Union Incorporation Act, the directors may appoint, as additional directors, persons who were directors of the transferring credit union at the date of transfer, and designate their terms of office, but the total number of directors of the Credit Union following such appointments shall not exceed fifteen.
(b) Where the term of office of a director appointed pursuant to Rule 9.7(a) has expired, or where the position becomes vacant prior to the expiration of the term of office, no vacancy shall exist.
- 9.8 The Board shall meet at least once in every 3 months and at least 10 times in every year;
- 9.9 The Chairperson may at any time, and shall within 14 days of a written request to do so signed by any 3 directors, call a meeting of the Board;
- 9.10 One clear day's notice shall be given of meetings of the Board by personal delivery, mail, telegraph, telex, facsimile transmission, or telephone but notice may be waived by a director who does not receive notice;
- 9.11 A majority of the Board shall be a quorum, but a lesser number may adjourn from time to time until a quorum is obtained;
- 9.12 A majority of votes of the directors present shall decide all questions at meetings of the Board. In an equality of votes, the chairperson of the meeting when the vote is taken shall have further casting vote;
- 9.13 The Board may appoint an eligible person to fill any vacancy which occurs on the Board;
- 9.14 A director appointed by the Board to fill a vacancy shall hold office until the close of the next Annual General Meeting;
- 9.15 Retiring directors cease to hold office, and newly elected directors take office, at the close of each Annual General Meeting;
- 9.16 Subject to the Act, the Credit Union shall indemnify:
(a) each director and officer of the Credit Union; and
(b) each former director and officer of the Credit Union; and
(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 satisfy any judgment, reasonably incurred by the director or officer or person for any civil, criminal, or administrative action or proceeding to which the director or officer or person is made a party by reason of being or having been a director or officer of the Credit Union or corporation, if the director or officer of the Credit Union or corporation acted honestly and in good faith with a view to the best interests of the Credit Union and, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the director or officer of the Credit Union or corporation had reasonable grounds for believing that the conduct was lawful; and, if the director or officer is required to include in income or in the income of that individual's estate, any payment made under this indemnification for the purposes of determining income tax payable by the director or officer, the Credit Union shall pay an amount by way of indemnity that will fully indemnify for the amount of all liabilities herein described and all income tax payables as a result of the receipt of the indemnity payment.

10.0 ELIGIBILITY TO BE A DIRECTOR

- 10.1 Subject to Rules 9.4 and 9.7 every member in good standing, except a Junior Member or a member disqualified under Rule 10.1.1., who has been a member of the Credit Union for at least one year prior to the close of nominations, is eligible to be nominated for election as a director of the Credit Union.
- 10.1.1** A person who is:
(a) a person prohibited by the Act; or
(b) an employee of the Credit Union or any of its subsidiaries, or of any corporation in which the

Credit Union is a shareholder; or
(c) a person who, in the preceding three years, was an employee of the Credit Union or any of its subsidiaries, or of any corporation in which the Credit Union is a shareholder; or
(d) a spouse, mother, father, son, daughter, sister, brother, foster child, stepchild, mother-in-law, father-in-law, stepparent, grandparent or grandchild of a person referred to in paragraphs (b), (c) and (e) of this Rule 10.1.1, or of a director of the Credit Union; or
(e) a director, officer, or employee of a bank, trust company, savings and loan association, or credit union other than a central credit union, or any other institution or business that is engaged in activities similar to the activities in which the Credit Union is engaged in the normal course of business;
is not eligible to be nominated for election or to hold office as a director of the Credit Union and, if holding office as a director of the Credit Union, shall vacate office forthwith.

- 10.2** If otherwise eligible under Rule 10.1, a retiring director of the Credit Union is eligible for re-election;
- 10.3** Every nominee for election or appointment as a director shall file with the Nominating Committee, if for election, or with the Board, if for appointment, in forms prescribed by the Board:
(a) a declaration of the Representative Region in which the nominee is principally resident; and
(b) a declaration as to eligibility to be a director; and
(c) 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 Act.

