



## **Otter Farm & Home Co-operative Resolutions for the 2021 AGM**

This rule change is necessary to update and modernize the processes by which Otter Co-op borrows and secures the repayment of money.

Rule 126 permits the directors to borrow funds as necessary for the purposes of the Co-op, and to issue notes, bonds, and securities in support of borrowings. However, Rule 126 requires a special resolution to charge the entire undertaking of the Co-op as security for borrowings. Rule 126 causes a number of difficulties in financing capital acquisitions:

- The most favourable interest rates for long-term debt are often available only on the basis of a charge on all Co-op assets - if the directors are unable to agree to a charge of this sort, the available interest rates will be higher, resulting in higher borrowing costs.
- Otter cannot easily or quickly convene a special general meeting of the membership to pass a special resolution.
- The phrase "the whole or substantially the whole of the undertaking," as used in Rule 126, has been subject to varying interpretations by the courts, leading to some uncertainty about the circumstances in which a special resolution may be required.

Rule 126 in its current form is suited to a small, local co-operative with a modest number of members, very occasional business and financing transactions, and direct member involvement in financial decision-making.

The revised Rule 126 as provided in the resolution below is more appropriate to a large and growing co-operative like Otter, with professional management, sophisticated legal and financial advisory functions, and effective governance oversight by the board of directors. This will bring Otter into line with the usual borrowing powers of a typical business corporation, and enhance the ability of the directors to act in the best interest of the Co-operative, arranging financing in a timely fashion as needed to support the organization's operations, capital acquisitions, and dynamic growth.

### **Resolution: #1**

#### **Resolved**

To amend the Otter Farm & Home Co-operative Rules by deleting Rule #126(1) in its entirety



## Otter Farm and Home Co-operative

3650B - 248 Street  
Langley, BC, V4W 1X7  
www.otterco-op.crs

Phone (604) 856 2517  
Toll Free (800) 663 6038  
Fax (604) 856 2674

LOCALLY  
INVESTED  
COMMUNITY  
MINDED  
LIFETIME  
MEMBERSHIP  
BENEFITS

Which reads:

126 (1) In addition to the powers given to directors by the Act, and subject to the limitations imposed by subrule (2), the directors, for the purposes of the Association and on behalf of the Association, may:

- (a) borrow or raise money in the manner and amount, from the sources, on terms and conditions, and
  - (b) issue notes, bonds, debentures, and other debt securities
- as the directors consider appropriate.

and replacing it with:

126 (1) In addition to the powers given to directors by the Act, the directors, for the purposes of the Association and on behalf of the Association, may:

- (a) borrow or raise money in the manner and amount, from the sources, on terms and conditions,
  - (b) issue notes, bonds, debentures, and other debt securities, and
  - (c) secure the repayment of money borrowed by the Association by means of mortgages, charges, security interests or other security on the whole or any part of the undertaking of the Association.
- all as the directors consider appropriate.

and by deleting Rule #126(2) in its entirety.

Which reads:

126 (2) Unless authorized to do so by a special resolution of the members, the Association must not secure the repayment of money borrowed by the Association by means of a charge on the whole or substantially the whole of the undertaking of the Association.