

**EKREG Ltd**  
**MODEL RULES – MULTI-COMMUNITY SHARED OWNERSHIP IN A RENEWABLE ENERGY**  
**PROJECT MODEL**  
**LUSSA COMMUNITY WIND LIMITED**  
**A society for the benefit of the community (BenCom)**  
**(registered under the Co-operative and Community Benefit Societies Act 2014)**

**RULES of LUSSA COMMUNITY WIND LIMITED**

A society for the benefit of the community (BenCom)  
(registered under the Co-operative and Community Benefit Societies Act 2014)

**Name**

1. The name of the society shall be "Lussa Community Wind Limited".

**Objects**

2. The objects of the society shall be to carry on business for the benefit of the community at large through furthering community development, education and regeneration within the boundaries of the following local communities (as at the date of registration of the society): Campbeltown community council, East Kintyre community council and West Kintyre community council, The Laggan community council, Southend community council, Gigha community council, Tarbert & Skipness community council, South Knapdale community council ('the Community'); But only to the extent that the above objects are consistent with furthering the achievement of sustainable development.

**Principal activities**

3. The society shall advance the objects set out in rule 2 by:
  - 3.1. carrying on the business of Community Shared Ownership (CSO) in windfarms situated within the Community; and
  - 3.2. paying Surplus Profits (as defined in rule 212) to the Anchor Member organisations (as defined by rule 14) for each specific windfarm by way of donations to the Anchor Members whereby the donations for a specific windfarm are split equally between the Anchor Members involved in that specific windfarm who will in turn apply those funds to further community development and regeneration within the Community; and
  - 3.3. Engage and inform the Community about the CSO windfarms and their sustainable impact upon the Community (as defined in rule 211).

**Powers**

4. The society shall have power to do anything which is calculated to further its objects or is conducive or incidental to doing so; without limiting the generality of that provision, the society, in particular, may borrow or raise funds for any purpose that is beneficial to the Society.

**Registered Office**

5. The registered office of the society shall be at Erinvore, Torrisdale, Argyll, PA28 6QT.

**Membership**

6. The members of the society shall consist of:
  - 6.1. the signatories to the application for registration of the society;
  - 6.2. such other individuals or corporate bodies as may be admitted to membership from time to time under rules 15 to 23 (holders of Contributor Shares); and

- 6.3. the Anchor Member organisations (the holders of the Community Anchor Shares).
7. In order to become a member of the society, an individual or body must apply for a share or shares issued by the society; and if an individual or body ceases to hold a share or shares issued by the society, he/she/it will automatically cease to be a member.

#### **Liability of members and directors**

8. The liability of a member shall be limited to such sum (if any) as he/she/it is due to pay to the society for shares held by him/her/it; accordingly, if the society is unable to meet its debts, the members will not be held responsible (beyond any such sum that they may be due to pay to the society for their shares).
9. The directors have certain legal duties under the Act; and rule 8 does not exclude (or limit) any personal liabilities they might incur if they are in breach of those duties or in breach of other legal obligations or duties that apply to them personally.

#### **Classes of shares**

10. There shall be two classes of shares:
- 10.1. Contributor Shares — these will be of the nominal value of £25 each, and shall have the following rights and restrictions:
- 10.1.1. they shall be withdrawable (allowing the holder of the shares, subject to certain restrictions, to give up his/her/its shares in exchange for cash) in accordance with rules 40 to 50;
- 10.1.2. they shall not be transferable (ie a holder of shares will not be able to transfer his/her/its shares to any other person) (but see rules 51 to 53 (death or bankruptcy));
- 10.1.3. they will carry a right to payment of interest (subject to certain restrictions) as provided for in rules 33 to 38;
- 10.1.4. they will allow the holder to vote on resolutions that are put to the members at general meetings (ie the AGM and other members' meetings) in accordance with rule 93 (but with only certain holders of Contributor Shares being entitled to vote on any resolution for the conversion of the society into some other type of legal entity or for the amalgamation of the society or for the transfer of engagements of the society, as provided for in rule 97);
- 10.1.5. they will allow the holder to stand for election to the board as a Contributor Director (as defined in rule 109) or (if the holder is a corporate body) to nominate an individual for election to the board); and to participate in electing directors at the AGM, as provided for in rules 118 to 124;
- 10.1.6. they will give the holder an entitlement to no more than £25 per Contributor Share if the society is wound up or dissolved and has assets remaining after settlement of its other liabilities (see rules 206 and 207).
- 10.2. Community Anchor Shares — they will be of the nominal value of £1 for each Community Anchor Share issued, and are intended (in general terms) to give the Anchor Members as the key anchor organisations within their respective communities (a) a certain number of reserved seats on the board and (b) the ability to block changes that would fundamentally alter the nature of the society; the Community Anchor Shares shall have the following rights and restrictions:
- 10.2.1. they will be withdrawable (ie capable of being surrendered for cash) only in the special circumstances set out in rules 56 to 58;
- 10.2.2. they are not transferable;
- 10.2.3. they will not carry any right to payment of interest (see rule 39);

- 10.2.4. they will allow the holders to appoint a certain number of directors to the board, as provided for in rules 125 to 128 (but on the basis that the directors appointed by the holders of the Community Anchor Shares can never make up a majority of the board);
  - 10.2.5. they will allow the holders to vote at general meetings (ie the AGM and other members' meetings) in accordance with rule 93;
  - 10.2.6. they will give the holders an entitlement to £1 if the society is wound up or dissolved and has assets remaining after settlement of its other liabilities (see rule 206).
11. For the avoidance of doubt, each Anchor Member organisation may hold only one Community Anchor Share at any given time.
12. For the avoidance of doubt:
- 12.1. the sum payable to the society for one Contributor Share is £25;
  - 12.2. the sum payable to the society for the Community Anchor Share is £1.

### **Community Members**

13. For the purposes of these rules, a "Community Member" means a holder of one or more Contributor Shares who fulfils the following criteria:
- 13.1. he/she is ordinarily resident in the Community; and
  - 13.2. he/she is entitled to vote at a local government election in a polling district that includes the Community or part of it.
  - 13.3. If a holder of one or more Contributor Shares ceases to fulfil either of the criteria specified in rules 13.1 and 13.2, he/she shall cease to be a Community Member, and the society shall, (as soon as reasonably practicable after the society becomes aware that he/she has ceased to fulfil either of those criteria) adjust the entry against his/her name in the register of members accordingly.

### **Anchor Member**

14. For the purposes of these rules an "Anchor Member" must fulfil the following criteria:
- 14.1. Be a legally incorporated organisation that has been granted charitable status by OSCR (Scottish Charity Regulator) and been entered into OSCR's register of charitable bodies (an "Anchor organisation").
  - 14.2. Be nominated to be an Anchor Member by a Community Council (as defined in rule 212) that is a signatory to a Community Shared Ownership offer in a Renewable Energy Project
  - 14.3. Have a charitable purpose that furthers local community development and rural regeneration
    - 14.3.1. Be predominantly focused on furthering local community development and regeneration within its nominating Community Council's boundary through the delivery of the Community Council's Local Development Plan and Action Plan
  - 14.4. For the avoidance of doubt, each Community Council participating in the Community Shared Ownership project may only have ONE Anchor Member at any given time.
  - 14.5. If a holder of a Community Anchor Share ceases to fulfil any of the criteria specified in rules 14.1, 14.2 or 14.3, the Anchor organisation shall cease to be an Anchor Member, and society shall, (as soon as reasonably practicable after the society becomes aware that the organisation has ceased to fulfil any of these criteria) apply rule 57 accordingly.