11.0 ELECTION OF DIRECTORS

- 11.1** At each Annual General Meeting, directors shall be declared elected to replace those retiring and to fill any vacancies;
- 11.2** Except on an election to fill the unexpired portion of a term, directors shall hold office for three years.
- 11.3** At least 90 days before each Annual General Meeting, the Board shall appoint a Nominating Committee of at least 3 adult Members in Good Standing, who may be directors, except a director whose term of office expires at that Annual General Meeting and who is standing for re-election, shall notify all Members that an election is to take place, invite nominations from the membership at large of qualified Members willing to stand for election, nomination forms for which will be available at any branch of the Credit Union, and that each Member is entitled to make a written request, not less than 30 days before the date of the General Meeting, for a ballot which may be cast by mail instead of being cast at any branch of the Credit Union.
- 11.4** The Nominating Committee shall place in nomination the names of:
(a) at least as many eligible candidates as there are vacancies to be filled, and
(b) any other eligible candidates who have been nominated by three Members in Good Standing;
- 11.5** Except for the Nominating Committee, no Member may nominate more than 1 person at any election;
- 11.6** The Nominating Committee shall forthwith after receipt examine all nomination forms submitted, determine which candidates are qualified and advise all candidates deemed to be disqualified with reasons for such determination, and, in any event, close nominations not less than 30 days after the Members have received notice under Rule 11.3;
- 11.7** The Nominating Committee may recommend 1 or more of the nominees, whether or not nominated by it, and may communicate its recommendation in such manner as it thinks fit;
- 11.8** If the number of qualified persons nominated for the offices for which the election is to be held is less than or equal to the number of offices to be filled, the persons so nominated shall be declared elected by acclamation by the Chairperson of the Annual General Meeting, provided that, if there is only one person nominated who is qualified to fill an office of a Regional Director, that person shall be declared to be elected by the Chairperson of the Annual General Meeting.
- 11.9** Subject to Rule 11.9.1, where any offices for directors being filled are for different length of terms, the term of each person shall be determined in proportion to the number of votes he or she receives, the person receiving the greatest number of votes to hold office for the longest term. If there are two or more persons having an equal number of votes, their election or term of office as the case may be, shall be determined by the Chairperson. If there is an election by acclamation, the Chairperson shall determine the respective terms of the candidates elected.
11.9.1 If an office of a Regional Director is to be filled in an election, the qualified person who receives the most votes shall be elected to that office.
- 11.10** No Member shall campaign, nor permit any other person to campaign for any candidate, for election as a director:
(a) except after the closing of nominations, and then only in accordance with any guidelines prescribed by the Nominating Committee by that date; nor,
(b) in any of the premises of the Credit Union or a subsidiary of the Credit Union, in any property where any such premises are situated, or within 100 yards of any such premises or property.
- 11.11** On the day that this Rule comes into effect, the following shall occur:
(a) the following Directors and every person appointed as a result of their vacating office shall cease to be a Director:
M. Martin, O. Almaas
(b) the following Directors, who shall constitute the whole Board, shall fill the offices set out next to their names for the terms to expire at the conclusion of the Annual General Meeting held in

the year set out next to their names:

W. Watson	Area "C" Representative Region	2000
J. Aldridge	At-Large	2000
R. Magoon	At-Large	2000
N. Ogloff	Area "B" Representative Region	2001
J. Loo	At-Large	2001
J. Colbert	At-Large	2001
W. Bottcher	Area "D" Representative Region	2001
F. Drinnan	Area "A" Representative Region	2002
S. Cacchioni	At-Large	2002
D. Pavan	At-Large	2002
M. Dean	Appointee (as a result of Warfield CU acquisition)	2000
H. Boker	Appointee (as a result of Edgewater District CU acquisition)	2002

12.0 CHAIRPERSON OF THE BOARD

- 12.1 Within 30 days after each Annual General Meeting, the Board shall meet and shall elect from its own number a Chairperson of the Board, a First Vice Chairperson and a Second Vice Chairperson. It may then, or later, appoint other officers from its own number or otherwise as it considers appropriate;
- 12.2 If the office of the Chairperson becomes vacant, the First Vice Chairperson becomes the Chairperson and the Second Vice Chairperson becomes the First Vice Chairperson, and the Board shall appoint from its number a new Second Vice Chairperson;
- 12.3 If the Chairperson is absent or unable to act, the First Vice Chairperson shall act as the Chairperson, and if both the Chairperson and the First Vice Chairperson are absent or unable to act, the Second Vice Chairperson shall act as the Chairperson;
- 12.4 The Chairperson shall preside at all meetings of the Board;
- 12.5 The Chairperson shall preside at all General Meetings;
- 12.6 The Chairperson shall determine any matter in respect of any voting at, and the conduct of, any General Meeting not governed by the Act, these Rules, or any Board determination, and such determination shall be final.

13.0 MANAGEMENT

The Board shall appoint 1 person as the Chief Executive Officer on such terms and with such powers, including the power to make loans, as it may determine.

14.0 BORROWING OR LENDING

- 14.1 The Board may raise and borrow money for the purposes of the Credit Union;
- 14.2 The Board shall set the terms and conditions of loans as to interest and other charges, term, repayment, and security, and may delegate that power.

