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GUIDELINES FOR ESTABLISHING AGRICULTURAL CO-OPERATIVES

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Introduction

1. INTRODUCTION

One of the great challenges facing the agricultural sector is to increase the number and variety of viable and sustainable economic agricultural enterprises. The past history resulted in many interruptions in the development of agricultural enterprises, because of the destruction of wealth in black communities, especially in both rural and urban areas. One important variant of these economic enterprises is agricultural co-operatives. Agricultural co-operatives are ideal institutions of people to create employment and empower people in improving their socio-economic conditions. The co-operatives can be instrumental in giving the poor women, youth and other marginalised members of a community a purpose and pride as a result of their financial independence and contribution to the economy of the country. Individual farmers cannot consistently and reliably control the prices that they receive for their agricultural products or the prices they pay for the inputs required to produce these goods. In order to enhance their economic market power, farmers therefore often form co-operatives.

Co-operatives also play an important role in the uniform preparation of a commodity for a buyer. Minimisation of the number of farmers with whom a commodity purchase must do business could also be achieved. An agricultural co-operative could serve one or more functions, including, but not limited to, providing loans to farmers, supplying information pertinent to agricultural production, selling inputs necessary to agricultural production, bargaining on behalf of its members, assigning transportation and delivery costs, arranging the timing and scheduling of delivery, setting the delivery location, marketing agricultural products for its members and securing prices. As a result, many of these co-operatives and self-help groups are still requiring regular assistance through the direct distribution to the economy. The guidelines will assist these farmers to form themselves into co-operatives so that they could be able to acquire available assistance from various programmes of government departments.

The purpose of this document is to highlight the formation and development of farmer organisations/co-operatives to enable the groups to build their own organisations which articulate their needs. It also enables them to form partnerships with Government in service delivery and use these organisations for mutual support and information dissemination. The importance of the formation and development of



farmer organisations/co-operatives is to ensure that they have sustained livelihoods, can create jobs, mobilise resources, generate investments, for economic empowerment, enhance social reform and food security, promote SMME, etc.

2. WHAT IS A CO-OPERATIVE?

A co-operative is an autonomous association of persons united voluntarily to meet their mutual economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on co-operative principles (dti). An agricultural co-operative is a co-operative that produces processes or markets agricultural products and supplies agricultural inputs and services to its members.

3. THE CHARACTERISTICS OF AN AGRICULTURAL CO-OPERATIVE

- Association of persons
- Voluntary basis
- Mutual or common economic, social and cultural needs
- Jointly owned and democratically controlled enterprise
- Co-operative principles

4. THE VALUES OF AGRICULTURAL CO-OPERATIVES

Agricultural co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

5. PRINCIPLES OF THE AGRICULTURAL CO-OPERATIVES

The principles are -

- Democratic member control
- Voluntary and open membership
- Autonomy and independence
- Educational training and information
- Co-operation among co-operatives
- Concern for the community
- Economic participation of members





6. NEED TO FORM AGRICULTURAL CO-OPERATIVES

There are many reasons why groups of farmers could wish to form agricultural co-operatives, namely to supply inputs or provide processing and marketing services. The importance of agricultural co-operatives is job creation, mobilising resources, generating investment and their contribution to the economy. In their various forms agricultural co-operatives promote the fullest participation in the economy and social development of all people. People form agricultural co-operatives to improve their income or economic position or to provide a needed service. This may be achieved by one or more of the following:

- **Improved bargaining power**
Combining the volume of several members leverages their position when dealing with other businesses.
- **Reduced purchasing power**
Volume purchasing reduces the purchasing price of needed supplies. Earnings of the co-operative returned to individual members lower their net costs.
- **Obtaining market access or broadening market opportunities**
Value is added to products by processing or offering larger quantities of an assured type and quality to attract more buyers.
- **Improve products or service quality**
Member satisfaction is achieved by adding value to the products and competition the co-operatives provide, and improved facilities, equipment and services.
- **Obtaining products or services otherwise unavailable**
Agricultural co-operatives often provide services or products that would not attract other private businesses.
- **Reduce cost/increase income**
Reducing the co-operative's operating costs; increasing the amount of earnings available for distribution to members to boost their income.

7. THE BENEFITS OF FORMING CO-OPERATIVES

- Achieve what one cannot achieve on your own
- Provide easy access to needed services



- Pay less for inputs, marketing, distribution and selling of produce
- Process products if necessary

8. THE LEVELS OF AGRICULTURAL CO-OPERATIVES

1. Primary agricultural co-operatives

A primary agricultural co-operative is a co-operative in which all the members are individuals. The purpose of a primary agricultural co-operative is to provide employment or services to its members and to promote community development. It takes a minimum of five natural persons to form a primary co-operative. Each member will benefit as a result of being part of the co-op. Members pool their resources to offer services to others. Members can raise funds for the benefit of their colleagues. Mostly, primary co-ops exist at local level.

2. Secondary agricultural co-operatives

A secondary agricultural co-operative is a co-operative in which two or more primary co-operatives, including juristic persons, can form a secondary co-operative. The members are primarily agricultural co-operatives. The purpose of a secondary co-operative is to provide services to its members relating to the sector in which they are active. Most of secondary co-ops exist at district level.

3. Tertiary agricultural co-operatives

A tertiary agricultural co-operative is a co-operative in which two or more secondary co-operatives, including juristic persons, can form tertiary co-operatives. The purpose of a tertiary agricultural co-operative is to advocate the interests of the member co-operatives to government bodies, the private sector and other stakeholders. Another name for a tertiary agricultural co-operative is an apex organisation. An "apex" is the word for the top of a pyramid shape. These co-ops exist at a provincial level.

9. TYPES OF AGRICULTURAL CO-OPERATIVES

Agricultural co-operatives may be organised according to function -

- Production co-operatives permit farmers to organise their farms as co-operative corporations.





- b] Supply co-operatives purchase products and services and required inputs for agricultural production for their members.
- c] Service co-operatives provide a wide variety of services and were initially formed to serve farmers with e.g. horticultural advice that is otherwise very expensive for an individual farmer to obtain.
- d] Agricultural marketing co-operatives are frequently organised according to farm commodity or groups of commodities such as sugar, grains, maize and poultry to produce or (usually) store and market agricultural products. Marketing co-operative structures may function as contract and price-bargaining co-operatives, or may be involved in processing, assembling and packaging as well as selling members' products on both domestic and foreign markets.
- e] Purchasing co-operatives buy supplies and goods and sell these at a reduced price to members. These lower member costs. This type was first used by farmers to gain access to affordable and quality supplies such as feed, fertilisers, etc.

10. STEPS IN ESTABLISHING AN AGRICULTURAL CO-OPERATIVE

Fig. 1





10.1 Conduct a need analysis for the following issues

- Identify the objectives (exactly what the co-operative aims to do)
- Equipment, buildings and other materials needed in the enterprise
- Financial requirements (How are you going to obtain this?)
- Premises (where the co-operative will be located)
- Human capital
- Identify interested members
- Invite them to the meeting
- Present the concept

10.2 Election of steering committee which will be responsible for the following:

- Draw up a business plan
- Draw up a constitution, which will lay down the procedures to be followed by the co-operative in achieving its aims and objectives
- Ensure the smooth operation of the co-operative and provide supervision

10.3 Convening of formation meeting

- Election of the first board of directors.

10.4 First meeting of the board of directors

- Completing the following documents with the Registrar of co-operatives for consideration:
- Copy of the constitution
- CR1 form on the actual application form for registration
- CR4 form on the acceptance to act as an auditor or
- CR5 form on the exemption of appointing an auditor
- Proof of payment (copy of a deposit slip or a receipt from the cashier, viz. if payment was made at CIPRO offices)





REGISTRATION PROCESS OF AN AGRICULTURAL CO-OPERATIVE

Fig. 2



Register as a customer on CIPRO website (www.CIPRO.gov.za) to obtain a reference. If no access to website, contact the nearest Extension Officer to advise on the application process to secure customer code/name



Name reservation. Complete the form for registering co-operative, i.e. CR1 +CR4 or CR8



Pay the registration fee (R215,00) either bank deposit or cash to payment at CIPRO offices and use customer number that you obtained during the payment of the application fee.



Submit registration forms together with proof of payments to CIPRO. Post to CIPRO at: Companies and Intellectual Property Registration Offices, Private Bag X237, Pretoria, 0001

REGISTRATION PROCESS OF AN AGRICULTURAL CO-OPERATIVE

Step 1:

The co-operative should register as customer on the CIPRO website www.CIPRO.gov.za to obtain a reference which is: Customer name and date of deposit with the sequence of the transaction. If no accesses to website, contact the nearest Extension Officer for advice on the application process to secure customer code/name.

Step 2:

Name reservation (optional). Complete the form for registering a co-operative (CR1 form, CR4 or CR8).



Step 3:

Pay the registration fee (R215,00) either as a bank deposit or cash payment at CIPRO offices and use the customer number that you obtained when paying the application fee.

Step 4:

Submit registration forms together with proof of payments to CIPRO or post to Companies and Intellectual Property Registration Offices, Private Bag X237, Pretoria, 0001

ABSA BANK • ACCOUNT NUMBER: 4055 68 1017 • ACCOUNT HOLDER: CIPRO: COMPANIES DIVISION BRANCH NAME: VAN DER WALT STREET (PRETORIA)

NOTE: Payment by means of revenue stamps has been abolished. Payment is now done directly to CIPRO or the above- mentioned details and can be made on the website (a credit card). Alternatively, visit the Companies and Intellectual Property Registration Office (CIPRO), at the dti campus, Entfufukweni Building (Block F), 77 Meintjes Street, Sunnyside, Pretoria or write to CIPRO, Private Bag X237, Pretoria, 0001.

