

Forming Our Co-operative

Published by
Nova Scotia Co-operative Council
PO Box 1872, 339 Willow Street
Truro, NS B2N 6C7
Revised 2006

Table of Contents

INTRODUCTION TO THE NOVA SCOTIA CO-OPERATIVE COUNCIL	III
INTRODUCTION TO THE CO-OPERATIVE BUSINESS DEVELOPMENT UNIT	IV
WHAT IS A CO-OPERATIVE?	- 1 -
LEGAL STATUS OF A CO-OPERATIVE	- 1 -
THE PURPOSE OF A CO-OPERATIVE.....	- 1 -
<i>Consumer's Co-operative.</i>	- 2 -
<i>Producer's Co-operative.</i>	- 2 -
<i>Worker's Co-operative.</i>	- 2 -
CO-OPERATIVES WITH SHARE CAPITAL & C-OPERATIVES WITHOUT SHARE CAPITAL..	- 2 -
HOW IS A CO-OPERATIVE DIFFERENT FROM OTHER BUSINESSES?	- 2 -
CO-OPERATIVES IN THE ECONOMY	- 4 -
<i>Financial Co-operatives</i>	- 4 -
<i>Non-financial Co-operatives</i>	- 4 -
HOW TO FORM A CO-OPERATIVE IN NOVA SCOTIA.....	- 5 -
HOW TO INCORPORATE.....	- 5 -
<i>Directors</i>	- 6 -
<i>Registration</i>	- 6 -
SOURCES OF ASSISTANCE & INFORMATION	- 7 -
<i>Co-operatives Branch</i>	- 7 -
<i>Canadian Co-operative Association</i>	- 7 -
<i>Canadian Co-operative Housing Federation of Canada</i>	- 8 -
<i>Nova Scotia Co-operative Council</i>	- 8 -
<i>Co-operators Insurance</i>	- 9 -
<i>Conseil Canadien de la Co-operation</i>	- 9 -
<i>Conseil Cooperatif Acadien de la Nouvelle-Ecosse</i>	- 9 -
FREQUENTLY ASKED QUESTIONS ABOUT CO-OPERATIVES.....	- 10 -
CO-OPERATIVE VERSUS COMPANY OR SOCIETY	- 10 -
HOW MANY PEOPLE.....	- 11 -
NON-PROFIT CO-OPERATIVES	- 11 -
SHARES & LOAN CAPITAL	- 11 -
INVESTMENTS FROM NON-MEMBERS	- 12 -
SALARY IN A WORKER'S CO-OPERATIVE	- 13 -
CO-OPERATIVE VERSUS PRIVATE ENTERPRISE	- 13 -
DEFINITION & PRINCIPLES OF A CO-OPERATIVE	- 14 -
STATEMENT OF IDENTITY	- 14 -
DEFINITION	- 14 -
VALUES	- 14 -
PRINCIPLES	- 14 -
<i>Voluntary & Open Membership</i>	- 14 -
<i>Democratic Member Control</i>	- 14 -

<i>Member Economic Participation</i>	- 15 -
<i>Autonomy & Independence</i>	- 15 -
<i>Education, Training, & Information</i>	- 15 -
<i>Co-operation Among Co-operatives</i>	- 15 -
<i>Concern for Community</i>	- 15 -
HOW A CO-OPERATIVE WORKS	- 16 -
STRUCTURE OF A CO-OPERATIVE	- 16 -
<i>The Association of People</i>	- 16 -
<i>The Enterprise's Structure</i>	- 16 -
ARTICLES OF INCORPORATION & BY-LAWS.....	- 17 -
FOR-PROFIT MODEL INCORPORATION DOCUMENTS	- 18 -
NON-PROFIT MODEL INCORPORATION DOCUMENTS	- 22 -
THE DEMOCRATIC STRUCTURE	- 27 -
ANNUAL GENERAL MEETING.....	- 27 -
BOARD OF DIRECTORS.....	- 27 -
CHIEF EXECUTIVE OFFICER / EXECUTIVE DIRECTOR.....	- 27 -
VARIOUS TYPES OF CO-OPERATIVES	- 29 -
SEVEN STEPS IN FORMING A CO-OPERATIVE	- 31 -
PHASE I – DEVELOP THE CO-OPERATIVE BUSINESS IDEA	- 31 -
<i>Step 1: Assemble a Group of Interested People</i>	- 31 -
<i>Step 2: Conduct a Feasibility Study</i>	- 31 -
PHASE II – COORDINATE THE PRE CO-OPERATIVE'S ACTIVITIES	- 32 -
<i>Step 3: Hold an Organizing Meeting</i>	- 32 -
<i>Step 4: Conduct a Viability Study</i>	- 32 -
PHASE III – ORGANIZE & START UP THE CO-OPERATIVE	- 32 -
<i>Step 5: Organize the Co-operative</i>	- 33 -
<i>Step 6: Organize the Enterprise</i>	- 33 -
<i>Step 7: Hold the Initial General Meeting</i>	- 34 -
DRAWING THE BUSINESS PLAN OF A NEW CO-OPERATIVE	- 35 -
A WORK TOOL.....	- 35 -
CONTENT OF A BUSINESS PLAN.....	- 35 -