### **Application for membership**

15. An individual or body who/which wishes to become a member shall lodge with the society a written application for membership (in such form as the board requires) signed by him/her or (in the case of a corporate body) signed on its behalf by an appropriate officer, and specifying the number of Contributor Shares (which must be at least the minimum number of Contributor Shares applicable under rule 26) for which he/she/it is applying.
16. If an Anchor organisation (as nominated by its community council) wishes to become a member, it shall lodge with the society a written application for membership (in such form as the board requires), signed on its behalf by an appropriate officer from each of the Anchor organisation and community council.
17. Each application for membership shall be considered by the board within a reasonable period after receipt by the society of the application.
18. The directors shall assess each application for a Contributor Share or Contributor Shares to determine whether the applicant meets the relevant criteria for admission as a Community Member; and if they determine that the applicant does meet the relevant criteria, the directors must resolve that he/she should be admitted to membership and must resolve to issue at least one Contributor Share to him/her accordingly.
19. The board shall be entitled at its discretion (but having regard to the provisions regarding allocation of Contributor Shares contained in any relevant offer document):
  - 19.1. to refuse to admit any applicant to membership (unless he/she fulfils the criteria for admission as a Community Member) if the board considers that it has reasonable grounds to believe that he/she/it might, if admitted to membership, act in a manner which would damage the reputation of the society, undermine the efficiency of its operations and/or disrupt the proper conduct of its meetings; or
  - 19.2. to allot less than the number of Contributor Shares for which an applicant is applying.
20. With reference to rules 17 and 19:
  - 20.1. if the board resolves that an applicant under rule 15 should be admitted to membership, the board cannot allot to him/her/it less than the minimum number of shares applicable under rule 26;
  - 20.2. the board must not allot shares to an applicant under rule 15 if the effect would be that the individual or body in question held Contributor Shares in excess of the maximum applicable under rules 29 and 30 at the time.
21. At the first board meeting which follows receipt of an application from an Anchor organisation under rule 16, the board must admit the Anchor organisation to membership (providing the criteria in rule 14 are met) and allot a Community Anchor Share to the Anchor organisation; if the criteria in rule 14 are not met, the directors must not admit the Anchor organisation to membership and the provisions of rule 57 shall apply (with any necessary modifications).
22. The board shall, within a reasonable period after the meeting at which an application under rule 15 is considered, notify the applicant in writing of
  - 22.1. the board's decision as to whether or not to admit the applicant to membership; and (if the board has resolved that he/she/it should be admitted to membership)
  - 22.2. the number of Contributor Shares which the board has resolved should be allocated to him/her/it.

23. Any resolution by the board to the effect that an applicant should be admitted to membership - and that a certain number of shares should be allocated to him/her/it - shall be taken to be conditional on payment in full for those shares; an individual or body shall not be entered in the register of members unless and until the shares allocated to him/her/it have been paid for in full.

**Minimum number of members**

24. The minimum number of members is 12; and at least 35% of the members must, at all times, be Community Members.

25. In the event that either or both of the requirements under rule 24 cease to be met through a reduction in the number of members or a reduction in the proportion of members who are Community Members, the directors may not conduct any business other than to ensure the admission of sufficient members (or, as the case may be, the issue of sufficient Community Member Shares) to ensure that those requirements are met once more.

**Minimum and maximum number of Contributor Shares**

26. The minimum number of Contributor Shares for which an individual or body must subscribe in the context of any offer of Contributor Shares by the society may be prescribed by the offer document relating to that offer of Contributor Shares; if the offer document does not state otherwise, the minimum number of Contributor Shares for which an individual or body must subscribe in order to be admitted to membership (or, if he/she/it is already a member, in order to be allocated shares on the occasion of an offer of shares) shall be 1 Contributor Shares of £25 each.

27. Any individual who was a signatory to the application for registration of the society may lodge with the society an application for Contributor Shares (in such form as the board require) signed by him/her, and specifying the number of Contributor Shares (which must be at least the minimum number of Contributor Shares applicable under rule 26) for which he/she is applying.

28. The board may specify, by notice to the signatories to the application for registration of the society, a date by which they must lodge an application for Contributor Shares under rule 27 if they wish to remain in membership of the society; if a signatory to the application for registration fails to do so before that date, or fails to make payment in full for the Contributor shares allocated to him/her, he/she shall cease to be a member of the society.

29. Subject to rule 30, the maximum number of Contributor Shares that may be held by any member shall be as prescribed from time to time under section 24 (as read with section 25) of the Act.

30. The board may fix from time to time, by way of a resolution passed by majority vote at a board meeting, a maximum number of Contributor Shares that may be held by any member which falls below that applicable under rule 29 — providing that is consistent with the terms of any offer document issued in connection with an offer of Contributor Shares.

**Application for Contributor Shares by an existing member**

31. Applications for Contributor Shares by individuals or bodies who/which are members of the society shall be made to the board; the provisions of rules 15 to 23 (but disregarding references to application for, and admission to, membership) shall apply.

### **Register of members**

32. The society shall keep at its registered office a register of members, in which the secretary shall enter the following details:
  - 32.1. the name and postal address (and, where supplied by the member, email address) of each member;
  - 32.2. a statement of the number of shares held by each member, the class of shares held by that member (i.e. whether they are Contributor Shares or the Community Anchor Share), and confirmation that all such shares are fully paid up;
  - 32.3. a statement specifying whether or not, on the basis of the evidence available to the society, the member is a Community Member;
  - 32.4. a statement of any other property in the society, whether in loans or otherwise, held by each member;
  - 32.5. the date on which each member's name was entered in the register as a member; and
  - 32.6. the date on which any individual or body ceased to be a member.

### **Interest on Contributor Shares**

33. Interest shall (subject to rule 34) be payable on the Contributor Shares at such rate or rates as may be determined by the board from time to time.
34. The rate of interest payable on the Contributor Shares shall not be higher than the rate which the board reasonably considers to be necessary to obtain and retain enough capital to run the business described in rule 2; and such that the rate of interest payable on the Contributor Shares shall not at any time be higher than 5% or 2% per annum above the base rate of the Bank of England whichever is the greater.
35. The specific rate of interest payable on the Contributor Shares in respect of a given period shall be determined by the board (subject to rule 34) having regard to the financial projections available to the board at the time, and shall be notified by the society to the holders of the Contributor Shares in advance of that period.
36. Notification under rule 35 may be made by posting an appropriate statement on the society's website or (if the board considers appropriate) by inclusion of an appropriate statement in a circular issued to holders of Contributor Shares either in hard copy form or by email.
37. The timing of interest payments on the Contributor Shares, and the arrangements for payment of interest on the Contributor Shares, shall be as determined by the board from time to time (taking due account of the content of any offer document relating to the issue of Contributor Shares).
38. The board shall be entitled to suspend or reduce interest payments at any time in the interests of the society; and on the basis that where the suspension or reduction is for a fixed period, that period may be extended from time to time by the board where the board considers that to be appropriate in the interests of the society.
39. For the avoidance of doubt, the Community Anchor Share shall not carry any right to payment of interest.

### **Withdrawal of Contributor Shares**

40. Contributor Shares may (subject to rules 41, 43 and 45) be withdrawn by a holder of Contributor Shares, providing (subject to rule 42) the holder has given to the society at least three months' prior written notice of withdrawal.
41. Withdrawal of Contributor Shares (and payment of the sums due on withdrawal) shall (subject to paragraph 43.3) be dealt with in the order in which the relevant notices of

- withdrawal were received by the society (but without prejudice to the provisions of rule 44).
42. The board may waive the period of notice required for withdrawal in any given case.
  43. The board may, at its sole discretion, suspend the right to withdraw Contributor Shares either wholly or partially, and either indefinitely or for a fixed period; and on the basis that:
    - 43.1. the suspension shall apply to all notices of withdrawal which have been received by the society (so far as not implemented) at the time when the board suspends the right to withdraw as well as to notices received after that time;
    - 43.2. where the suspension is for a fixed period, that period may be extended from time to time by the board;
    - 43.3. during any period of suspension, the board may nevertheless (at its discretion) allow Contributor Shares held by deceased members to be withdrawn by their executors or other personal representatives, subject to giving such notice as the board may direct;
    - 43.4. if a member wishes to terminate his/her/its membership of the society during any period of suspension, he/she/it may, by notice in writing to the society to that effect, surrender all of his/her/its Contributor Shares to the society.
  44. In the circumstances referred to in paragraph 43.4, the board may make payment of the appropriate sum in respect of the surrender of the Contributor Shares (which will correspond with the sum that would have been due in respect of withdrawal of the Contributor Shares) at such time as the board considers (at its discretion) that it would be appropriate to do so, having regard to the financial position of the society and any notices of withdrawal by other members which have yet to be dealt with.
  45. If the offer document relating to any offer of shares by the society prescribes the minimum number of Contributor Shares for which an individual or body must subscribe in the context of that offer, a notice of withdrawal by an individual or body who/which was allocated Contributor Shares pursuant to that offer shall not be valid if it would mean that (following withdrawal) he/she/it would hold Contributor Shares falling below that minimum number — unless the notice of withdrawal is in respect of his/her/its whole holding of Contributor Shares.
  46. For the avoidance of doubt, if the effect of a notice of withdrawal is that an individual or body no longer holds any Contributor Shares, he/she/it shall automatically cease to be a member of the society on withdrawal of the Contributor Shares.
  47. The amount to be paid to a member (or his/her executors or other personal representatives) on withdrawal of a Contributor Share or Contributor Shares shall (subject to rules 54 and 55 (reduction in value)) be £25 per Contributor Share.
  48. Interest shall continue to run on any Contributor Share which is the subject of a notice of withdrawal, up to the date on which payment of the sum due on withdrawal is made to the member or his/her executors or other personal representatives.
  49. The society may deduct, from the sum that would otherwise be payable to a member (or his/her executors or other personal representatives) on withdrawal of any Contributor Share, a reasonable fee (as determined by the board) to reflect the society's administrative costs in dealing with the formal procedures associated with withdrawal.
  50. Contributor Shares withdrawn in accordance with rules 40 to 49 shall be cancelled.