Registration will take place if the Registrar is satisfied that -

- The application has been made in accordance with the Act.
- The proposed name complies with the provisions of section 10 of the Act.
- The constitution of the co-operative complies with the Act and the co-operative principles.
- NB: The guidelines in registering a primary, secondary and tertiary co-operative are more or less the same, except in membership, where the minimum number of persons in the formation of a primary co-operative is 5, whereas in the case of secondary and tertiary co-operatives it is 2.

If the Registrar is satisfied that the application meets all of these conditions, then the Registrar will give the co-operative a registration certificate with a registration number. Once a co-operative is registered, it becomes a legal person. This means that it has legal powers similar to those of companies and related groups.



Framework

1. THE FRAMEWORK OF DEVELOPING A BUSINESS PLAN

Business description

- Name of the business
- Number of members
- Number of committee members (board)
- Names of executive members
- Postal address
- Contact person
- Telephone numbers

Nature of a business

- Type of business
- Enabling legislation
- Economic sector or industry
- Unfulfilled need

Our vision

- How we see the future in our sector

Our mission

- Our main business in this sector

Our objectives

- Our specific projects

SITUATION ANALYSIS

External environment

- Land and ownership
- Government regulations
- Suppliers' terms
- Financial providers
- Nature of the competition

Internal environment

- Leadership
- Personnel
- Organisation
- Technology

- Policy

Marketing plan

- Market overview and size
- Market segment
- Growth potential
- Customer profile
- Competition
- Market share
- Geographic market factors
- Barriers to market entry
- Market channels

Production plan

- Estimated production
- Kinds of production
- Machines to be used

Organising plan

- Management profile
- Personnel profile
- Organisational structure

Financial plan

- Audited financial statements (3 years)
- Cash flow productions (5 years)
- Proforma income statement (5 years)
- Proforma balance sheets (5 years)

Funding sources

- Membership contributions
- Loans
- Security for loans
- Grants

Risk analysis

- Financial risk
- Price risk
- Production/output risk
- Interest rate risk



Primary



AGRICULTURAL CO-OPERATIVE LIMITED

NAME

1. [a] The name of the co-operative is
AGRICULTURAL CO-OPERATIVE LIMITED
- [b] The abbreviated name is
(CO-OP.) LTD (if applicable)
- [c] The co-operative may trade as
(if applicable)

FORM OF CO-OPERATIVE

2. This is the constitution of a business undertaking formed as a primary agricultural co-operative with limited liability in terms of the provisions of the Co-operatives Act, 2005 (Act No. 14 of 2005).

DEFINITIONS

3. In this constitution, unless the context indicates otherwise, a word or expression to which a meaning is attached in the Co-operatives Act, 2005 shall have a similar meaning and -

"the Act" means the Co-operatives Act, 2005 (Act No. 14 of 2005);

"co-operative" means the
AGRICULTURAL CO-OPERATIVE LIMITED that is incorporated in terms of the Act;

"entrance fee" means a one-off fee payable to obtain membership of the co-operative and is paid on application for membership;

"gender" a reference in this constitution to the masculine gender shall also include the feminine gender and *vice versa*;

"membership fee" or "subscription fee" means an annual fee payable towards the running of the co-operative, and may be paid off in equal monthly instalments;





"member loan" means a loan made by a member to a co-operative in terms of clause 62;

"patronage proportion" means the proportion which the value of the transactions conducted by a member with a co-operative during a specified period bears to the value of the transactions conducted by all the members during the same period with or through the co-operative.

PLACES OF BUSINESS

4. The main place of business of the co-operative is situated at
.....(place); province.

OBJECTIVES

5. The objectives of the co-operative are -
- [a] to undertake the marketing of agricultural products;
 - [b] to process the agricultural products or to manufacture any article therefrom and to dispose of the product or thing into which it was processed or articles so manufactured;
 - [c] to hire, buy or otherwise acquire and to let, sell or otherwise supply requisites, necessary or used for or in connection with farming operations;
 - [d] to hire, buy or otherwise acquire, or produce or manufacture and to let, sell or otherwise supply any article of consumption;
 - [e] to hire, establish or erect and to use or make available for use facilities necessary for or useful in connection with farming operations;
 - [f] to render services, necessary for or useful in connection with farming operations;
 - [g] to render any other services, including services relating to the buying, selling and leasing of immovable agricultural property;
 - [h] to undertake insurance business which relates to farming risks to farmers.



DESCRIPTION OF BUSINESS AND ANY RESTRICTIONS ON BUSINESS

6. [a]
-
-
-
-
- [b]
-
-
-
-
- [c]
-
-
-
-
-
-
-

MEMBERSHIP

Requirements for membership and restrictions to membership

- 7.1 Requirements: Any natural person who is over the age of 18 years may, on application to the board, become a member of the agricultural co-operative.
- 7.2 Any restrictions to membership
-
-
-
-





APPLICATION FOR MEMBERSHIP

- 8.1 Application for membership and for the number of shares an applicant wishes to take up shall be made on the form provided for that purpose, and shall be accompanied by the entrance fee.
- 8.2 The Board must consider every application for membership and has the right to accept or reject an application.
- 8.3 The Board must, within **3** (three) months after receipt of an application for membership, notify the applicant of its decision and, in the event of an application for membership being rejected, any amount paid by the applicant to the co-operative must be refunded to him.
- 8.4 A person becomes a member of the co-operative when his application for membership has been accepted by the Board, and a share is issued or transferred to him.

ENTRANCE FEE AND MEMBERSHIP/SUBSCRIPTION FEE

- 9.1 An entrance fee of **R.....-00** must be paid on application for membership. Such fee is not refunded on termination of membership.
- 9.2 A membership fee/subscription fee of **R.....-00** must be paid annually: Provided that a member may pay off the subscription fee in equal monthly instalments. Such fee shall not be refunded on termination of membership.

RIGHTS AND OBLIGATIONS OF MEMBERS

10.1 Member's rights:

- [a]
- [b]
- [c]

10.2 Obligations of members:

- [a]
- [b]
- [c]



ISSUE OF SHARES AND MINIMUM SHAREHOLDING

- 11.1 The shares issued by the co-operative must all be of the same class, ranking and nominal value.
- 11.2 When the co-operative is founded each member must have a minimum of (number of) shares.
- 11.3 From the time that the co-operative is 3 years in operation, every member shall be bound to hold a minimum number of shares in the co-operative prescribed by a scale which shall be approved by members in general meeting on the recommendation of the board: Provided that the scale must relate to business done by members with the co-operative. Whenever it appears that a member does not hold the number of shares prescribed by the applicable scale, the board may issue to him without application, therefore such number of shares as will make up the insufficiency and% of the nominal value of such shares shall immediately become payable upon such issue, the balance becoming payable in accordance with the provisions of clauses 14 and 15 of this Constitution: Provided that before such issue of shares is made to any member, he shall be afforded an opportunity, of at least 30 (thirty) days, to acquire the requisite number of additional shares from any other member holding shares in excess of the above scale. The amounts that are already paid up can be utilised to pay up all the shares to the same extent.
12. The nominal value of each share must be R..... (..... Rand) of which% (..... per cent) shall be payable in money on application and the balance, subject to the provisions of clause 14 in such instalments, on such dates and at such times and places as may be determined by the board.
13. No call on shares must exceed **25 % (twenty five per cent)** of the nominal value per share or be payable within **30 (thirty) days** after the date on which the last preceding call was payable.
14. At least **14 (fourteen) days** prior to the date on which a call is payable written notice thereof must be given.
15. Calls on shares must be numbered consecutively from one upwards and each call must apply to all unpaid up shares issued or held at the time such call is made as well as to all such shares issued after such call has been made.





16. Every new member who is responsible for calls made before he became a member and which are payable in terms of clause 16, shall be allowed to pay such calls over the same period as would have been allowed him had he been a member at the time such call was or such calls were made: Provided that if more than one call was made the periods within which the calls were payable must run consecutively and not concurrently and that the period meant in this clause extends from the time a call was made to the time such call became payable.
17. The board may receive from any member willing to pay the same, all or any part of the nominal value of the share or shares held by him, and such payment shall constitute a reduction, to the extent of the payment so made, of the liability of the member in respect of the payment of the nominal value of the share or shares subscribed for by him, notwithstanding that no call be due and payable.
18. In the event of a member being in default in the payment of a call referred to in clause 13 on the specified date, interest on such overdue amount shall be payable at a rate to be determined by the board from time to time as from the date of default.

CERTIFICATES OF SHARES AND LOANS

19. Share certificates and loan certificates shall be issued in such form, as the board shall determine. These certificates shall state the name of the co-operative, that the co-operative is subject to the Act, the name of the person to whom it is issued and that the certificate represents membership shares in, or member loans to, the co-operative and the number of the membership shares or the amount of the member loans.

LIABILITY OF MEMBERS

20. The liability of a member is limited to an amount equal to the nominal value of the shares in the co-operative society in which in so far as that amount has not been paid up.