Introduction to the Nova Scotia Co-operative Council

The Nova Scotia Co-operative Council has represented some 400 co-operative and credit union businesses in Nova Scotia since its inception in 1956, when co-operatives and credit unions came together under the leadership of Father Moses Coady, to encourage and support community-owned enterprise.

The Council is governed by a volunteer board of directors who represent co-operative and credit union businesses from Sydney to Yarmouth. It is the membership of the Council that approves the strategic and business direction at the annual general meeting each year.

The Council's five priority areas are:

- 1) Bringing all types of co-operatives together to form a strong and vibrant co-operative movement in Nova Scotia
- 2) Encouraging the development of a 'co-operative identity' with the public of Nova Scotia
- 3) Acting as an advocate for co-operatives with the municipal, provincial, and federal governments
- 4) Encouraging, supporting, and promoting the development of co-operative enterprises
- 5) Positioning the Council as a financially sound and self-sufficient organization

The Council currently has offices in Sydney (902-564-8821), Yarmouth (902-638-3260), and Truro (902-893-8966).

In addition to co-operative partners, the Council enjoys a positive and fruitful relationship with the Province of Nova Scotia, particularly the Office of Economic Development, the Department of Community Services, and InNovaCorp.

The Council has put a tremendous amount of time and resources into developing a series of co-operative publications, which we hope offer current and reliable information on important co-operative issues.

Co-operatives are an integral part of the province's economic growth and diversification. Mature, stable, and sustainable businesses, yet also moving into new and growing areas of the economy, co-operatives constitute major players in the Nova Scotia economy. The Nova Scotia Co-operative Council is working to ensure that co-operatives remain in the forefront of development for years to come.

Together, let us grow our economy - one co-operative at a time!

Dianne Kelderman, M.CED, M.Ed
Chief Executive Officer

Introduction to the Co-operative Business Development Unit

The Nova Scotia Co-operative Council is a member driven and support organization that is dedicated to the development of co-operative and credit union sectors in Nova Scotia. To better accomplish this goal, the Co-operative Business Development Unit (CBDU) has been established. The operations of this unit are focused on supporting the development of new and innovative co-operatives and stimulating the effectiveness, growth, and expansion of existing co-operatives.

Most co-operatives are established to fill the common needs of individuals and communities. The strengths of many co-operatives are not focused around management and business practices, yet co-operatives are nearly always involved in operating a business. Our experience shows that most co-ops have the ideas, the opportunity, and the desire to make their organization more effective for their members and their communities. However, they may be unable to capitalize on these opportunities due to a lack of expertise and support specific to the co-operative model. Large or small, to operate effectively, co-operatives must understand and practice good governance, good management, and good business practices. As a member of the Nova Scotia Co-operative Council, the CBDU is here to provide the services you need to both start and strengthen your co-operative.

Please contact us if you would like assistance in starting a co-operative. Members of the Nova Scotia Co-operative Council have access to our broad range of co-operative development services. Assessment consultations are also available to non-member co-operatives to determine the advantages associated with membership and subsequent development services. We are available to help you, your co-operative, and your community.

The supports and services available to both envisioned and established co-operatives are extensive. They include:

- General consultation
- Feasibility assessments
- Co-operative incorporation assistance
- Governance and management information
- Opportunity analysis
- Project management
- Business evaluation and planning
- Co-operative law and regulations interpretation
- Financing options
- Advocacy

The CBDU consists of a network of regional offices, partners, and Co-operative Business Development Officers (CBDO). These individuals all have solid backgrounds in co-operative development and sound business operations as well as valuable contacts within the co-operative, private business, and government sectors.