### **Transfer of property in the society on death or bankruptcy**

51. Upon a claim being made by the executors (or other personal representatives) of a deceased member or the trustee in sequestration of a bankrupt member to any property in the society (which may include Contributor Shares) belonging to the deceased/bankrupt member, the society shall (subject to rule 43) transfer or pay such property to which the executors/personal representatives or trustee in sequestration has/have become entitled as the executors/personal representatives or trustee in sequestration may direct.
52. A member may, in accordance with the Act, nominate any individual or individuals to whom any of his/her property in the society at the time of his/her death (which may include Contributor Shares) shall be transferred, but such nomination shall only be valid to the extent of the amount allowed at the time by the Act; on receiving satisfactory evidence of the death of a member who made a nomination, the society shall, in accordance with the Act and rule 53, either transfer or pay the full value of the property comprised in the nomination to the individual(s) entitled to it under that nomination.
53. Contributor Shares are non-transferable, and accordingly no transfer of Contributor Shares shall be made in pursuance of rule 51 or 52; instead, the society shall pay the full value of the Contributor Shares to the relevant executors/personal representatives, trustee in sequestration or (as the case may be) individual(s). Reduction in value of Contributor Shares
54. If at any time the society's auditors (or any independent chartered accountants appointed by the board for this purpose) certify that the aggregate of the amount of the society's liabilities plus the amount of its issued share capital exceeds its assets, the board may determine that the whole or part of that excess should be apportioned among the holders of the Contributor Shares in proportion to the amount (in nominal value) of Contributor Shares held by them; the following provisions shall apply:
  - 54.1. the apportionment shall be based on the value of the Contributor Shares held by each member at close of business on the date of such determination by the board;
  - 54.2. the value of the Contributor Shares held by each member shall be reduced accordingly for the purpose of withdrawal of shares;
  - 54.3. for the avoidance of doubt, a Contributor Share shall not in any circumstances be reduced to a value less than nil.
55. For the avoidance of doubt, the board may, following any reduction in the value of Contributor Shares in pursuance of rule 54, arrange for a subsequent certification under that rule; and may, on the basis of that subsequent certification, reduce the value of Contributor Shares further or (as the case may be) increase the value of Contributor Shares (but not to a value in excess of their nominal value).

### **Transfer or withdrawal of the Community Anchor Share**

56. If at any time an Anchor organisation considers (whether by reason of financial difficulties or otherwise) that it is no longer appropriate that the Anchor organisation should serve as an Anchor Member in relation to the society (such that the rights attaching to Community Anchor Share ought, in the Anchor organisation's opinion, to be exercisable by some other organisation), the Anchor organisation may withdraw its Community Anchor Share by providing both the society and the nominating community council with a written notice to withdraw; the following provisions shall apply:



- 56.1. the board shall withdraw the Community Anchor Share held by the Anchor Member (on the basis of payment of £1 to the Anchor Member), and it shall then be cancelled;
  - 56.2. the nominating community council shall select a new charitable organisation (providing that the other charitable organisation meets the criteria given in rule 14) which, in the opinion of the community council, would represent an appropriate Anchor organisation in place of the original Anchor Member organisation; if that other charitable organisation is prepared to serve as holder of a Community Anchor Share, the following provisions shall apply:
    - 56.2.1. the board shall issue Anchor Membership and a Community Anchor Share to that other organisation;
    - 56.2.2. with effect from the date on which that other transferee organisation is entered in the register of members as a holder of the Community Anchor Share, all references in these rules (including this rule 56) to the Anchor Member shall (wherever the context allows) be deemed to be references to that other transferee organisation;
    - 56.2.3. the society shall enter into a Deed of Covenant(s) with that other organisation in the same terms as the Deed of Covenant(s) entered into (or which it was proposed should be entered into) between the society and the original Anchor organisation.
57. If an Anchor Member goes into liquidation or if an administrator is appointed to an Anchor Member organisation (or if at any time — including the time at which an Anchor organisation applies for Anchor membership of the society and a Community Anchor Share — the organisation fails to meet the criteria given in rule 14), the nominating community council shall select a charitable organisation (providing that the other charitable organisation meets the criteria given in rule 14) which, in the opinion of the community council, would represent an appropriate Anchor organisation in place of the original Anchor Member organisation; if that other charitable organisation is prepared to serve as holder of a Community Anchor Share, the following provisions shall apply:
- 57.1. the board shall (if applicable) withdraw the Community Anchor Share held by the Anchor Member (on the basis of payment of £1 to the liquidator or administrator), and it shall then be cancelled;
  - 57.2. the board shall issue Anchor Membership and a Community Anchor Share to that other organisation;
  - 57.3. with effect from the date on which that other transferee organisation is entered in the register of members as a holder of the Community Anchor Share, all references in these rules (including this rule 57) to the Anchor Member shall (wherever the context allows) be deemed to be references to that other transferee organisation;
  - 57.4. the society shall enter into a Deed of Covenant(s) with that other organisation in the same terms as the Deed of Covenant(s) entered into (or which it was proposed should be entered into) between the society and the original Anchor organisation.
58. If the nominating community council fails to implement the provisions of rule 56 or 57 within such period as board considers to be reasonable, the board shall be entitled to select a charitable organisation ((providing the area of benefit defined in the objects clause within the constitution of that other charitable organisation corresponds with an

area(s) within the Community) which, in the opinion of the board, would represent an appropriate Anchor organisation in place of the original Anchor organisation; and the board shall then be under an obligation to give effect to the provisions of rules 56.1 through 56.2 or 57.1 through 57.4 respectively, as if that other organisation had been selected by the community council.

#### **Expulsion from membership**

59. The board shall be entitled to expel any individual or body from membership for good and sufficient reason by way of a resolution to that effect passed at a board meeting, providing the procedure specified in rules 61 and 62 is followed.
60. For the avoidance of doubt, no resolution can be proposed for the expulsion of any eligible (under rule 14) Anchor organisations from membership.
61. Any director who wishes to propose at any board meeting a resolution for the expulsion of any individual or body from membership shall lodge with the society a written notice of his/her intention to do so (identifying the member concerned and specifying the grounds for the proposed expulsion) not less than 28 days prior to the date of the board meeting.
62. The society shall, on receipt of a notice under rule 61, send a copy of the notice to the member concerned; and the member concerned shall be entitled to be heard on the resolution at the board meeting at which the resolution is proposed.
63. An individual or body expelled from membership under the provisions of rules 59 to 62 shall have the right to appeal to a general meeting of the society providing he/she/it lodges notice of such appeal with the society within 14 days after the resolution of the board under rule 59 is notified to him/her/it; and if the member concerned lodges notice of his/her/its appeal to the society within that period:
  - 63.1. the board shall make such arrangements with regard to the convening of the general meeting, the circulation of any representations which the member concerned may wish to make, and other relevant matters as the board may reasonably consider appropriate; and
  - 63.2. at the general meeting convened under the preceding provisions of this rule, the society may, by way of a resolution passed by majority vote, direct that the expulsion should cease to have effect and that the member concerned should be re-admitted to membership.
64. If an individual or body is expelled from membership under rules 59 to 63, the Contributor Shares held by him/her/it shall be withdrawn:
  - 64.1. after expiry of the period for lodging a notice of appeal;  
or, if a notice of appeal was lodged within that period,
  - 64.2. immediately following the relevant general meeting (if the appeal was unsuccessful);  
and the society shall pay to him/her/it the sum which would be payable under rules 40 to 50 as if he/she/it had given to the society notice of withdrawal in respect of all Contributor Shares held by him/her/it with effect from the date of the board's resolution under rule 59, and his/her/its Contributor Shares shall be cancelled.

#### **Termination of membership**

65. An individual shall automatically cease to be a member of the society if:
  - 65.1. he/she dies;
  - 65.2. he/she is sequestrated (i.e. becomes bankrupt);
  - 65.3. his/her Contributor Shares are withdrawn;

- 65.4. he/she surrenders his/her Contributor Shares;
- 65.5. he/she is expelled from membership.
- 66. A body shall automatically cease to be a member of the society if:
  - 66.1. it goes into liquidation or is the subject of an administration order or is dissolved or struck off;
  - 66.2. its Contributor Shares are withdrawn;
  - 66.3. it surrenders its Contributor Shares; or
  - 66.4. it is expelled from membership.