TRANSFER OF MEMBERSHIP, MEMBERS LOANS AND SHARES

- 21.1 Membership member loans and shares may be transferred only with the approval and on the authority of the board, which shall satisfy itself that the proposed transferee is qualified to be a member of the co-operative.



- 21.2 The board may at any time refuse to approve and register a proposed transfer.
- 21.3 The transfer of any membership shall be in writing in such form and signed in such manner as the board from time to time may stipulate.
- 21.4 When such transfer has taken place the board shall issue to the transferee a membership card, and/or a member loan certificate and/or a share certificate.

CONDITIONS AND PROCESSES FOR TERMINATION OF MEMBERSHIP

Termination on death

- 22.1 The membership of a member who has died may in terms of this clause be transferred to a member of that deceased member's family or another person appointed by the executor of the deceased member's estate subject to the approval by the Board of the proposed transferee. In the event of such transfer not taking place, the membership of the deceased member shall be terminated by resolution of the board.
- 22.2 Upon such termination, the membership fees concerned are forfeited and the amount paid in respect thereof is credited to the general reserve of the co-operative.
- 22.3 The shares registered in the name of a member who has died, must be cancelled by resolution of the board at the request the executor or liquidator of the estate.
- 22.4 Upon such cancellation the co-operative must pay to the executor the amount paid up on the shares for payment to the estate of the deceased member. Provided that if the value of such shares according to the latest completed balance sheet of the co-operative is less than their nominal value, the co-operative shall pay
- (a) If the shares are fully paid up, an amount equal to the value so determined; or
- (b) If the shares are not fully paid up, an amount that stands in the same proportion to the amount paid up on the shares as that which the value so determined of the shares stands to their nominal value.





Termination on change of place of residence

- 23.1 The membership of a member who no longer resides in the area served by the co-operative may on application of the member or by decision of the board, be terminated by resolution of the board.
- 23.2 Upon such termination, the membership fees of the member concerned are forfeited to the co-operative and the amount thereof is credited to the general reserve of the co-operative.
- 23.3 The shares registered in the name of such member may be cancelled by resolution of the Board.
- 23.4 Upon such cancellation the co-operative must refund to the ex-member, the amount paid up on the shares: Provided that if the value of such shares, according to the latest completed balance sheet of the co-operative is less than their nominal value, the co-operative shall pay the ex-member:
- [a] If the shares are fully paid up, an amount equal to the value so determined; or
 - [b] If the shares are not fully paid up, an amount that stands in the same proportion to the amount paid up on the shares as that which the value so determined of the shares stands to their nominal value.

TERMINATION WHEN A MEMBER IS NON-ACTIVE

- 24.1 Whenever a member does not actively participate in the activities of the co-operative for a period of 1 (one) year or has neglected to notify the co-operative of any change in his address, whereby the co-operative is prevented from contacting him, his membership may be terminated by resolution of the board.
- 24.2 Upon such termination, the membership fees of the member concerned are forfeited to the co-operative and the amount thereof is credited to the general reserve of the co-operative.
- 24.3 The shares of such member may be cancelled by resolution of the board.



24.4 Upon such cancellation, the amount paid up on such shares must be transferred to a special account called "Unclaimed Share Moneys". If no claim against this account is received and paid by the co-operative within 3 (three) years of such transfer, the amount concerned is forfeited to the co-operative and transferred to the general reserve of the co-operative: Provided that if the value of the shares, according to the latest completed balance sheet of the co-operative, is less than their nominal value, the amount to be transferred, shall -

- [a] If the shares are fully paid up, be an amount equal to the value so determined; or
- [b] If the shares are not fully paid up, be an amount that stands in the same proportion to the amount paid up on the shares, as that which the value so determined of the shares stands to their nominal value.

WITHDRAWAL OF MEMBERSHIP

25.1 The resignation of a member comes into operation at the first meeting of the board held after the co-operative has received the written resignation of the member.

25.2 The membership of a member who has resigned, shall be terminated by resolution of the board. The amount paid in respect of membership fees shall be forfeited to the co-operatives and credited to the general reserve.

25.3 The shares of a member who has resigned, shall be cancelled by resolution of the board. The amount paid up on such cancelled shares shall, at the discretion of the board and provided funds are available, be repaid to the member within a period of 2 (two) years from the date of cancellation: Provided that if the value of the shares, according to the latest completed balance sheet of the co-operative, is less than their nominal value, the amount payable shall

- [a] if the shares are fully paid up, be an amount equal to the value so determined; or
- [b] if the shares are not fully paid up, be an amount which stands in the same proportion to the amount paid up on the shares as that which the value so determined of the shares stands to their nominal value.





26. Any amount payable by the co-operative in terms of clauses 22, 23, 24 and 25 shall be set off against any debt for the payment of which the member or his estate is liable.

CONDITIONS AND PROCESS FOR SUSPENSION AND EXPULSION

27.1 A member who repeatedly contravenes a provision of this constitution or who refuses to comply with such provision or to meet an obligation imposed on him by the Act or in terms of this constitution or which he agreed to meet, may -

- [a] by resolution of the board, be suspended as a member for a period to be determined by the board but which shall not be longer than the date of the next annual general meeting;
- [b] by special resolution be suspended as a member for a period not longer than 12 (twelve) months from the date on which he is suspended;
- [c] by special resolution be expelled from the co-operative.

27.2 The suspension of a member may be revoked by resolution of the board at any time.

28.1 Before a member can be suspended or expelled in terms of clause 27, he has to be given prior written notice of the intention of the board.

28.2 The notice to such member must contain the following particulars -

- [a] the reasons for the proposed suspension or expulsion; and
- [b] a time when, and place where the member may appear in person, with or without witnesses, before the board or to which he may send a written statement signed by himself setting out his objections to the proposed suspension or expulsion.

28.3 The board must notify him in writing if it is decided to suspend or expel a member of

- [a] the date on which his suspension or expulsion comes into effect;
- [b] period of time during which the suspension will apply; and
- [c] disciplinary measures which will be taken.



DISCIPLINARY MEASURES

- 29.1 While under suspension a member forfeits his right to attend general meetings or to vote thereat by proxy.
- 29.2 The members by special resolution or the board may furthermore stipulate that certain or all transactions with a member must be suspended for the period of his suspension.
- 29.3 The membership of an expelled member must be terminated by resolution of the board and upon such termination the member forfeits his membership fees and the amount paid in respect thereof must be credited to the general reserve.
- 29.4 The shares of an expelled member must be cancelled, subject to the provisions of clause 30.1, by resolution of the board and upon such cancellation the member shall forfeit his shares.

LIABILITY IN RESPECT OF FORFEITED SHARES

- 30.1 person whose shares have been forfeited, is responsible for immediate payment to the co-operative of the entire amount unpaid on such shares.
- 30.2 All moneys paid to the co-operative in respect of forfeited shares must be added to the general reserve.
- 30.3 Notice must be given to the member in whose name the shares were registered prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register of members.
- 30.4 Interest on share capital or bonus or any other amount accruing to a member and which is payable by the co-operative to the member, must be applied to pay calls on shares and/or amounts unpaid on forfeited shares due but unpaid at the time such interest, bonus or other amount becomes payable to the member concerned.





MANAGEMENT OF CO-OPERATIVE

Board of directors

- 31.1 The affairs of the co-operative must be managed by a board of directors consisting of a minimum of and a maximum of directors. The directors must exercise the powers and perform the duties of the co-operative.
- 31.2 The number of directors shall be subject to the approval of members at the next general meeting, be determined by the board from time to time. If, however, the members do not approve the decision of the board and a vacancy arises as a result thereof, such vacancy shall be regarded as a casual vacancy to be filled in terms of clause 38.
32. Without prejudice to the provisions of clauses 38 of this constitution, directors shall be elected at the annual general meeting.

Powers and restrictions on directors

33.1 Powers:

- [a]
- [b]
- [c]

33.2 Restrictions:

- [a]
- [b]
- [c]

Persons not competent to be director

34. No person shall hold the office of director if:
- [a] A person is of unsound mind;
 - [b] A person is an undischarged insolvent;
 - [c] A person who has at any time been convicted (whether in the Republic or elsewhere) of theft, fraud, forgery, perjury, or any offence involving dishonesty in connection with the formation or management of a co-operative or other corporate entity.



Term of office

- 35.1 The term of office of the directors of the co-operative shall be 2 (two) years.
- 35.2 Retiring directors are eligible for re-election.
- 35.3 The directors to retire each year shall be those who have been longest in office since their last election at the annual general meeting, but as between members who became directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by ballot.

Nomination of directors and voting for directors

- 36.1 Candidates for the position of director shall be nominated openly at the annual general meeting held for the purpose electing one or more directors.
- 36.2 Without prejudice to the provisions of clauses 38 a member, including a retiring director, qualifies for election as director only if he is nominated in terms of subclause 36.1.
- 36.3 [a] If the number of candidates nominated does not exceed the number of vacancies on the board to be filled such candidate or candidates shall be declared elected at the annual general meeting.
 [b] If the number of candidates nominated exceeds the number of vacancies on the board, as many directors as there are vacancies shall be elected from the nominees at the annual general meeting.
 [c] If insufficient or no candidates are nominated to fill the vacancies on the board, such vacancies shall be regarded as casual vacancies to be filled in accordance with clause 38.
- 37. The method to be followed in electing directors shall be as determined by the chairperson of the meeting.
- 38. At the election of directors a member shall vote for as many candidates as there are vacancies to be filled on the board and those candidates receiving the highest number of votes shall be declared elected.