For each established co-operative member and new groups wishing to consider the co-operative model for incorporation, there will be no cost for basic services. These services include many of the consultations, incorporation assistance and registration, as well as start-up requirements for the creation of new co-operatives and advisory support services for established co-operatives. Many of the more comprehensive professional services, resulting in stronger and more effective co-operative organizations, are provided on a cost recovery basis at \$300 per day plus expenses. The intention of the NSCC is to be non-profit, to provide the best level of professional services specific to the co-operative model, while itself remaining financially sustainable.

For further information, please contact the CBDO closest to you at the following office locations.

TRURO

Paul Crane

PO Box 1872, 339 Willow Street
Truro, NS B2N 6C7
Ph 902-893-8966
Fax 902-895-0109
Email paul@nsco-opcouncil.ca

YARMOUTH

Jonathan McClelland

325 Highway 1
Deep Brook, NS B0S 1J0
Ph 902-638-3260
Email jonathan@nsco-opcouncil.ca

SYDNEY

Mark Sparrow

338 Charlotte Street
Sydney, NS B1P 1C8
Ph 902-564-8821
Fax 902-563-0500
Email mark@nsco-opcouncil.ca

What is a Co-operative?

A co-operative is an enterprise, or business, owned by an association of persons seeking to satisfy common needs (access to products or services, sale of their products or services, employment, etc).

This association includes one or more kinds of users or stakeholders of the enterprise:

- *Consumers*, who use the enterprise to acquire products or services, such as a retail co-operative, housing, health care, or day care co-operatives, etc)
- *Producers*, such as independent entrepreneurs, artisans, or farmers who use the enterprise to process and market the goods or services they produce, or to buy products or services necessary to their professional activities
- *Workers*, who use the enterprise to secure their employment and control their working conditions

Co-operatives operate *democratically* (one person, one vote) through two bodies - general meeting of the members or delegates, and the board of directors which is composed of members elected at a general meeting. The delegate structure may be required to reflect the size of the organization or the distance covered by the co-operative.

The co-operative's start up capital usually comes from *co-operative shares, or loan capital*, purchased by members. Each member's liability is limited to the amount of his or her share in the capital.

LEGAL STATUS OF A CO-OPERATIVE

A co-operative may be formed in accordance with:

- A provincial co-operative statute, setting out its corporate form and mode of operation
- The Canadian Co-operative Associations Act, when the co-operative has a place of business in at least two provinces

THE PURPOSE OF A CO-OPERATIVE

The purpose of a co-operative is both economic and social. It may include, for example, social development or local economic development through job creation or the provision of goods and services that would be otherwise unavailable.

Consumer’s Co-operative. The purpose is to meet the member’s needs by offering them the best quality and/or price for products and services (examples are food, housing, childcare, etc)

Producer’s Co-operative. The purpose is to meet the member’s needs by offering them the best price for products and services bought by members (as in a supply co-op) or sold for members (as in a marketing co-op). Examples of producer’s co-operatives include agricultural supplies, grain, or dairy processing co-operatives

Worker’s Co-operative. The purpose is to meet member’s needs of securing employment or of finding work that offers good working conditions (good salary or better working environment). Examples are all sectors, although primarily sectors where labour or knowledge is key to the business operation. A variance of worker’s co-operatives is when employees acquire a minority share ownership in the employer’s business

CO-OPERATIVES WITH SHARE CAPITAL & C-OPERATIVES WITHOUT SHARE CAPITAL

The Nova Scotia provincial statute recognizes two kinds of co-operatives:

- A for-profit co-operative that usually gets their financing from the sale of shares to members
- A non-profit co-operative that usually gets their financing from fees and loan capital from members

A for-profit may also get their financing from loan capital as well. Loan capital is equity which earns interest, which is an expense to the co-operative.

HOW IS A CO-OPERATIVE DIFFERENT FROM OTHER BUSINESSES?