15.0 GENERAL MEETINGS

- 15.1 Only Members, persons authorized pursuant to Rule 16.4, the Superintendent, the auditor of the Credit Union, and guests of the Board are entitled to attend General Meetings. To determine entitlement to attend and to vote, the Credit Union may require persons to provide reasonable evidence of identity, membership and age. Unless the Chairperson otherwise directs, persons not entitled to attend a General Meeting shall be excluded;
- 15.2 Subject to Rules 12.6 and 16.5, a General Meeting may adopt rules of order for its conduct and, if no rules are adopted, Robert's Rules of Order (Revised) apply;
- 15.3 At a General Meeting, 50 Voting Members constitute a quorum, but a smaller number may adjourn from time to time until a quorum is obtained;
- 15.4 The Annual General Meeting of the Credit Union shall be held on a date set by the Board;
- 15.5 So far as is practical, the order of business at an Annual General Meeting shall be:
 - (a) approval of the minutes of the last Annual Meeting;
 - (b) business arising out of the minutes;
 - (c) report of the Board;
 - (d) report of the Chief Executive Officer;
 - (e) report of the auditor;
 - (f) approval of the financial statements;
 - (g) reports of the committees;
 - (h) appointment of the auditor;
 - (i) unfinished business;
 - (j) new business;
 - (k) declaration of the election results;
 - (l) good and welfare; and,
 - (m) adjournment
- 15.6 A Special General Meeting may be called by the Board at any time. Subject to the Act, the Board shall call a Special General Meeting upon a requisition signed by at least 300 Members in Good

Standing and delivered to the registered office of the Credit Union at least 90 days before the anniversary date of the last Annual General Meeting and at least 90 days before the date upon which it is proposed that the Special General Meeting be held;

- 15.7 Only a Special Resolution proposed by the Board or signed by at least 300 Members in Good Standing and delivered to the registered office of the Credit Union at least 90 days before a General Meeting may be proposed and voted upon pursuant to Rule 16.5;
- 15.8 Only an ordinary resolution proposed by the Board, or signed by at least 5 Members in Good Standing and delivered to the registered office of the Credit Union at least 7 clear days before a General Meeting and determined by the Chairperson to be presented to that General Meeting, may be proposed and voted upon at a General Meeting;
- 15.9 If the Chairperson determines that an ordinary resolution is not to be presented at a General Meeting, it shall be presented to the Members to vote thereon in such manner as the Board shall determine and, in default of other determination, at the next Annual General Meeting.

16.0 VOTING BY MEMBERS

- 16.1 Each member, except a Junior Member, who is a Member in Good Standing on the date determined pursuant to Rule 16.5, is entitled to one vote in an election of directors and on any resolution that is or could be passed at a General Meeting. If each of 2 or more persons under 18 account own Minimum Shares, the first 2 persons named on the account are deemed to be Voting Members and are the only persons entitled to vote in respect of those Minimum Shares;
- 16.2 Except for special resolutions, which shall be passed by the majority of votes set by the Act, all questions to be decided by a vote of the Members shall be decided by a majority of the votes cast. In an equality of votes, the chairperson of a General Meeting at which a ballot is taken, or the chairperson of a meeting of the Board receiving a report of a vote in any other method, shall have a further casting vote;
- 16.3 No Member, except the Chairperson under Rule 16.2, even if entitled in more than 1 capacity, shall cast more than 1 vote on a resolution;
- 16.4 No Member may vote by proxy, but a Member who is not a human person may vote by a human person who is not a Member by written authorization deposited at the registered office of the Credit Union;
- 16.5 The Nominating Committee shall determine a record date for entitlement to vote in an election of directors and a special resolution. A Member so entitled shall vote in an election of directors and on special resolutions by:
 - (a) ballot at any branch of the Credit Union during regular business hours on such day or days as shall be designated by the Board; or
 - (b) mail ballot upon receipt of a Member's request pursuant to Rule 11.3; in either case at any time up to 15 clear days before the date of the General Meeting. The form of the ballot shall be determined by the Board, provided that, where a Member requests a mail ballot, the Credit Union shall provide:
 - (i) a ballot which lists the names of all nominees in alphabetical order; and,
 - (ii) a ballot envelope to ensure confidentiality; and
 - (iii) a ballot authentication envelope with designated spaces for the name, address, branch, membership number, and signature of the Member; and
 - (iv) a mailing envelope addressed to the registered office of the Credit Union; and
 - (v) clear instructions for the completion of the ballot and for its return, specifying the last day upon which the ballot must be received by the Credit Union in order to be counted. Notice of detailed procedures to be followed in voting in person at a branch shall be posted in each branch of the Credit Union;
- 16.6 The provisions of this Rule shall apply, with the necessary changes of detail, to a meeting of the holders of a class of Additional Participation Shares.

17.0 MISCELLANEOUS

- 17.1 A statutory declaration by a director or officer of the Credit Union, authorized to make it, that a lien of the Credit Union has been exercised or that a share has been forfeited on a stated date, shall be conclusive evidence of that fact;
- 17.2 A statutory declaration of a director or officer of the Credit Union, authorized to make it, in respect of the calling of, conduct at, and minutes of, any meeting of the Credit Union or the Board, or the exercise by the Board, any committee of the Board, or any officer of the Credit Union, of any power granted by or pursuant to the Act or these Rules, shall be sufficient evidence thereof, unless the contrary is proved;
- 17.3 The Board may delegate the exercise of any of its powers to an officer of the Credit Union, or a committee comprising directors, or officers, or a combination of directors and officers, in each case upon such terms as it may determine.

**Rules amendments approved by membership by way of a special resolution, January 2000.
Approved by the Superintendent of Financial Institutions, February 3 2000.
Approved by the Registrar of Companies, Province of BC, February 10 2000.**