Filling of a vacancy on the board

39. Any vacancy occurring on the board during the year shall be filled until the next annual general meeting by a member appointed, by the remaining directors, subject to the provisions of clause 35. At the said annual general meeting a member shall, subject to the provisions of this constitution, be elected to fill the vacancy. Any director elected at such annual general meeting shall not hold office for a period longer than the unexpired portion of the period of office of the director whose office became vacant.

Conditions for vacation of office

40. A Director shall vacate his office -
- [a] If he becomes incompetent in terms of clause 35 of this constitution to hold the office of director; or
 - [b] If he absents himself from more than three consecutive ordinary meetings of the board without its leave; or
 - [c] Upon the expiry of 30 (thirty) days, or such shorter period as may be approved by the board, after he has resigned as a director of the co-operative.

Conditions and processes for the appointment of the chairperson, vice-chairperson and acting chairperson of the board

- 41.1 At the first meeting of the board held after the formation meeting and thereafter at the first meeting of the board held after every annual general meeting of members or when the necessity arises, the directors shall elect from among themselves a chairperson and vice-chairperson.

- 41.2 The vice-chairperson shall act as chairperson whenever last named is absent or unable to act as chairperson and if both the chairperson and vice-chairperson are absent or unable to carry out the functions of the chairperson, the board must elect another director to be acting chairperson during such absence or incapacity.

42. The chairperson of the board of the co-operative shall vacate the office of chairperson if he -
- [a] Ceases to be a director of the co-operative; or
 - [b] Resigns as chairperson; or
 - [c] Is relieved of the office of chairperson by the board.



43. The provisions of clause 42 shall be applicable mutatis mutandis to the vice-chairperson of the board.

Board meetings and quorum

- 44.1 A meeting of the board must be convened by the board or the chairperson of the board or any two directors of the co-operative.
- 44.2 The majority of directors shall constitute a quorum of a meeting of the board.
- 44.3 Questions arising at a meeting of the board shall be determined by a majority of the directors present at the meeting and in the case of an equality of votes, the chairperson of the board or the person acting as chairperson shall have a casting vote in addition to his deliberative vote.

By-laws

45. The board have power to make by-laws provided they are not repugnant to this constitution.

Delegation of powers to a committee

- 46.1 The board may delegate one or more of its powers to a director or to a committee appointed by the board or manager of the co-operative.
- 46.2 Any director or committee or manager so appointed must in the exercise of the powers so delegated, abide by such rules as may be made and follow such instructions as may be issued, in regard thereto, by the board.

GENERAL MEETINGS

- 47.1 A co-operative must hold:
 [a] Its first annual general meeting within 18 (eighteen) months of registration of the co-operative;
 [b] Subsequently annual general meetings within 6 months after the end of the preceding financial year.
- 47.2 The annual general meeting must:
 [a] Appoint an auditor;
 [b] Approve a report of the board on the affairs of the co-operative for the previous financial year;
 [c] Approve the financial statements and auditor's report where applicable for the previous financial year;





- [d] Elect directors; and
- [e] Decide on the future business of the co-operative.

Special general meetings

48. The co-operative may from time to time in addition to its annual general meeting hold special general meetings of its members to dispose of any matter relating to its affairs specifically set out in the notice convening the meeting.

Convention of meetings

49.1 An annual general meeting shall be convened on authority of the board.

49.2 A special general meeting shall be convened -

- [a] by at least two directors of the co-operative; or
- [b] by five or more members of the co-operative constituting in number at least 20 % (twenty per cent) of all the members of the co-operative: Provided that such members shall not be entitled to convene an special general meeting unless they have beforehand in writing petitioned the directors to convene such a meeting and the meeting is not convened within 21 (twenty-one) days reckoned from the date the petition was lodged, or unless for any reason there are no directors to whom such a petition can be addressed.

49.3 Any meeting convened in terms of subclause 49.2[b] by the petitionists shall, as far as possible, be convened and held in the same manner as is prescribed for meetings convened and held by the board and any reasonable expense incurred by the petitionists in securing the names and addresses of members, in sending notices of the meeting to them and hiring accommodation for the holding of the meeting if so resolved by such meeting shall be refunded to the petitionists by the co-operative.

Notice of general meeting

50.1 A general meeting shall be convened by at least 14 (fourteen) days notice in writing to each member of the co-operative.

50.2 The notice convening the meeting shall in addition to the time and place of the meeting state the purpose for which it is convened.



- 50.3 A notice may be delivered personally, forwarded by post to the member at his registered address, e-mailed to the registered e-mail address of the member or faxed to the registered fax number of the member.
- 50.4 Nonreceipt by a member of a notice of a general meeting of the co-operative does not render such meeting invalid.
- 50.5 If a notice of a meeting is returned to the co-operative because the member to whom it was sent is no longer resident at the registered address, the email address or fax number does not exist or does not function, the co-operative shall be relieved of its obligation to send further notices of meetings to the member concerned unless the member makes an appearance and requests that such notices be sent to his new address.

Quorums

51. A quorum for a general meeting shall be constituted -
- [a] by at least five members, if the number of members of the co-operative is not more than 50;
 - [b] by at least one tenth of the members of the co-operative, if the number of members of the co-operative is more than 50 but not more than 200;
 - [c] by 20 members plus at least 1 % of the members of the co-operative in excess of 200, if the number of members of the co-operative is more than 200.
52. No item of business shall be transacted at any general meeting unless a quorum of members is present during the time when the meeting is considering that item.
- 53.1 If within ~~one hour~~ ^{one hour} from the time appointed for the meeting a quorum is not present, the meeting -
- [a] if convened by members or in consequence of a petition of members, must be cancelled;
 - [b] if otherwise convened, must be adjourned to the same day in the next week at the same time and place, or if that day is a public holiday, to the next day following which is not a public holiday.
- 53.2 If the same hall or building is not available for an adjourned meeting it may be held at another venue within convenient distance if members are advised of the change of venue either by notice posted at the original venue or by some other means.





- 53.3 If a quorum is not present within 1 (one) hour after the time fixed for an adjourned meeting, the members present, provided they are not less than five in number, shall be deemed to constitute a quorum: Provided that a special resolution may not be passed by such a meeting.

Chairperson of general meetings

- 54.1 The chairperson of the board or in his absence the vice-chairperson or in the absence of both, another director elected by the meeting shall act as chairperson of an annual general meeting or a special general meeting convened in terms of clauses 4.1 and 49.2[a].
- 54.2 A person elected by the meeting shall act as the chairperson of a special general meeting convened in terms of clause 49.2[b] of this constitution.

Voting by members

55. At all meetings of the co-operative, each member shall have one vote.
- 56.1 Any matter for decision by a general meeting shall be decided by means of a vote on a show of hands or by ballot.
- 56.2 A vote by ballot shall not be held unless it is demanded by at least five members present at the meeting and entitled to vote in a vote by ballot.
- 56.3 A vote by ballot must be held in such manner as the chairperson stipulates. Scrutineers must be nominated to determine the result of the vote that must be declared by the chairperson of the meeting as the resolution of the meeting.
- 56.4 A declaration by the chairperson that a resolution has, on a show of hands or by ballot, been carried, or carried unanimously or by a particular majority, or lost, and an entry to that effect in the minutes of the proceedings of the meeting, shall be conclusive proof thereof, without evidence as to the number or proportion of votes recorded for or against such resolution.
57. If no objection is raised in terms of the provisions of this constitution against the validity of any vote cast at the meeting, whether on a show of hands or by ballot, every vote cast at the meeting that has not been disallowed shall for all purposes be deemed to be valid.



58. In the case of an equality of votes, whether on a show of hands or in a vote by ballot, the chairperson of the meeting shall have a casting vote in addition to his deliberative vote.
59. Every matter submitted to a general meeting for resolution, except for a matter requiring a special resolution, shall be determined by a majority of votes recorded at the meeting.

Special resolution

60. A resolution by a general meeting of the co-operative shall constitute a special resolution if -
 - [a] the notice by which the general meeting was convened specified particulars of the proposed resolution and stated the intention to propose same as a special resolution; and
 - [b] the resolution has been passed by not less than two thirds of the members present, both in a vote on the show of hands and a vote by ballot.
 - [c] the resolution related to the winding-up of the co-operative and was passed by at least 75 % of the votes of all the members of the co-operative, both in a vote on the show of hands and a vote by ballot.

PROHIBITED AND PERMITTED LOANS AND SECURITY

- 61.1 The co-operative may give financial assistance by means of a loan or the provision of security to-
 - [a] any person in the ordinary course of business if the lending of money is part of the ordinary business of the co-operative;
 - [b] any person on account of expenditures incurred or to be incurred on behalf of the co-operative;
 - [c] employees of the co-operative or of any of its members-
 - [i] to enable or assist them to purchase or erect living accommodation for their own occupation, or
 - [ii] in accordance with a plan for shares of the co-operative or any of its members to be held by a trustee; and
 - [d] members, if the financial assistance is available to all members on substantially the same terms.