#### **General meetings**

- 67. All general meetings other than annual general meetings ("AGMs") are to be called special general meetings.
- 68. The board shall convene an AGM in each year (but excluding the year in which the society is formed).
- 69. The first AGM shall be held not later than 18 months after the date of registration of the society.
- 70. Not more than 15 months shall elapse between one AGM and the next.
- 71. The business of the AGM shall include the following:
  - 71.1. a report by the Chair on the activities of the society;
  - 71.2. consideration of the annual accounts of the society;
  - 71.3. announcement of the outcome of the election/re-election process in relation to Contributor Directors, as referred to in rule 119.
- 72. The board must convene a special general meeting if there is a valid requisition by members; a requisition by members shall be valid for this purpose if it is in writing, signed by at least 10% of the membership of the society, states the purpose for which the meeting is to be held and is received at the society's registered office.
- 73. If the board receives a valid requisition fulfilling the requirements prescribed by rule 72, the board shall convene the special general meeting for a date falling no more than 28 days after the date on which the requisition was received by the society.
- 74. Subject to rules 68 to 73, the board may convene general meetings whenever the board thinks fit.

#### **Notice of general meetings**

- 75. At least 14 clear days' notice of general meetings must be given to all the members and directors, and (if auditors are in office at the time) to the auditors.
- 76. The reference to "clear days" in rule 75 shall be taken to mean that, in calculating the period of notice, the day after the notice is posted (or, in the case of a notice sent by electronic means, the day after it was sent), and also the day of the meeting, should be excluded.
- 77. A notice calling a meeting shall specify the time, date and place of the meeting; it shall:
  - 77.1. indicate the general nature of the business to be dealt with at the meeting;
  - 77.2. if a resolution of the nature referred to in rule 80 is to be proposed, give the exact terms of the resolution and refer to the special majority required for the resolution to be validly passed; and
  - 77.3. contain a statement informing members of their right to appoint a proxy.
- 78. A notice convening an AGM shall specify that the meeting is to be an AGM.
- 79. Notice of every general meeting shall be given:
  - 79.1. in hard copy form; or

79.2. (where the individual or body to whom/which notice is given has notified the society of an address to be used for the purpose of electronic communications) in electronic form.

#### **Resolutions at general meetings**

80. A resolution relating to any of the following matters shall be valid only if 75% or more of the votes which are cast in relation to that resolution are in favour of the resolution: -

80.1. a resolution effecting an amendment to these rules;

80.2. a resolution under rule 143 issuing a direction to the board;

80.3. a resolution under paragraph 131.9 removing an individual from office as a director;

80.4. a resolution for the winding-up or dissolution of the society; and on the basis that further requirements specified in the Act may apply in relation to any resolution of the nature referred to in paragraph 80.4.

81. A resolution for amalgamation or for the transfer of the engagements of the society to some other society shall be valid only if two thirds or more of the votes which are cast in relation to that resolution are in favour of the resolution; and on the basis that further requirements specified in the Act may apply in relation to any resolution of that nature.

82. Any resolution - other than a resolution of the nature referred to in rule 80 or 81 - shall (except as otherwise provided in the Act) be valid if passed by majority vote at a general meeting

#### **Proceedings at general meetings**

83. No business shall be transacted at any general meeting unless a quorum is present; subject to rules 84 and 85, the quorum shall be 10 members, present in person (in the case of a corporate body, via its duly authorised representative present at the meeting) or represented by proxy.

83.1. Should the Board deem it necessary, any general meeting may be conducted virtually, by whatever means the Board deems appropriate to ensure wide participation, either in real-time (such as, but not limited to, by means of a conference telephone, video conferencing facility, or similar communications equipment) or remotely (such as, but not limited to, through postal (hardcopy and/or electronic) notice, reporting and voting); a member participating in a meeting in this manner shall be deemed to be present in person at the meeting.

84. A quorum shall not be deemed to be constituted at any general meeting unless the Community Members present or represented at the meeting constitute a majority of the members present or represented by proxy at the meeting.

85. A quorum shall not be deemed to be constituted at any general meeting at which an extraordinary resolution of the nature referred to in rule 95 is to be proposed unless an authorised representative of, or proxy for, each Anchor Member is present at the meeting.

86. If the quorum required under rule 83 (as read with rule 84) is not present within half an hour after the time appointed for the meeting, or if during a meeting such a quorum ceases to be present, the meeting shall stand adjourned to such time and place as may be fixed by the chairperson of the meeting.

87. The Chair of the society shall (if present and willing to act) preside as chairperson of the meeting.

88. If the Chair of the society is not present and willing to act as chairperson of the meeting within half an hour of the time appointed for holding the meeting, the Vice Chair shall

act as chairperson of the meeting; or, if neither is present and willing to act as chairperson within half an hour of the time appointed for holding the meeting, the directors present shall elect one of their number to act as chairperson of the meeting.

89. A director shall, notwithstanding that he/she is not a member, be entitled to attend and speak at any general meeting.
90. The chairperson of a general meeting may, with the consent of the meeting at which a quorum is present (and must, if the meeting requests him/her to do so) adjourn the meeting, but not for a period in excess of 30 days; no notice need be given of an adjourned meeting.
91. A resolution put to the vote of a general meeting shall be decided on a show of hands, unless before the show of hands, or immediately after the result of the show of hands is declared, a secret ballot is demanded by the chairperson of the meeting, or by any person present at the meeting and entitled to vote (whether as a member, as the duly authorised representative of a member which is a corporate body, or as the proxy for a member).
92. If a secret ballot is demanded in accordance with rule 91, it shall be taken at once and shall be conducted in such manner as the chairperson of the meeting shall direct; the result of the ballot shall be declared at the meeting at which the ballot was demanded.

#### **Votes of members**

93. Subject to rules 94 and 97, every member shall have one vote, which (whether on a show of hands or on a secret ballot) may be given personally (in the case of a member which is a corporate body, via its duly authorised representative present at the meeting) or by proxy.
94. In relation to any extraordinary resolution of the nature referred to in rule 95 which is proposed at a general meeting (or which is the subject of any written resolution by the members);
  - 94.1. Voting will be one member, one vote, by class of membership shares.
  - 94.2. There will be two classes of share considered in the vote – Contributor Shares and Community Anchor Shares.
  - 94.3. An extraordinary resolution shall be passed only if in both class of share 75% or more of the votes which are cast in relation to that resolution are in favour of the resolution. For the avoidance of doubt, this means that for an extraordinary resolution to pass, 75% of the Anchor Members and 75% of the Contributor Members must vote in favour of the resolution.
95. The provisions of rule 94 shall apply in relation to:
  - 95.1. any resolution effecting an amendment to any of the following rules (based on the numbering and wording of the rules which appeared in the version of the rules submitted with the application for registration of the society):
    - 95.1.1. rules 2 and 3 (objects and principal activities);
    - 95.1.2. rule 10.2 (rights attaching to the Community Anchor Share);
    - 95.1.3. rule 14 (criteria for Anchor Membership)
    - 95.1.4. rules 33 and 34 (restrictions on interest payable on Contributor Shares);
    - 95.1.5. rules 84 and 85 (special quorum where a resolution within this rule 95 is to be proposed);
    - 95.1.6. rule 94 and this rule 95 (additional voting power for Anchor Members in relation to certain resolutions);

- 95.1.7. rule 97 (only certain holders of Contributor Shares entitled to vote on a resolution for the conversion of the society into some other type of legal entity or for the amalgamation of the society or for the transfer of engagements of the society);
  - 95.1.8. rules 125 to 128 (appointment of directors by the Anchor Members);
  - 95.1.9. rule 199 (application of surpluses);
  - 95.1.10. rules 206 to 208 (transfer of surplus assets on winding-up);
  - 95.2. any resolution for the removal of an Anchor Member Director.
96. With reference to paragraph 95.1, a resolution adopting a new rule, or amending or rescinding an existing rule, shall be deemed to be a resolution effecting an amendment to any of the rules specified in paragraph 95.1 if it would affect (if passed) the meaning or effect of any rule specified in paragraph 95.1.
97. In relation to any resolution for the conversion of the society into some other type of legal entity or for the amalgamation of the society or for the transfer of engagements of the society, holders of Contributor Shares who are individuals with their main place of residence in the Community, shall be the only members of the society who are eligible to vote on that resolution (i.e. Community Members, as per rule 13); and on the basis that the directors shall take such steps as they may reasonably deem appropriate to determine which of the holders of Contributor Shares satisfy the requirements as to eligibility imposed by this rule 97.
98. A member who/which wishes to appoint a proxy to vote on his/her/its behalf at any general meeting:
- 98.1. shall lodge with the society, at the society's registered office, a written instrument of proxy (in such form as the board require), signed by him/her or (in the case of a corporate body) signed on its behalf by an appropriate officer; or
  - 98.2. shall send by electronic means to the society at such address as may have been notified to the members by the society for that purpose, an instrument of proxy (in such form as the board require);  
providing (in either case) the instrument of proxy is received by the society at the relevant address not less than 48 hours before the time for holding the meeting; for the avoidance of doubt, in calculating the 48-hour period referred to in the preceding provisions of this rule 98, no account shall be taken of any day that is not a working day.
99. An instrument of proxy or electronic communication containing the appointment of a proxy, which does not conform with the provisions of rule 98 or which is not lodged or sent in accordance with such provisions, shall be invalid.
100. A member shall not be entitled to appoint more than one proxy to attend on the same occasion.
101. Subject to rule 102, a proxy shall not be entitled to cast, in relation to each resolution, more than one vote in his/her capacity as a proxy (in addition to his/her own vote if he/she is a member of the society, or in his/her capacity as the authorised representative of a corporate body which is a member), notwithstanding that he/she may have been appointed as proxy by more than one member.
102. The provisions of rule 101 shall not apply in relation to the chairperson of a general meeting who is appointed as a proxy by two or more members; but he/she will be entitled to cast votes on a given resolution in his/her capacity as a proxy only where the

