

The Cooperatives Act – All About Investment Shares

1. Only a cooperative that issues membership shares may issue investment shares.

Requirements for Articles of Incorporation

2. A cooperative wishing to issue investment shares must include the following in the articles of incorporation:
 - (a) whether the number of investment shares to be issued is limited or unlimited,
 - (b) if the number of investment shares is limited, the maximum number of investment shares that may be issued,
 - (c) if the investment shares are to have a par value, the par value,
 - (d) if the investment shares are without a par value, whether the investment shares are to be issued, purchased, redeemed or otherwise acquired at a fixed price and, if so, the fixed price, or at a price determined in accordance with a formula and, if so, the particulars of the formula,
 - (e) the preferences, rights, conditions, restrictions, limitations, and prohibitions attaching to the investment shares and, if there is to be more than one class, the designation of each class and the special preferences, rights, conditions, restrictions, limitations and prohibitions attaching to each class;

Issuing Investments Shares

3. Investment shares may be issued to members and to non-members of a cooperative, in accordance with its articles.
4. The articles of a cooperative may provide that no investment shares of any class may be issued unless the investment shares are first offered to the holders of investment shares of that class.
5. All of the investment shares in any one class of investment shares of a cooperative shall be issued either with a par value or without a par value and, in the case of shares with a par value, the shares shall be issued at the par value price.

6. A cooperative shall not issue a membership share or an investment share until it is fully paid in money, or past service or any other thing that is not less in value than the fair equivalent of the money that the cooperative would have received if the share had been issued for money.
7. A cooperative does not have a charge on an investment share of a holder unless the by-laws of the cooperative provide for it.

Redemption

8. If the investment shares in a class of investment shares of a cooperative are without a par value, subject to subsection (3), the cooperative shall redeem any of the investment shares that are redeemable, at the fixed price set out in its articles or at the price determined in accordance with the formula set out in its articles.
9. If the investment shares in a class of investment shares of a cooperative are with a par value, the board of directors of the cooperative is authorized to redeem the shares that are redeemable at a price not exceeding the par value or book value, whichever is less.
10. Investment shares in a cooperative shall not be redeemed unless, in the opinion of the board of directors of the cooperative, the redemption would not impair the financial stability of the cooperative.

Dividends

11. The payment of dividends on investment shares is subject to subsection 44(1) of the *Cooperatives Act*.

Voting Rights

12. Investment shareholders have a right to vote on the following matters:
 - (a) an amendment to the articles of a cooperative that impacts the investment shares;
 - (b) the amalgamation of two or more cooperatives;
 - (c) an extraordinary disposition of property of a cooperative; and
 - (d) the liquidation and dissolution of a cooperative.

The holders of each class of investment shares shall vote, on the matters referred to above, as a class at a meeting held separately from a meeting of the members.

Each investment share entitles its holder to one vote on a matter referred to above.

Right to Dissent

13. An investment shareholder may dissent in accordance with section 53 of the *Cooperatives Act*.

Meetings of investment shareholders

14. The following provisions of the *Act* apply with the necessary modifications to a meeting of investment shareholders:
 - (a) subsections 50(3), (6) and (7);
 - (b) section 55; and
 - (c) section 56.

The agenda for a meeting of investment shareholders shall only deal with the business specified in the notice of the meeting.

Unless otherwise provided in the articles of the cooperative, a quorum is present at a meeting of investment shareholders, if the holders of the majority of the investment shares entitled to vote at the meeting are present in person or by proxy.

If a quorum is present at the opening of a meeting of investment shareholders, the investment shareholders present proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting.

If a quorum for a meeting of investment shareholders is not present at any meeting of the investment shareholders, the shareholders shall follow the procedures prescribed by regulation for adjournment or cancellation, as the case may be.

Proposals

15. Investment shareholders may submit a proposal in accordance with section 58 of the *Cooperatives Act*.

Resolution in Writing

16. Unless the by-laws provide otherwise, a resolution in writing signed by all the investment shareholders entitled to vote on that resolution is as valid as if it had been passed at a meeting of those investment shareholders.

A copy of every resolution of investment shareholders must be kept with the minutes of the meetings of the investment shareholders.



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LOCAL RULE 45-501

PROSPECTUS AND REGISTRATION EXEMPTIONS

17. The dealer registration requirement does not apply to a trade in a security of a cooperative if the security is one or more of the following:

- (a) a membership share of a cooperative;
- (b) an investment share of a cooperative where the acquisition cost of a share is \$1,000 or less and the total cumulative investment of the individual relying on the exemption does not exceed \$10,000.

The prospectus requirement does not apply to a distribution in a security of a cooperative in the circumstances referred to above.

If the investments shares do not meet the criteria the cooperative must register as a dealer with the Securities division and issue prospectus.

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