- 61.2 The co-operative may not give financial assistance in terms of clause 61.1 whether directly or indirectly if there are reasonable grounds to believe that -
- [a] the co-operative, after giving the financial assistance, will be unable to pay its liabilities as they become due; or
 - [b] the realisable value of the assets of the co-operative, after giving the financial assistance, will be less than the aggregate of its liabilities, share capital and reserves.
- 61.3 In determining the realisable value of the assets of the co-operative contemplated in clause 61.2[b], the amount of any financial assistance in the form of a loan and in the form of assets pledged or encumbered to secure a guarantee must be excluded.

RESTRICTIONS RELATING TO UNSECURED MEMBERS LOANS

62. The board may, if so authorised by members in terms of clause 61 of this Constitution, in addition to the loans secured by some or all of the assets of the co-operative, the issue of secured debentures and loans obtained from the commercial banks or any other financial institution, further raise loans from members subject to the following conditions -
- [i] No loan from any individual member shall amount to less than R1 000 (one thousand Rand) and, for the purpose of this paragraph, every successive loan from any particular member shall be regarded as a separate loan;
 - [ii] No loan shall be repaid within 12 (twelve) months after receipt;
 - [iii] Interest shall be paid on loans at a rate per annum to be determined by the board from time to time;
 - [iv] An acknowledgement of debt shall be issued in respect of each loan.
 - [v] The acknowledgement of debt shall be freely transferable by means of a deed duly registered by the co-operative.

[vi] Receipt of each loan shall be acknowledged by the following acknowledgment of debt which shall incorporate either of the conditions [ii] or [iii] mentioned below.



ACKNOWLEDGMENT OF DEBT

We, the undersigned, director and secretary of the
..... (name of co-operative) hereinafter
called the co-operative, hereby acknowledge having received the sum of
R (..... Rand) from
..... (name) of
.....
(address) hereinafter called.

the owner, subject to the conditions -

- [i] Interest at the rate of% (..... per cent) per annum or such rate as the board may determine from time to time, shall be payable to the owner on or at the date of repayment.
- [ii] The owner shall not have the right to demand repayment, but the co-operative, after having had the loan for not less than 12 (twelve) months, may repay such loan at any time after having given not less than 30 (thirty) days notice of its intention to repay such loan.
- [iii] The loan shall be repayable on the day of 20..... (which may not be less than 12 (twelve) months from the date of this acknowledgment of debt): Provided that the board of the co- operative may defer the repayment if the circumstances of the co-operative at the date of repayment of the loan, render such deferment necessary: Provided further that the board of the co-operative shall submit for confirmation to the first succeeding general meeting of members its resolution to defer repayment of a loan and if the resolution of the board is not confirmed by that meeting of the co- operative, the loan shall be repaid within 7 (seven) days of the date of such meeting.

Dated at this day of 20.....

.....

DIRECTOR

SECRETARY





BANKING ACCOUNT

- 63.1 The co-operative must open a banking account in the name of the co-operative in which all moneys received shall be deposited as soon as possible after receipt thereof.
- 63.2 Cheques drawn on the banking account shall be signed by one of the directors and must be countersigned by the secretary of the board: Provided that a cheque shall not be signed and countersigned by the same person and that all officers who are authorised to sign or countersign cheques must furnish adequate security.

FINANCIAL YEAR

64. The financial year of the co-operative shall end on the last day of February of each year.

FINANCIAL RECORDS

- 65.1 The co-operative must keep such accounting records as are necessary to reflect fairly the state of affairs and business of the co-operative and to explain the transactions and financial position of the business of the co-operative.
- 65.2 The accounting records shall be kept at the registered office of the co-operative and shall be available at all times for examination by the directors.

Annual financial statements

- 66.1 An audit of the affairs of the co-operative must be conducted annually in respect of each financial year in order to
- (a) ensure that financial statements are drawn up in conformity with generally accepted accounting practices;
 - (b) verify that the co-operative has maintained adequate records in accordance with the requirements of this constitution and the Act;
 - (c) report generally as to whether the assets and facilities of the co-operative are being managed properly and the operations of the co-operative are being conducted in accordance with co-operative principles; and
 - (d) report on any other matter the auditors are required to report on in terms the constitution.



66.2 The provisions of clause 65.1 are applicable to the annual financial statements of the co-operative and its company subsidiaries.

AUDIT

67. The members must appoint an auditor at each annual general meeting, to hold office until the close of the next annual general meeting. The duties of the auditor are outlined in clause 66.

SURPLUS

68. The surplus resulting from the operations of the co-operative during any financial year shall be applied by resolution of the annual general meeting for that year: Provided that -

- [a] at least 5 % (five per cent) is set aside as a reserve in the Undivisible Reserve Fund and is not divisible among the members;
- [b] the amount which is set aside as a General Reserve Fund shall not be less than the amount determined by the Board.
- [c] the amount which is available out of the surplus for distribution to members shall be applied in one or more of the following ways only, viz.
 - [i] to pay interest at a rate not exceeding 15 % (fifteen per cent) to members on the amounts paid up by them on their shares as at the last day of the financial year;
 - [ii] to pay bonuses to members in accordance with the provisions of clause 66.

PAYMENT OF BONUS

69.1 The amount mentioned in clause 68[c][ii] must be allocated to members according to the patronage proportion and the amount allocated to a member must by resolution of members at the annual general meeting, be applied in one or more of the following ways:

- [a] by paying it out either wholly or partly in cash;
- [b] by utilising it for buying of fully paid-up members shares:
 - [i] provided that an amount accruing to a member which is insufficient to fully pay up a share may be applied, by resolution of the board, in accordance with the provisions of paragraphs [a] or [c] of this clause;





- [ii] provided that notice will be given to each member of the number of shares purchased for the member;
 - [iii] provided that such shares will be either issued or transferred in terms of clauses 12 and 22, by resolution of the board; and
 - [iv] provided that share certificates will be issued and forwarded to members.
- [c] by setting it aside in the Deferred Bonus Payment Fund for future payment to members.

69.2 Interest on share capital or bonus declared payable to members, except amounts transferred to the Deferred Bonus Payment Fund, does not earn interest from the co-operative.

69.3 Any interest on share capital or any bonus remaining unclaimed for a period of 3 (three) years from the date on which such interest or bonus was declared payable may, by resolution of the Board, be declared forfeited and added to the general reserve of the co-operative.

DEFERRED BONUS PAYMENT FUND

70.1 All amounts transferred to the Deferred Bonus Payment Fund in terms of clause 69.1[c] shall be credited in the respective names of the members in the books of the co-operative.

70.2 The Deferred Bonus Payment Fund may be invested in separately or may be used by the co-operative to carry out any of its objects: Provided that the fund must not be utilised to defray any loss resulting from the operations of the co-operative.

70.3 The interests of members and former members in the Deferred Bonus Payment Fund must be repaid to them in the following circumstances and subject to the conditions mentioned; i.e. -

- [a] When the fund has been functioning for 5 (five) years, the interests built up by members and former members during the first year of the fund shall be repaid to those concerned; in the following year the interests built up during the second year of the fund shall be refunded, et seq.
- [b] on the death of a member or former member the interest of the deceased in the fund shall be paid to his estate;



[c] when membership in the co-operative is terminated in any other way, the interest of the member concerned in the fund shall be repaid to him as it becomes repayable in terms of paragraphs [a] or [b] of this subclause: Provided that the board may authorise payment at an earlier date if the co-operative is in a position financially to do so: Provided further that the interest of a former member in this fund shall not be retained in the fund for more than 3 (three) years after termination of membership of the former member.

70.4 The amounts payable to a member or former member in terms of this clause shall be applied in payment or part payment of any amount due to the co-operative by such member or former member.

70.5 A member's or former member's credit in the fund may be transferred to someone else only with the approval of the Board: Provided that no such transfer shall be approved unless the transferee is a member of the co-operative.

70.6 Any amount to the credit of a member or former member in the Deferred Bonus Payment Fund remaining unclaimed for a period of 3 (three) years from the date it becomes payable to him may by resolution of the board be declared forfeited and transferred to the general reserve of the co-operative: Provided that such a transfer shall not be made unless the member or former member concerned has first been warned of the proposed transfer by means of a notice sent to his last address, as entered in the register of members and he has been given an opportunity of at least 6 (six) months to claim the amount.

AMENDMENT OF CONSTITUTION

71. The constitution of the co-operative may be amended by special resolution only.

LIQUIDATION

72. In case of liquidation, the patronage proportion must be determined for either 5 years, which preceded the commencement of the winding-up of the co-operative, or the period for which the co-operative has existed, whichever period is the shorter.



FULL NAMES AND SURNAMES OF APPLICANTS FOR MEMBERSHIP	SIGNATURES OF APPLICANTS	SIGNATURES OF WITNESS(ES)
1.	1.	1.
2.	2.	2.
3.	3.	3.
4.	4.	4.
5.	5.	5.



Secondary



SECONDARY/TERTIARY CO-OPERATIVE LIMITED

NAME

1. [a] The name of the co-operative is
SECONDARY / TERTIARY CO-OPERATIVE LIMITED
- [b] The abbreviated name is
(CO-OP.) LTD (if applicable)
- [c] The co-operative may trade as
(if applicable)

FORM OF CO-OPERATIVE

2. This is the statute of an undertaking formed as a
(secondary/tertiary) co-operative with limited liability in terms of the provisions of the Co-operatives Act, 14 (Act No. 14 of 2005).