form of proxy included a direction by the relevant member as to whether he/she was to vote in favour of, or against, that resolution.

103. A proxy appointed to attend and vote at any general meeting instead of a member shall have the same right as the member who/which appointed him/her to speak at the meeting and need not be a member of the society.
104. A member which is a corporate body may authorise an individual to act as its representative at any general meeting of the society, providing particulars of the individual so authorised are received by the society prior to the commencement of the relevant general meeting; the individual so authorised shall be entitled to exercise the same powers on behalf of that corporate body as that corporate body could exercise if it were an individual member.
105. A vote given, or ballot demanded, by proxy or by the duly authorised representative of a member which is a corporate body shall be valid, notwithstanding that the authority of the person voting or demanding a ballot had terminated prior to the giving of such vote or demanding of such ballot unless notice of such termination was received by the society at the society's registered office (or, where sent by electronic means, was received by the society at the address notified by the society to the members for the purpose of electronic communications) before the commencement of the general meeting at which the vote was given, or the ballot demanded.
106. The chairperson of a general meeting shall not be entitled to a casting vote if an equality of votes arises in relation to any resolution.

#### **Written resolutions by the members**

107. Except in the case of a resolution which requires to be passed at a general meeting in order to comply with the Act, a resolution in writing signed by all the members of the society shall be as valid and effective as if it had been passed at a general meeting, duly convened and held; a resolution in writing may consist of several documents in the same form, each signed by or on behalf of one or more members.

#### **Requirements regarding notification of amendments to the rules**

108. No amendment of the rules is valid until registered with the FCA. When submitting the rule amendments for registration, the directors may at their sole discretion accept any alterations required or suggested by the FCA without reference back to a further general meeting of the Society

#### **Categories of director**

109. For the purposes of these rules:
  - 109.1. "Contributor Director" means a director (drawn from the holders of the Contributor Shares) elected/appointed under rules 118 to 124;
  - 109.2. "Anchor Director" means a director appointed under rules 125 to 128;
  - 109.3. "Co-opted Director" means a director appointed/re-appointed by the directors under rules 129 and 130.

#### **Maximum/minimum number of directors**

110. The maximum number of directors shall be 5; out of that number:
  - 110.1. no more than 3 shall be Contributor Directors;
  - 110.2. no more than 2 shall be Anchor Directors;
  - 110.3. no more than 1 shall be Co-opted Directors.
111. At any given time:
  - 111.1. the number of Anchor Directors in office must comprise less than half of the total number of directors in office at that time; and

111.2. the number of directors in office who are Community Members must comprise more than half of the total number of directors in office at that time.

112. The minimum number of directors shall be 3.

**Eligibility**

113. An individual shall not be eligible for election/appointment as a Contributor Director unless:

113.1. he/she is a holder of Contributor Shares; or

113.2. he/she has been nominated for election/appointment by a corporate body which is a holder of Contributor Shares; and on the basis that no more than one individual nominated by a given holder of Contributor Shares can serve as a Contributor Director at any given time.

114. An individual appointed as an Anchor Director or Co-opted Director need not, however, be a holder of Contributor Shares.

115. An individual shall not be eligible for election/appointment as a director if he/she is an employee of the company.

**Board: period up to first AGM**

116. The initial board of the society from the date of registration of the society until the first AGM shall (subject to rule 131) consist of:

116.1. individuals appointed as directors by the signatories to the application for registration;

116.2. such individuals as the board may appoint from time to time as Contributor Directors in pursuance of rule 120;

116.3. such individuals as the Anchor Members may appoint from time to time as Anchor Directors in pursuance of rule 125; and

116.4. such individuals as the board may appoint from time to time as Co-opted Directors in pursuance of rule 129.

117. The individuals referred to in paragraph 116.1 shall be taken to be Contributor Directors for the purposes of these rules.

**Contributor Directors: election, retiral, re-election**

118. At each AGM, the holders of Contributor Shares may (subject to rule 110) elect any individual who is either a holder of Contributor Shares or has been nominated by a corporate body which is a holder of Contributor Shares (unless he/she is debarred from serving as a director under rule 113) as a director.

119. The election of directors by the holders of Contributor Shares shall be dealt with as follows:

119.1. Not less than 6 weeks prior to each AGM, the secretary shall invite the holders of Contributor Shares to nominate individuals (who may include Contributor Directors who are due to retire at the conclusion of that AGM) for election by the holders of Contributor Shares to serve as directors with effect from that AGM; and shall post nomination forms on the society's website for that purpose.

119.2. No more than one individual may be nominated under paragraph 119.1 by a given holder of Contributor Shares.

119.3. The nomination form in relation to each individual who is being nominated for election as a director under paragraph 119.1 shall be signed by two holders of Contributor Shares (in the case of a corporate body, signed on its behalf by an appropriate officer) and also by the individual himself/herself, as vouching his/her consent to serve as a director.



- 119.4. In order to be valid, a nomination form (incorporating brief biographical details of the individual who is being proposed for election, and a statement outlining the skills which he/she considers that he/she could bring to bear in serving on the board), must be submitted through the society's website by the date occurring 3 weeks prior to the relevant AGM.
- 119.5. The secretary shall, as soon as reasonably practicable after the date referred to in paragraph 119.4, post on the society's website the name of each individual who has been validly nominated by holders of Contributor Shares for election as a director under paragraph 119.4, along with (a) the biographical and other details of each of such individuals, as supplied in pursuance of paragraph 119.4 (b) instructions on how voting is to be conducted and (c) the period during which votes may validly be cast.
- 119.6. Each holder of Contributor Shares shall have that number of votes which equates to the number of places on the board which are to be filled through the election process, to be cast (on the basis of no more than one vote per candidate) in relation to his/her/its preferred candidates (out of those whose names have been posted on the society's website by the secretary under paragraph 119.5), and on the basis that voting shall be conducted either by way of postal votes or (if the directors consider appropriate) through the society's website.
- 119.7. The period within which votes may validly be cast shall run from the date on which the material required under paragraph 119.5 is posted on the society's website until midnight on the date (the "Voting Cut-off Date") occurring 2 weeks prior to the relevant AGM.
- 119.8. In the event that the aggregate number of votes recorded in relation to two or more candidates results in a tie, the question of which of the candidates is to serve as a director shall be determined by the secretary by some random method.
- 119.9. As soon as reasonably practicable after the Voting Cut-off Date, the secretary shall calculate the aggregate number of votes recorded against each candidate and shall determine, on the basis of the votes cast, the identities of those individuals who will serve as Contributor Directors (including those Contributor Directors who are not then retiring from office) with effect from conclusion of the AGM which follows; the secretary's determination shall accord with the provisions of this rule 119.
- 119.10. The secretary's determination under paragraph 119.9 shall be conclusive and binding except in the case of manifest error.
- 119.11. The secretary's determination under paragraph 119.9 shall be issued at the AGM; each of the individuals identified in the determination will automatically become a director (or, where a retiring director is re-elected, shall continue in office) with effect from the conclusion of the AGM.
120. The board may, at any time, appoint any individual who is either a holder of Contributor Shares or has been nominated by a corporate body which is a holder of Contributor Shares (providing, in either case, he/she is willing to act and is not debarred by rule 115) to be a director, either to fill a vacancy or (subject to rule 110) as an additional director.
121. At the first AGM, one third (to the nearest round number) of the Contributor Directors shall retire from office; the question of which of them are to retire shall be determined by some random method.

122. At each AGM (other than the first):
- 122.1. any Contributor Director who was appointed by the board (under rule 120) in the period from the date of the preceding general meeting shall retire from office; and
  - 122.2. out of the remaining Contributor Directors, one third (to the nearest round number) shall retire from office.
123. The Contributor Directors to retire under paragraph 122.2 shall be those who have been longest in office since they were last appointed or re-appointed; as between two or more Contributor Directors who were appointed or re-appointed on the same date, the question of which of them is to retire shall be decided by some random method.
124. The holders of Contributor Shares may (subject to rule 110) re-elect any Contributor Director who retires from office at any AGM (providing he/she is willing to act); if any such Contributor Director is not re-appointed, he/she shall retain office until the conclusion of the AGM.

**Anchor Directors: appointment/removal/retiral/re-appointment**

125. The Anchor Members may, by notice in writing, signed on their behalf by an appropriate officer from each Anchor Member, and given to the society:
- 125.1. appoint (subject to rules 110 and 111) any individual (providing the Board agree the individual is suitable to fulfil the role of Director as per rule 139, and he/she is willing to act) as a director; or
  - 125.2. remove from office as a director any individual previously appointed by it as a director under this rule 125.
126. The appointment of any director under rule 125 shall take effect from the date stated in the notice (providing that date is after the time when the notice is received by the society) or (if no such date is stated in the notice) with effect from the time when the notice is received by the society.
127. At each AGM, one of the Anchor Directors shall retire from office, but shall be eligible (subject to rules 110 and 111) for re-appointment under rule 125.
128. The Anchor Director to retire under rule 127 shall be the Anchor Director who has been longest in office since they were last appointed or re-appointed; as between two or more Anchor Directors who were appointed or re-appointed on the same date, the question of which of them is to retire shall be decided by some random method.

**Co-opted Directors: appointment/vacating of office, re-appointment**

129. In addition to their powers under rule 120, the directors may (subject to rule 110) at any time appoint any individual (providing he/she is willing to act and is not debarred by rule 115) to be a director either:
- 129.1. on the basis that he/she has been nominated by a body with which the society has close contact in the course of its activities; or
  - 129.2. on the basis that he/she has specialist experience and/or skills which could be of assistance to the directors.
130. At the conclusion of each AGM, all of the Co-opted Directors shall retire from office — but shall then be eligible (subject to rule 110) for re- appointment under rule 129.

**Disqualification and removal of directors**

131. A director shall vacate office if:
- 131.1. he/she is disqualified from acting as a director;
  - 131.2. he/she is sequestered;

- 131.3. he/she becomes incapable for medical reasons of fulfilling the duties of his office and such incapacity has continued, or is expected to continue, for a period of more than six months;
  - 131.4. he/she becomes an employee of the society;
  - 131.5. (in the case of a Contributor Director) he/she ceases to hold any Contributor Shares or (in the case of a Contributor Director who was nominated for election/appointment by a corporate body which was a holder of Contributor Shares) the body which nominated him/her for election/appointment ceases to hold any Contributor Shares;
  - 131.6. he/she resigns office by notice to the society;
  - 131.7. he/she is absent (without permission of the board) from more than three consecutive meetings of the board, and the board resolves to remove him/her from office;
  - 131.8. he/she is removed from office by resolution of the board on the grounds that he/she is considered to have committed a material breach of the code of conduct for directors in force from time to time, as referred to in rule 139; or
  - 131.9. he/she is removed from office by a resolution of the members.
132. A resolution under paragraph 131.8 shall be valid only if:
- 132.1. the director who is the subject of the resolution is given reasonable prior written notice by the board of the grounds upon which the resolution for his/her removal is to be proposed;
  - 132.2. the director concerned is given the opportunity to address the board meeting at which the resolution is proposed, prior to the resolution being put to the vote; and
  - 132.3. at least two thirds (to the nearest round number) of the directors then in office vote in favour of the resolution.
133. A resolution under paragraph 131.9 shall be valid only if: -
- 133.1. the member who/which is proposing to move the resolution gives the society at least 28 days' written notice of his/her/its intention to move the resolution;
  - 133.2. the board gives the director who is the subject of the resolution at least 21 days' written notice of the intention of the relevant member to move the resolution;
  - 133.3. the director concerned is given the opportunity to address the general meeting at which the resolution is proposed, prior to the resolution being put to the vote;
  - 133.4. at least 75% of the votes cast in relation to the resolution are in favour of the resolution.

#### **Appointments to offices**

134. The directors shall elect from among themselves a Chair, a Vice Chair, a Treasurer, and such other office bearers (if any) as they consider appropriate.
135. All of the office bearers shall cease to hold office at the conclusion of each AGM, but shall then be eligible for re-election.
136. A person elected to any office shall cease to hold that office if he/she ceases to be a director, or if he/she resigns from that office by written notice to that effect.

#### **Directors' interests**

137. Subject to the provisions of the Act and provided that he/she has disclosed to the board the nature and extent of any personal interest which he/she has (unless

immaterial), and has complied with the code of conduct (as referred to in rule 139), a director (notwithstanding his/her office):-

- 137.1. may be a party to, or have some other personal interest in, any transaction or arrangement with the society or any associated company;
  - 137.2. may be a party to, or have some other personal interest in, any transaction or arrangement in which the society or any associated company has an interest;
  - 137.3. may be a director or secretary of, or have some other personal interest in, the society and/or any associated company;
  - 137.4. may be employed by any associated company; and
  - 137.5. shall not, because of his/her office, be accountable to the society for any benefit which he/she derives from any such office or employment or from any such transaction or arrangement or from any interest in any such company; and no such transaction or arrangement shall be liable to be treated as void on the ground of any such interest or benefit.
138. For the purposes of the preceding rule, an interest of which a director has no knowledge and of which it is unreasonable to expect him/her to have knowledge shall not be treated as an interest of his/hers; the references to "associated company" shall be interpreted as references to any subsidiary of the society or any other company in which the society has a direct or indirect interest.

#### **Conduct of directors**

139. Each of the directors shall comply with the code of conduct (incorporating detailed rules on conflict of interest) prescribed by the board from time to time; for the avoidance of doubt, the code of conduct shall be supplemental to the provisions relating to the conduct of directors contained in these rules, and the relevant provisions of these rules shall be interpreted and applied in accordance with the provisions of the code of conduct in force from time to time.

#### **Directors' remuneration and expenses**

140. A director shall not be entitled to any remuneration in respect of carrying out his/her duties as a director or as holder of any office under rule 134.
141. At the discretion of the board the directors may be paid all travelling and other expenses properly incurred by them in connection with their attendance at meetings of the board, general meetings, meetings of committees of directors or otherwise in connection with the carrying-out of their duties. Notwithstanding rule 141, it is expected that directors will aim to minimise travelling expenses e.g. seeking to use virtual real-time communication to attend meetings rather than incur travelling expenses (see rule 158).

#### **Powers of directors**

142. Subject to the provisions of the Act and these rules, the business of the society shall be managed by the board, who may exercise all the powers of the society.
143. The members of the society shall be entitled to issue a direction to the board, by way of a resolution in respect of which at least 75% of the votes cast on the resolution are in favour; the board shall be bound to comply with a direction by the members issued in accordance with the preceding provisions of this rule.
144. No alteration of the rules, and no direction issued in pursuance of rule 143 shall invalidate any prior act of the board which would have been valid if that alteration had not been made or that direction had not been given.

145. The powers conferred by rule 142 shall not be limited by any special power conferred on the board by these rules.
146. A meeting of the board at which a quorum is present may exercise all powers exercisable by the board.