INTERPRETATION OF TERMS

3. In this statute, unless the context indicates otherwise, a word or expression to which a meaning is attached in the Co-operatives Act, 2005 (Act 14 No. of 2005) shall have a similar meaning and -

“the Act” means the Co-operatives Act, 2005 (Act No. 14 of 2005);

“co-operative” means
SECONDARY/TERTIARY CO- OPERATIVE LIMITED
which is incorporated in terms of the Act;

“board” means the board of directors referred to in clause 22;

“gender” a reference in this statute to the masculine gender shall also include the feminine gender and vice versa; and

“patronage proportion” means the proportion in which the value of the transactions conducted by a member with a co-operative during a specified period bears to the value of the transactions conducted by all members with a co-operative during the same period.





PLACES OF BUSINESS

- 4. The main place of business of the co-operative is situated at
 (place),
 (province).
- 5. The co-operative may not establish any branches.

OBJECTIVES

- 6. The objectives of the co-operative are to undertake the following types of business according to co-operative practice -
 - [a]
 - [b] Do bulk buying on behalf of its members;
 - [c] Actively work towards improving the quality of co-operative patronage in member co-operatives;
 - [d] Liaise other structures in pursuing the interest of members of the co-operative;
 - [e] Strive towards establishing an unitary nondiscriminating democratic training system;
 - [f] Assist members of the co-operative to interact with each other in problem solving and resource redistribution and utilisation;
 - [g] Assist in the establishment of new co-operatives and provide sound support service to its members;
 - [h] Enhance management and organisational capacities of its members;
 - [i] Provide marketing for its members' products and to handle such products; and
 - [j] Provide any other services to its members, which are not repugnant to the Act and this constitution.

POWERS

- 7. The board of directors has the powers to perform the duties necessary to achieve the objectives of the co-operative subject to the Act and the constitution of the co-operative.



MEMBERSHIP

- 8. Any registered primary co-operative or other juristic person may, on application to the board, become a member of the co-operative.

APPLICATION FOR MEMBERSHIP

- 9. [1] Every application for membership has the right to accept or reject an application without assigning any reason for doing so.
- [2] The board shall, within 3 (three) months after receipt of an application for membership, cause the applicant to be notified of its decision and, in the event of an application for membership being rejected, any amount paid by the applicant to the co-operative shall be refunded to him.

COMMENCEMENT OF MEMBERSHIP

- 10. A person becomes a member of the co-operative when the board has accepted his application for membership, and a share is issued or transferred to him.

MEMBERSHIP AND SUBSCRIPTION FEE

- 11. [1] An entrance fee of R..... must be paid on application for membership. Such fee shall not be refunded on termination of membership.
- [2] A membership/subscription fee of R..... must be paid yearly: Provided that a member may pay off the subscription fee in equal monthly instalments. Such fee shall not be refunded on termination of membership.

MEMBERSHIP CARDS

- 12. Membership cards may be issued on request of the member and under authority of the board and shall be in such form as the board shall determine. Every card shall bear the signature of a director and of an officer empowered thereto by the board as well as the signature of the member concerned.





ISSUE OF SHARES AND MINIMUM SHAREHOLDING

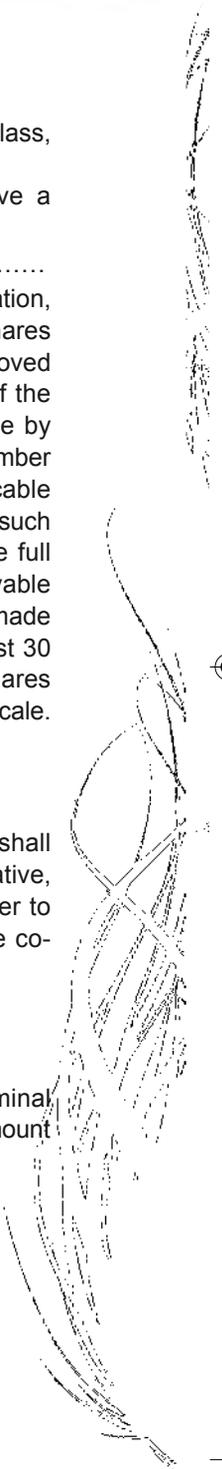
- 13. [1] The shares issued by the co-operative must all be of the same class, ranking and nominal value.
- [2] When the co-operative is founded each member must have a minimum of (number of) shares.
- [3] Shares will be fully paid-up, and will have a nominal value of R.....
- [4] From the time that the co-operative is 3 (three) years in operation, every member shall be bound to hold a minimum number of shares in the co-operative prescribed by a scale which shall be approved by members in a general meeting on the recommendation of the board: Provided that the scale must relate to business done by members with the co-operative. Whenever it appears that a member does not hold the number of shares prescribed by the applicable scale, the board may issue to him without application therefore such number of shares as will make up the insufficiency and the full nominal value of such shares shall immediately become payable upon such issue: Provided that before such issue of shares is made to any member, he shall be afforded an opportunity, of at least 30 (thirty) days, to acquire the requisite number of additional shares from any other member holding shares in excess of the above scale.

CERTIFICATES OF SHARES AND LOANS

- 14. Share certificates shall be issued in such form, as the board shall determine. These certificates shall state the name of the co-operative, that the co-operative is subject to the Act, the name of the member to whom it is issued and that the certificate represents shares in the co-operative and the number of the shares.

LIABILITY OF MEMBERS

- 15. The liability of a member is limited to an amount equal to the nominal value of the shares in the co-operative held by him in so far as that amount has not been paid up.





TRANSFER OF MEMBERSHIP, MEMBERS LOANS AND SHARES

16. [1] Membership and shares may be transferred only with the approval and on the authority of the board which shall satisfy itself that the proposed transferee is qualified to be a member of the co-operative.
- [2] The board may at any time refuse to approve and register a proposed transfer.
- [3] The transfer of any membership shall be in writing in such form and signed in such manner as the board from time to time may stipulate.
- [4] When such transfer has taken place the Board shall issue to the transferee a membership card, and a share certificate.

CONDITIONS AND PROCESSES FOR TERMINATION OF MEMBERSHIP

Termination of membership on liquidation

17. [1] The membership of a member who has been placed in liquidation, must be terminated by resolution of the board. Upon such termination, the membership fees are forfeited and the amount paid in respect thereof is credited to the General Reserve Fund.
- [2] The shares registered in the name of the member must be cancelled by resolution of the board, at the request of the liquidator of the estate.
- [3] Upon such cancellation the co-operative must, pay to the liquidator the amount paid up on the shares for payment to the estate of the member: Provided that if the value of such shares, according to the latest completed balance sheet of the co-operative, is less than their nominal value, the co-operative shall pay -
 - [a] If the shares are fully paid up, an amount equal to the value so determined; or
 - [b] If the shares are not fully paid up, an amount that stands in the same proportion to the amount paid up on the shares as that which the value so determined of the shares' stands to their nominal value.





Withdrawal of membership on resignation

18. [1] The resignation of a member comes into operation at the first annual general meeting of the co-operative held after it has received the written resignation of the member: Provided that the member gave the co-operative a minimum of 6 months notice before this annual general meeting. The membership of a member who has resigned, shall be terminated by resolution of the board.
- [2] The amount paid in respect of membership fees shall be forfeited to the co-operative and credited to the General Reserve Fund.
- [3] The shares of a member who has resigned, shall be cancelled by resolution of the board. The amount paid up on such cancelled shares shall, at the discretion of the board, be repaid to the member within a period of 2 (two) years from the date of cancellation: Provided that if the value of the shares, according to the latest completed balance sheet of the co-operative shall pay -
- [a] If the shares are fully paid up, an amount equal to the value so determined; or
- [b] If the shares are not fully paid up, an amount that stands in the same proportion to the amount paid up on the shares as that which the value so determined of the shares' stands to their nominal value.

Suspension and expulsion

19. [1] A member who repeatedly contravenes a provision of this constitution or any by-law or who refuses to comply with such provision or to meet an obligation imposed on him by the co-operative under the Act or in terms of this constitution or by-law or which he agreed to meet, may -
- [a] by resolution of the board, be suspended as a member for a period to be determined by the board but which shall not be longer than the date of the next annual general meeting;
- [b] by special resolution be suspended as a member for a period not longer than (12) twelve months from the date on which he is suspended;
- [c] by special resolution be expelled from the co-operative.
- [2] The suspension of a member may be revoked by resolution of the board at any time.



20. [1] A member shall not in terms of clause 18 be suspended or expelled from the co-operative unless he has been given prior written notice of the board's intention to suspend him or to recommend to members that he be suspended or expelled.
- [2] The notice to such member shall contain the following particulars -
 - [a] the reasons for the proposed suspension or expulsion; and
 - [b] a time when, and place where the member may appear in person, with or without witnesses, before the board or to which he may send a written statement signed by himself setting out his objections to the proposed suspension or expulsion.
- [3] The board shall, if it is decided to suspend or expel a member, notify him in writing of -
 - [a] the date on which his suspension or expulsion comes into effect;
 - [b] the period of time during which the suspension will apply; and
 - [c] the disciplinary measures which will be taken.

Disciplinary measures

21. [1] While under suspension a member forfeits his/her right to attend general meetings.
- [2] The members by special resolution or the board may furthermore stipulate that certain or all transactions with a member shall be suspended for the period of his/her suspension.
- [3] The membership of an expelled member shall be cancelled by resolution of the board and upon such cancellation the member shall forfeit his/her membership fees and the amount paid in respect thereof shall be credited to the general reserve of the co-operative.
- [4] The shares of an expelled member must be cancelled, subject to the provisions of clause 22(1) by resolution of the board and upon such cancellation the member shall forfeit his/her shares.