#### **Proceedings of the board**

147. Subject to the provisions of these rules, the board may regulate their proceedings as they think fit.
148. Any director may call a meeting of the board or request the secretary to call a meeting of the board.
149. The board must meet not less than four times in each financial year (excluding for this purpose the financial year within which the society is formed).
150. At least five working days' notice shall be given in relation to each meeting of the board, unless the Chair (or as the case may be, the other director who is calling the meeting) is of the view (acting reasonably) that the delay associated with giving five working days' notice would be likely to cause significant prejudice to the interests of the society, in which case he/she shall give such notice of the meeting as is reasonable in the circumstances.
151. Notice of every board meeting (including a short agenda in relation to the business to be conducted at the meeting) shall be issued to each director at the postal address or email address which was last notified by him/her to the society for that purpose.
152. Only the business detailed in the agenda circulated to the directors may be considered at the meeting, subject to the qualification that any item of additional business may be considered if all of the directors present at the meeting consent to the consideration of that item of business.
153. Questions arising at a board meeting shall be decided by a majority of votes, and on the basis that (subject to rule 154) every director shall have one vote.
154. In the case of an equality of votes, the chairperson of a board meeting shall (subject to rule 155) have a casting vote (in addition to his/her own vote as a director).
155. A chairperson of a board meeting who is not a Community Member shall not be entitled to a casting vote.
156. The quorum for the transaction of the business of the board, shall (subject to rule 157) be as follows:
- 156.1. if there is an even number of directors in office at the time, one half of the total number of directors in office at the time plus one; or
- 156.2. if there is an odd number of directors in office at the time, one half - rounded upwards - of the total number of directors in office at the time.
157. A quorum shall not be deemed to be constituted at any board meeting unless both of the following requirements are met:
- 157.1. at least 3 directors are present at the meeting;
- 157.2. at least one of the directors present is an Anchor Director; and
- 157.3. a majority of the directors present are Community Members.
158. A director may participate in a board meeting by means of a conference telephone, video conferencing facility or similar communications equipment or software whereby all the directors participating in the meeting can hear each other; a director participating in a meeting in this manner shall be deemed to be present in person at the meeting.
159. If the quorum required under rules 156 and 157 (as read with rule 158) is not present within half an hour after the time appointed for the meeting, or if during a

meeting such a quorum ceases to be present, the meeting shall stand adjourned to such time and place as may be fixed by the chairperson of the meeting.

160. The continuing directors or a sole continuing director may act notwithstanding vacancies; but if the number of remaining directors is less than the number fixed as the quorum or ceases to comply with the provisions of rule 111, they may act only for the purpose of filling vacancies or of calling a general meeting.
161. Unless he/she is unwilling to do so, the Chair of the society shall preside as chairperson at every meeting of directors at which he/she is present.
162. If the Chair of the society is unwilling to act as chairperson of a meeting of directors or is not present within 15 minutes after the time appointed for the meeting, the Vice Chair shall act as chairperson of the meeting; or, if neither the Chair nor the Vice Chair is present and willing to act as chairperson within 15 minutes after the time appointed for the meeting, the directors present at the meeting may appoint one of their number to be chairperson of the meeting.
163. The directors shall be entitled to allow any person to attend and speak (but not vote) at any meeting of the board; a person invited to attend a meeting of the directors under the preceding provisions of this rule shall not be entitled to exercise any of the powers of a director, and shall not be deemed to be a director for the purposes of the Act or any provision of these rules.
164. All acts done by a meeting of directors or by a meeting of a committee of directors or by a person acting as a director shall, notwithstanding that it is afterwards discovered that there was a defect in the appointment of any director or that any of them was disqualified from holding office or had vacated office or was not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director and had been entitled to vote.
165. A resolution in writing signed by all the directors entitled to receive notice of a meeting of the board (or of a committee of directors) shall be as valid and effectual as if it had been passed at a meeting of directors (or, as the case may be, a committee of directors) duly convened and held; it may consist of several documents in the same form, each signed by one or more directors.
166. A director shall not vote at a meeting of directors (or at a meeting of a committee of directors) on any resolution concerning a matter in which he/she has, directly or indirectly, a personal interest or duty (unless immaterial) which conflicts or may conflict with the interests of the society.
167. For the purposes of the preceding rule:
  - 167.1. an interest of a person who is taken to be connected with a director for the purposes of the Act shall be treated as a personal interest of the director;
  - 167.2. a director shall (subject to paragraph 167.3) be deemed to have a personal interest in relation to a particular matter if a body in relation to which he/she is an employee, director, member of the management committee, officer or elected representative has an interest in that matter;
  - 167.3. an Anchor Director shall not be deemed to have a personal interest in a particular matter solely by reason of the fact that the Anchor Member organisation has an interest in that matter and he/she is an employee or officer of the Anchor Member organisation; and

- 167.4. an interest which is common to 75% or more of the members of the society shall not be deemed to be a personal interest or duty which conflicts or may conflict with the interests of the society.
168. A director shall not be counted in the quorum present at a meeting in relation to a resolution on which he/she is not entitled to vote.
169. The society may, by way of a resolution passed by majority vote at a general meeting, suspend or relax to any extent, either generally or in relation to any particular matter, the provisions of rules 166 to 168.
170. If a question arises at a meeting of directors (or at a meeting of a committee of directors) as to the right of a director to vote, the question may, before the conclusion of the meeting, be referred to the chairperson of the meeting; his/her ruling in relation to any director other than himself/herself shall be final and conclusive.

#### **Delegation to committees of directors and holders of offices**

171. The directors may delegate any of their powers to any committee consisting of two or more directors; they may also delegate to the Chair of the society or a director holding any other office such of their powers as they consider appropriate.
172. Any delegation of powers under the preceding rule may be made subject to such conditions as the directors may impose and either collaterally with or to the exclusion of their own powers and may be revoked or altered.
173. Subject to any condition imposed in pursuance of the preceding rule, the proceedings of a committee consisting of two or more directors shall be governed by the rules regulating the proceedings of meetings of directors so far as they are capable of applying.
174. In addition to their powers under rule 171, the directors may delegate their powers to any committee consisting of one or more directors and such other individuals (who need not be directors or employees of the society) as the directors may consider appropriate; the provisions of rules 172 and 173 shall apply in relation to any such committee, subject to the qualification that the role of any committee formed under the preceding provisions of this rule 174 shall be limited (except to the extent that the board otherwise determine) to the issue of reports and recommendations for consideration by the board.

#### **Secretary**

175. The board shall appoint a secretary, and on the basis that the term of office, remuneration (if any), and other terms and conditions attaching to the appointment of the secretary shall be as determined by the board; the secretary may be removed by the board at any time.

#### **Minutes**

176. The board shall ensure that minutes are made (in books/folders kept for the purpose) of all proceedings at general meetings, meetings of the board and meetings of committees of directors.
177. A minute of a meeting of the board or of a committee of directors shall include the names of the directors present, and the minutes of each meeting shall (unless exceptional circumstances make this impractical) be signed by the chairperson of that meeting.
178. The board shall (subject to rule 179) provide a copy of any minutes falling within the provisions of rule 176 to any person requesting them, within a reasonable time; and in any event within 28 days after the request is made.

179. The board shall be entitled to omit from (or render illegible within) the copy minutes provided to a person in pursuance of rule 178 any material which relates to sensitive employee issues, information which under data protection legislation cannot be disclosed, or other matters which, in the reasonable opinion of the board, ought properly to remain confidential; if the board does omit any such material, it must inform the person who made the request of its reasons for doing so.

#### **Accounts**

180. No member shall (as such) have any right of inspecting any accounting records or other book or document of the society except as conferred by the Act or as authorised by the directors or by a resolution passed by majority vote at a general meeting.

#### **Notices**

181. Any notice to be given in pursuance of these rules shall be in writing.

182. The society may give any notice to a member in pursuance of these rules either personally or by sending it by post in a pre-paid envelope addressed to the member at the address last intimated by him/her/it to the society or by leaving it at that address; alternatively, in the case of a member who/which has notified the society of an electronic address to be used for this purpose, the society may give any notice to that member by electronic means.

183. A member may give any notice to the society either by sending it by post in a pre-paid envelope addressed to the society at its registered office or by leaving it, addressed to the secretary, at the society's registered office.

184. Any notice, if sent by post, shall be deemed to have been given at the expiry of twenty four hours after posting; for the purpose of proving that any notice was given, it shall be sufficient to prove that the envelope containing the notice was properly addressed and posted.

185. Any notice sent by electronic means shall be deemed to have been given at the expiry of 24 hours after it is sent; for the purpose of proving that any notice sent by electronic means was indeed sent, it shall be sufficient to provide any of the evidence referred to in the relevant guidance issued from time to time by the Institute of Chartered Secretaries and Administrators.

186. A member present at any meeting of the society shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

#### **Amendments to the rules**

187. Subject to rule 188, these rules may be amended by way of a resolution passed by the members at a general meeting, providing at least 75% of the votes cast in relation to the resolution are in favour and that the notice convening the meeting included details of the amendments to be proposed at the meeting.

188. No amendment to the rules shall be valid until it has been registered by the Financial Conduct Authority.

189. For the avoidance of doubt, the references in rules 187 and 188 to amendments to the rules shall include introducing any new rule or rescinding any existing rule.

#### **Borrowings**

190. The society shall have power (subject, in the case of members' loans, to rule 191) to borrow money (without any limit on the amount in each case) and shall have power to grant securities over any of its property (including the assets and undertaking of the society, present and future) in respect of sums borrowed by the society and/or the performance of any obligations of the society.



191. The society may receive loans (with or without giving security, and on such terms as the board may consider appropriate) or donations from members (without any limit on the amount in each case) to support its work, providing (in the case of a loan from a member) that the rate of interest (if any) is no higher than that applicable to Contributor Shares; the society shall not, however, accept deposits.

#### **Auditors**

192. Subject to rule 193, the society shall appoint an auditor in respect of each financial year who is qualified under the Act to audit the society's accounts for that financial year.

193. The society shall (subject to rule 194) be exempt from the obligation to appoint a qualified auditor if it is eligible for that exemption under the Act if and to the extent that proper arrangements for the auditing or independent examination of the society's accounts are made in a manner which satisfies the requirements of the Act and (if the society is a Scottish charity at the time) the requirements of the 2005 Act.

194. The members of the society may determine, by way of a resolution passed by majority vote at a general meeting, that the society shall require to appoint a qualified auditor in respect of the accounts for any financial year, notwithstanding that the society is eligible for exemption from that obligation under the Act.

195. The appointment of auditors, the re-appointment of auditors, the removal of auditors and the appointment of auditors in place of an auditor which has been removed from office, shall be governed by the Act.

#### **Annual return**

196. Every year, and within the period prescribed by the Act, the secretary shall send to the Financial Conduct Authority the annual return for the society, in the form prescribed by the Financial Conduct Authority, relating to its affairs for the period required by the Act to be included in the return; together with:

196.1. a copy of the report of the auditor on the society's accounts for the period included in the return; or a copy of such other report (if any) as is required by the Act for such period; and

196.2. a copy of each balance sheet as at the end of that period, and of the report (if any) of the auditor or other appropriate person as required by the Act in relation to that balance sheet.

197. The society shall supply (free of charge) to any member, or to any person with an interest in the funds of the society, a copy of the latest annual return, together with a copy of the auditor's report on the accounts and balance sheet contained in the return.

#### **Supply of copy rules**

198. A copy of these rules (including all alterations which are in force) shall be given free of charge to any member upon demand; and shall be provided to any non-member provided he/she/it pays the fee applicable at the time for a copy of rules under the Act (or, if no specific fee is stated in the Act, such reasonable fee as the board may prescribe from time to time).

#### **Application of surpluses**

199. Any surpluses generated by the society, calculated after due allowance for

199.1. interest on the Contributor Shares (as provided for in rules 33 and 34); and

199.2. the payments falling due from time to time under the Deed of Covenants entered into between the society and the Anchor organisations that are Anchor Members and holders of Community Anchor Shares; and

- 199.3. the development of appropriate financial reserves (e.g. to cover withdrawal of Contributor shares);  
shall be applied towards the further development of the business or other activities of the society for the benefit of the Community
200. Without prejudice to rule 199, any surplus funds or assets of the society must be applied for the benefit of the Community.

#### **Asset lock**

201. Pursuant to regulations made under section 1 of the 2003 Act:
- 201.1. all of the society's assets are subject to a restriction on their use;
- 201.2. the society must not use or deal with its assets except:
- 201.2.1. where the use or dealing is, directly or indirectly, for a purpose that is for the benefit of the community;
- 201.2.2. to pay a member of the society the value of his/her/its withdrawable share capital or interest on such capital;
- 201.2.3. to make a payment pursuant to section 36 (payments in respect of persons lacking capacity), 37 (nomination by member of entitlement to property in society on member's death), or 40 (death of member: distribution of property not exceeding £5,000) of the Act;
- 201.2.4. to make a payment in accordance with the rules of the society to trustees of the property of bankrupt members or, in Scotland, members whose estate has been sequestrated;
- 201.2.5. where the society is to be dissolved or wound up, to pay its creditors;  
or
- 201.2.6. to transfer its assets to one or more of the following:
- 201.2.6.1. a prescribed community benefit society whose assets have been made subject to a restriction on use and which will apply that restriction to any assets so transferred;
- 201.2.6.2. a community interest company;
- 201.2.6.3. a registered social landlord which has a restriction on the use of its assets which is equivalent to a restriction on use and which will apply that restriction to any assets so transferred;
- 201.2.6.4. a charity (including a community benefit society that is a charity); or
- 201.2.6.5. a body, established in Northern Ireland or a State other than the United Kingdom, that is equivalent to any of those persons.
202. Any expression used in rule 201 which is defined for the purposes of regulations made under section 1 of the 2003 Act shall have the meaning given by those regulations.

#### **Investment of funds**

203. The society may invest any part of its funds in the manner permitted by the Act.

#### **Seal**

204. The society shall not have a seal.

#### **Dissolution or winding-up**

205. The society may be dissolved by the consent of 75% or more of the members by their signatures to an instrument of dissolution, or by winding-up in a manner provided by the Act.
206. On the winding-up or dissolution of the society, the society shall (if and to the extent that the assets remaining after settlement of its other liabilities enable it to do so) be

liable to pay to each holder of a Contributor Share the sum of £25 per Contributor Share held by him/her/it and to the holders of the Community Anchor Shares the sum of £1.

207. If, on the winding-up or dissolution of the society, any of the society's assets remain to be disposed of after its liabilities (including any liability arising under rule 206) are satisfied, those assets shall not be distributed among the holders of Contributor Shares; instead, that property shall (subject to rule 201) be transferred to such other body or bodies, as may be determined by the members.

### **Indemnity**

208. Every director or other officer of the society shall be indemnified (to the extent permitted by the Act) out of the assets of the society against any loss or liability which he/she may sustain or incur in connection with the execution of the duties of his/her office.

209. The indemnity under rule 208 may include, without prejudice to that generality (but only to the extent permitted by the Act), any liability incurred by the director or other officer:

209.1. in defending any proceedings, whether civil or criminal, in which judgement is given in his/her favour or in which he/she is acquitted; or

209.2. in connection with any application in which relief is granted to him/her by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the society.

210. For the avoidance of doubt, the society shall be entitled to purchase and maintain for any director or officer insurance against any loss or liability which any director or other officer of the society may sustain or incur in connection with the execution of the duties of his/her office; and such insurance may extend to liabilities arising out of the negligence of a director.

### **Community Engagement**

211. The society has the general aim of educating and informing its members and the wider community of the sustainable impact of renewable energy. The society shall advance this objective by:

211.1. Providing an annual communication to its members of the sustainable benefits that the projects have accrued to the Community and society during the year;

211.2. Making this communication available to the wider Community through whatever means the Board deems appropriate (e.g. posting upon websites, notices in local papers).

### **Interpretation**

212. In these rules:

212.1. "the Act" means (subject to rule 213) the Co-operative and Community Benefit Societies Act 2014;

212.2. "the 2003 Act" means (subject to rule 213) the Co-operatives and Community Benefit Societies Act 2003;

212.3. "the 2005 Act" means (subject to rule 213) the Charities and Trustee Investment (Scotland) Act 2005;

212.4. "board" has the meaning given to the word "committee" in the Act;

212.5. "charitable body" means a body which is either a "Scottish charity" within the meaning of section 13 of the 2005 Act or a "charity" within the meaning of

section 1 of the Charities Act 2011, providing (in either case) that its objects are limited to charitable purposes;

212.6. "charitable purpose" means a charitable purpose under section 7 of the 2005 Act which is also regarded as a charitable purpose in relation to the application of the Taxes Acts;

212.7. "director" means a member of the board (and shall be taken to be a member of the society's committee for the purposes of the Act);

212.8. "Surplus Profits" means the amounts which require to be paid from time to time by the society to the Anchor Members under the Deed of Covenants entered into between the society and each Anchor Member organisation, for each windfarm that the Anchor Member organisation has an equal share in, by virtue of its nominating community council being invited to the development;

212.9. "sustainable development" means development which meets the needs of the present without compromising the ability of future generations to meet their own needs.

212.10. "Community Councils" means a community council established under the Local Government (Scotland) Act 1973; they are the most local tier of statutory representation in Scotland. They bridge the gap between local authorities and communities, and help to make public bodies aware of the opinions and needs of the communities they represent.

212.11. "Anchor organisation" is a charitable body, registered with the Scottish Charity Regulator (OSCR) which a Community Council that is participating in the Community Shared Ownership of a Renewable Energy Project nominates to be its Anchor Member in the society and to hold a Community Anchor Share.

213. Any reference in these rules to a statutory provision shall be taken to include any statutory modification or re-enactment of that provision which is in force at the time. References in these rules to the singular shall be deemed to include the plural.

Signatures

Names of founder members

Addresses of founder members

1  Alasdair Bennett Brudhearg, Waterfoot, Argyll PA28 6QX

2  Rhona Elder Rubha Darach, Torrissdale Argyll PA28 6QT

3  Prof Rob Lee Creag Lodge, Torrissdale Argyll PA28 6QT

**Secretary:**



Prof Jerry Barnes

Erinvore, Torrissdale, Argyll PA28 6QT