LIABILITY IN RESPECT OF FORFEITED SHARES

22. [1] A person whose shares have been forfeited, is responsible for immediate payment to the co-operative of the entire amount unpaid on such shares.
- [2] All moneys paid to the co-operative in respect of forfeited shares must be added to the General Reserve Fund.



- [3] Notice must be given to the member in whose name the shares were registered prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register of members.
- [4] Interest on share capital or any other amount accruing to a member and which is payable by the co-operative to the member, must be applied to pay calls on shares and/or amounts unpaid on forfeited shares, due but unpaid at the time such interest, bonus or other amount becomes payable to the member concerned.

MANAGEMENT OF CO-OPERATIVE

Board Of Directors

- 23. [1] The affairs of the co-operative shall be managed by a board consisting of a minimum of and a maximum of The directors shall, subject to the provisions of the Act and this constitution, exercise the powers and duties of the co-operative.
- [2] The number of directors shall subject to the approval of members at the next general meeting, be determined by the board from time to time. If, however, the members do not approve the decision of the board and a vacancy arises as a result thereof, such vacancy shall be regarded as a casual vacancy to be filled in terms of clause 29.
- [3] Directors shall be elected at the annual general meeting.

Persons not competent to be director

- 24. No person shall hold the office of director if -
 - [a] A person is of unsound mind;
 - [b] A person is an unrehabilitated insolvent; or
 - [c] A person who has at any time been convicted (whether in the Republic of elsewhere) of theft, fraud, forgery, purgery, or any offence involving dishonesty in connection with the formation or management of a co-operative or other corporate entity.

Term of office

- 25. [1] the term of office of the directors of the co-operative shall be 2 (two) years.
- [2] Retiring directors are eligible for re-election.
- [3] The directors to retire each year shall be those who have been longest in office since their last election at the annual general



meeting but between members who became directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by ballot.

Nomination of directors and voting for directors

- 26. [1] Candidates for the position of director shall be nominated openly at the annual general meeting held for the purpose of electing one or more directors.
 - [2] Without prejudice to the provisions of clauses 29 a member, including a retiring director, qualifies for election as director only if he is nominated in terms of subclause 26(1).
 - [3] [a] If the number of candidates nominated does not exceed the number of vacancies on the board to be filled, such candidate or candidates shall be declared elected at the annual general meeting.
 - [b] If the number of candidates nominated exceeds the number of vacancies on the board, as many directors as there are vacancies shall be elected from the nominees at the annual general meeting.
 - [c] If insufficient or no candidates are nominated to fill the vacancies on the board, such vacancies shall be regarded as casual vacancies to be filled in accordance with clause 29.
- 27. The method to be followed in electing directors shall be as determined by the chairperson of the meeting.
 - 28. At the election of directors a member shall vote for as many candidates as there are vacancies to be filled on the board and those candidates receiving the highest number of votes shall be declared elected.

Filling of a vacancy on the board

- 29. Any vacancy occurring on the board during the year shall be filled until the next annual general meeting by a member appointed, by the remaining directors, subject to the provisions of clause 25. At the said annual general meeting members shall, subject to the provisions of this constitution, be elected to fill the vacancy. Any director elected at such general meeting shall not hold office for a period longer than the unexpired portion of the period of office of the director whose office became vacant.





Conditions for vacation of office

30. A director shall vacate his office -
- [a] If he becomes incompetent in terms of clause 24 of this constitution to hold the office of director; or
 - [b] If he absents himself from more than three consecutive ordinary meetings of the board without its leave; or
 - [c] Upon the expiry of 30 (thirty) days, or such shorter period as may be approved by the board, after he has resigned as a director of the co-operative.

Conditions and processes for the appointment of the chairperson, vice-chairperson and acting chairperson of the board

31. [1] At the first meeting of the board held after the formation meeting and thereafter at the first meeting of the board held after every annual general meeting of members or when the necessity arises, the directors shall elect from among themselves a chairperson and vice-chairperson.
- [2] The vice-chairperson shall act as chairperson whenever last-named is absent or unable to act as chairperson, and if both the chairperson and vice-chairperson are absent or unable to carry out the functions of the chairperson, the board must elect another director to be acting chairperson during such absence or in capacity.
32. The chairperson of the board of the co-operative shall vacate the office of the chairperson if he -
- [a] Ceases to be a director of the co-operative; or
 - [b] Resigns as chairperson; or
 - [c] Is relieved of the office of chairperson by the board.

33. The provisions of clause 31 shall mutatis mutandis apply to the vice-chairperson of the board.

Board meetings and quorum

34. [1] A meeting of the board must be convened by the board or the chairperson of the board or any two directors of the co-operative.
- [2] The majority of directors shall constitute a quorum of a meeting of the board.



- [3] Questions arising at a meeting of the board shall be determined by a majority of the directors present at the meeting and in the case of an equality of votes, the chairperson of the board or the person acting as Chairperson shall have a casting vote in addition to his deliberative vote.

By-laws

35. The board has power to make by-laws provided these are not repugnant to this constitution.

Delegation of powers to a committee

36. [1] The board may delegate one or more of its powers to a director or to a committee appointed by the board or manager of the co-operative.
 [2] Any director or committee or manager so appointed must in the exercise of the powers so delegated, abide by such rules as may be made and follow such instructions as may be issued, in regard thereto, by the board.

GENERAL MEETINGS

37. [1] A co-operative must hold -
 [a] Its first annual general meeting within 18 (eighteen) months of registration of the co-operative;
 [b] Subsequently annual general meetings within 6 (six) months after the end of the preceding financial year.
 [2] The annual general meeting must -
 [a] Appoint an auditor;
 [b] Approve a report of the board on the affairs of the co-operative for the previous financial year;
 [c] Approve the financial statements and auditor's report where applicable for the previous financial year;
 [d] Elect directors and;
 [e] Decide on the future business of the co-operative.





Special general meetings

38. The co-operative may from time to time in addition to its annual general meeting hold special general meetings of its members to dispose of any matter relating to its affairs specifically set out in the notice convening the meeting.

Convention of meetings

39. [1] An annual general meeting shall be convened on authority of the board.
- [2] A special general meeting shall be convened
- [a] by at least two directors of the co-operative; or
- [b] by two or more members of the co-operative constituting in number at least ten (10 %) per cent of all the members of the co-operative: Provided that such members shall not be entitled to convene a special general meeting unless they have beforehand in writing petitioned the directors to convene such a meeting and the meeting is not convened within twenty-one (21) days reckoned from the date the petition was lodged, or unless for any reason there are no directors to whom such a petition can be addressed.
- [3] Any meeting convened in terms of subclause 39(2)(b) by the petitionists shall, as far as possible, be convened and held in the same manner as is prescribed for meetings convened and held by the Board and any reasonable expense incurred by the petitionists in securing the names and addresses of members, in sending notices of the meeting to them and hiring accommodation for the holding of the meeting if so resolved by such meeting, be refunded to the petitionists by the co-operative.

Notice of general meeting

40. [1] A general meeting shall be convened by at least 14 days notice in writing to each member of the co-operative.
- [2] The notice convening the meeting shall in addition to the time and place of the meeting state the purpose for which it is convened.
- [3] A notice may be delivered personally, forwarded by post to the member at his registered address, e-mailed to the registered e-mail address of the member or faxed to the registered fax number of the member.



- [4] Nonreceipt by a member of a notice of a general meeting of the co-operative does not render such meeting invalid.
- [5] If a notice of a meeting is returned to the co-operative because the member to whom it was sent is no longer resident at the registered address, the e-mail address or fax number does not exist or does not function, the co-operative shall be relieved of its obligation to send further notices of meetings to the member concerned unless the member makes an appearance and requests that such notices be sent to his new address.

Representation of juristic persons at general meetings

- 41. A member that is a juristic person, may appoint someone to act on his/her behalf at a general meeting of the co- operative.

Appointment of proxies

- 42. A representative of a member of the co-operative may appoint any person who is not in terms of clause 24 incompetent to be a director of the co-operative as proxy to attend, to speak and to vote in his or its stead at a general meeting of the co-operative: Provided that -
 - [a] a proxy shall not be entitled to cast a vote, except in a vote by ballot;
 - [b] a member or such a representative shall not be entitled to appoint more than one proxy;
 - [c] the same person shall not act as proxy to more than two representatives;
 - [d] a proxy at a general meeting shall not represent more than 20 % (twenty per cent) of the votes of all representatives.

Proxies

- 43. [11] The form appointing a proxy must be in the format approved by the board.
- [2] Proxies, duly completed, shall be handed in or delivered (whether by post, fax or e-mail) at the registered office of the co-operative not later than 24 (twenty-four) hours before the time fixed for the meeting.





- [3] The secretary or other official acting on his behalf shall give a receipt to each proxyholder, indicating the number of proxies held by him and the names of the appointor or appointors: Provided the proxyholder is not advised of any defect in any of the proxies held by him, this receipt shall be sufficient evidence at the meeting of the number of votes which may be cast by him. Without this receipt, voting by proxy shall not be allowed.
- [4] If a member appoints two or more proxies to vote on his behalf at the same meeting, the chairman shall, if he is aware of the position, at his discretion either disallow all his proxies or declare which of the relative proxies shall be allowed.

Quorums

44. A quorum for a general meeting shall be constituted -
- [a] by at least two members, if the number of members of the co-operative is not more than ten; and
 - [b] by at least three of the members of the co-operative, if the number of members of the co-operative is more than ten: Provided that the quorum of shall not be less than 10 % (ten per cent).
45. No item of business shall be transacted at any general meeting unless a quorum of members is present during the time when the meeting is considering that item.
46. [1] If within 1 (one) hour from the time appointed for the meeting a quorum is not present, the meeting
- [a] if convened by members or in consequence of a petition of members, must be cancelled;
 - [b] if otherwise convened, must be adjourned to the same day in the next week at the same time and place, or if that day is a public holiday, to the next day following which is not a public holiday.
- [2] If the same hall or building is not available for an adjourned meeting, it may be held at another venue within convenient distance if members are advised of the change of venue either by notice posted at the original venue or by some other means.
- [3] If a quorum is not present within 1 (one) hour after the time fixed for an adjourned meeting, the members present, provided they are not less than five in number, shall be deemed to constitute a quorum: Provided that a special resolution may not be passed by such a meeting.



Chairperson of general meetings

47. [1] The chairperson of the board or in his absence the vice-chairperson or in the absence of both, another director elected by the meeting shall act as chairperson of an annual general meeting or a special general meeting convened in terms of clauses 39(1) and 39(2)(a).
- [2] A person elected by the meeting shall act as the chairperson of a special general meeting convened in terms of clause 39(2)(b) of this constitution.

Voting by members

48. At all meetings of the co-operative, each member shall have one vote.
- [a] Any matter for decision by a general meeting shall be decided by means of a vote on a show of hands or by ballot.
- [b] A vote by ballot shall not be held unless it is demanded by at least two representatives present at the meeting and entitled to vote in a vote by ballot.
- [c] A vote by ballot must be held in such manner as the chairperson stipulates. Scrutineers must be nominated to determine the result of the vote that must be declared by the chairperson of the meeting as the resolution of the meeting.
- [d] A declaration by the chairperson that a resolution has, on a show of hands or by ballot, been carried, or carried unanimously or by a particular majority, or lost, and an entry to that effect in the minutes of the proceedings of the meeting, shall be conclusive proof thereof, without evidence as to the number or proportion of votes recorded for or against such resolution.
49. If no objection is raised in terms of the provisions of this constitution against the validity of any vote cast at the meeting, whether on a show of hands or by ballot, every vote cast at the meeting that has not been disallowed shall for all purposes be deemed to be valid.
50. In the case of an equality of votes, whether on a show of hands or in a vote by ballot, the chairperson of the meeting shall have a casting vote in addition to his deliberative vote.
51. Every matter submitted to a general meeting for resolution, except for a matter requiring a special resolution, shall be determined by a majority of votes recorded at the meeting.





Special resolution

52. A resolution by a general meeting of the co-operative shall, constitute a special resolution if -
- [a] the notice by which the general meeting was convened specified particulars of the proposed resolution and stated the intention to propose same as a special resolution; and
 - [b] the resolution has been passed by not less than two thirds of the members present, both in a vote on the show of hands and a vote by ballot; or
 - [c] the resolution related to the winding-up of the co-operative and was passed by at least 75 % of the votes of all the members of the co-operative, both in a vote on the show of hands and a vote by ballot.

PROHIBITED AND PERMITTED LOANS AND SECURITY

53. [1] The co-operative may give financial assistance by means of a loan or the provision of security to -
- [a] any person in the ordinary course of business if the lending of money is part of the ordinary business of the co-operative;
 - [b] any person on account of expenditures incurred or to be incurred on behalf of the co-operative;
 - [c] employees of the co-operative or of any of its members
 - [i] to enable or assist them to purchase or erect living accommodation for their own occupation; or
 - [ii] in accordance with a plan for shares of the co-operative or any of its members to be held by a trustee; and
 - [d] members, if the financial assistance is available to all members on substantially the same terms.
- [2] The co-operative may not give financial assistance in terms of clause 53(1) whether directly or indirectly if there are reasonable grounds to believe that
- [a] the co-operative, after giving the financial assistance, will be unable to pay its liabilities as they become due; or
 - [b] the realisable value of the assets of the co-operative, after giving the financial assistance, will be less than the aggregate of its liabilities, share capital and reserves.



- [3] In determining the realisable value of the assets of the co-operative contemplated in clause 53(2)(b), the amount of any financial assistance in the form of a loan and in the form of assets pledged or encumbered to secure a guarantee must be excluded.

BANKING ACCOUNT

- 54. [1] The co-operative must open a banking account in the name of the co-operative in which all moneys received shall be deposited as soon as possible after receipt thereof.
- [2] Cheques drawn on the banking account shall be signed by one of the directors and must be countersigned by the secretary of the board: Provided that a cheque shall not be signed and countersigned by the same person and that all officers who are authorised to sign or countersign cheques must furnish adequate security.

FINANCIAL YEAR

- 55. The financial year of the co-operative shall end on the last day of of each year.

FINANCIAL RECORDS

- 56. [1] The co-operative must keep, such accounting records as are necessary fairly to reflect the state of affairs and business of the co-operative and to explain the transactions and financial position of the business of the co-operative.
- [2] The accounting records shall be kept at the registered office of the co-operative and shall be available at all times for examination by the directors.

Annual financial statements

- 57. [1] An audit of the affairs of the co-operative must be conducted annually in respect of each financial year in order to -
 - [a] ensure that financial statements are drawn up in conformity with generally accepted accounting practices;





- [b] verify that the co-operative has maintained adequate records in accordance with the requirements of this constitution and the Act;
- [c] report generally as to whether the assets and facilities of the co-operative are being properly managed and the operations of the co-operative are being conducted in accordance with co-operative principles; and
- [d] report on any other matter the auditors are required to report on in terms of the constitution.

58. [2] The provisions of clause 57(1) are applicable to the annual financial statements of the co-operative and its company subsidiaries.

AUDIT

59. The members must appoint an auditor at each annual general meeting, to hold office until the close of the next annual general meeting. The duties of the auditor is outlined in clause 58.

SURPLUS

60. The surplus resulting from the operations of the co-operative during any financial year shall be applied by resolution of the annual general meeting for that year: Provided that -

- [a] at least 5 % (five per cent) is set aside as Indivisible Reserve Fund and is not divisible among the members;
- [b] at least 30 % (thirty per cent) is set aside as a General Reserve Fund.
- [c] the amount which is available out of the surplus for distribution to members shall be applied in one or more of the following ways only,

- VIZ-
- (i) to pay interest at a rate not exceeding 15 % (fifteen per cent) to members on the amounts paid up by them on their shares as at the last day of the financial year;
 - (ii) to pay bonuses to members.



PAYMENT OF BONUS

- 61. [1] The amount mentioned in clause 60[c][iii] must, be allocated to members according to the patronage proportion and the amount allocated to a member must by resolution of members at the annual general meeting, be applied in one or more of the following ways -
 - [a] by paying it out either wholly or partly in cash; and/or
 - [b] by setting it aside in the Deferred Bonus Payment Fund for future payment to members.
- [2] Interest on share capital or bonus declared payable to members, except amounts transferred to the Deferred Bonus Payment Fund, does not earn interest from the co-operative.
- [3] Any interest on share capital or any bonus remaining unclaimed for a period of 3 (three) years from the date on which such interest or bonus was declared payable may, by resolution of the board, be declared forfeited and shall be added to the general reserve of the co-operative.

DEFERRED BONUS PAYMENT FUND

- 62. [1] All amounts transferred to the “Deferred Bonus Payment Fund” in terms of clause 60(1)(c) shall be credited in the respective names of the members in the books of the co-operative.
- [2] The Deferred Bonus Payment Fund may be invested separately or may be used by the co-operative to carry out any of its objects: Provided that the fund must not be utilised to defray any loss resulting from the operations of the co-operative.
- [3] The interests of members and former members in the Deferred bonus Payment Fund must be repaid to them in the following circumstances and subject to the conditions mentioned, i.e.
 - [a] When the fund has been functioning for 5 (five) years, the interests built up by members during the first year of the fund shall be repaid to those concerned; the following year the interests built up during the second year of the fund shall be refunded, and so on.





[b] when membership in the co-operative is terminated, the interest of the member concerned in the fund shall be repaid to him at the co-operative's earliest convenience : Provided that the interest of a former member in this fund shall not be retained in the fund for more than 3 (three) years after termination of membership of the former member.

[4] The amounts payable to a member in terms of this clause shall be applied in payment or part payment of any amount due to the co-operative by such member.

[5] Any amount to the credit of a member in the Deferred Bonus Payment Fund remaining unclaimed for a period of 3 (three) years from the date it becomes payable to him may by resolution of the board be declared forfeited and transferred to the general reserve of the co-operative: Provided that such a transfer shall not be made unless the member concerned has first been warned of the proposed transfer by means of a notice sent to his last address, as entered in the register of members and he has been given an opportunity of at least 6 (six) months to claim the amount.

AMENDMENT OF CONSTITUTION

63. The constitution of the co-operative may be amended by special resolution only.

LIQUIDATION

64. In case of liquidation the patronage proportion must be determined for either 5 (five) years, which preceded the commencement of the winding-up of the co-operative, or the period for which the co-operative has existed whichever period is the shorter.



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