Co-operative Business	Investor-Owned Business	Non-Profit Organization
Ownership		
The share is listed in the member’s name	Generally, a share carries no name. Unless registered, it belongs to the bearer	There is no ownership. Members are taken on (or accepted) when they agree to pay annual dues confirming member status, or a one-time membership fee
A share or loan capital may not increase in value. They can only be redeemed by the co-operative at its par value	A common share may increase in value. A shareholder may sell his or her shares to another person at an agreed upon price	Anyone may become a member, whether or not they use or benefit from the services provided by the organization, as long as they support the purpose of the organization

Co-operative Business	Investor-Owned Business	Non-Profit Organization
Member's responsibility is limited to the amount of the shares and/or loan capital he or she holds	Shareholder's responsibility is limited to the value of the shares he or she holds	N/A
Voting		
A member is entitled to only one vote at a general meeting, regardless of the number or shares or loan capital he or she holds	The number of votes a shareholder is entitled to at a general meeting is equivalent to the number of shares held in the company	Generally, one person, one vote. Delegates or proxies may be used depending on the governing legislation
Certain co-operatives with a large and dispersed membership may introduce delegate structure for representing members (i.e. delegates representing multiple members from a geographic district)	N/A	N/A
No proxy voting allowed	A shareholder may obtain a proxy to vote for other shareholders	N/A
Sharing in the Surplus		
Co-operative legislation may limit or prohibit the payment of interest on share or loan capital	There is no limit on share dividend	N/A
Surpluses may be paid into the reserve or to members in the form of patronage returns proportional to the business done by each member with the co-operative. Patronage dividends may be issued in the form of shares and/or loan capital	Profits may be distributed in the form of dividends according to the provisions for each class of shares, or reinvested in the company. The value of shares reflects the net value of the corporation	Surpluses do not belong to individual members, but to the organization. They may, therefore, not be redistributed among the members, but must be returned in full to the indivisible general reserve of the organization
Nova Scotia legislation stipulates that a co-operative's general reserve is indivisible	Shareholders may dispose of all of the assets of the business in accordance with certain legislative provisions	N/A
Some co-operatives, such as housing, health care, and day care are structured as non-profit co-operatives. Surpluses are not distributed to members	N/A	N/A

Co-operatives in the Economy

Co-operatives play an important role in the economy. They operate in most economic sectors. In many cases, they are a community's main tool for economic and social development.

There are approximately 400 Nova Scotia co-operatives (non-financial and credit unions). Taken together, these co-operatives:

- Had a membership of over 307,000 (14.5 million in Canada)
- Employed over 7,000 people (136,000 in Canada)
- Had assets worth over 5 billion dollars (157 billion dollars in Canada)

Financial Co-operatives

- 67 credit unions (2,398 in Canada)
- 242,000 members (10 million in Canada)
- 3 billion dollars in assets (104.5 billion dollars in Canada)
- 146 points of service

Non-financial Co-operatives

- 310 co-operatives (5,627 in Canada)
- 95,000 members (4.8 million in Canada)
- 200 million dollars in assets (15 billion dollars in Canada)
- 700 million dollars in revenue (27.8 billion in Canada)

How to Form a Co-operative in Nova Scotia

HOW TO INCORPORATE

An organization must be incorporated under the Co-operative Associations Act of 1989 in order to be called a co-operative. The requirements for incorporation are outlined in the Co-operative Associations Act, which is administered by Service Nova Scotia and Municipal Relations, through the Co-operatives Branch. When forming a co-operative, there are two important choices to be made:

- 1) Do people join by buying shares or by contributing membership fees?
- 2) Will the co-operative be for-profit or non-profit?

Although any combination is possible, generally members join for-profit co-operatives by buying shares, and people join non-profit co-operatives by contributing either a one-time or annual fee, as per the following chart:

Type	Shares	Membership Fees
For-Profit	X	—
Non-Profit	—	X

For advice on choosing between these options, and guidance in incorporation, please consult the Nova Scotia Co-operative Council's business development officers in Sydney, Truro, or Yarmouth. They are responsible for co-operative development in Nova Scotia.

Incorporation requires two documents, articles of incorporation and by-laws. For convenience, these two documents are combined into one, which is available from the business development officers.

The articles of incorporation and by-laws must include the following information:

- The name of the association with the word 'co-operative' as part of its name and with 'limited' as the last word in its name (submit the name reservation request either to the Registry of Joint Stock Companies or the Inspector of Co-operatives, along with the appropriate fee for the NUANS System names search to reserve a name before you complete the articles or by-laws. An alternative name or two will avoid delays in having the documents processed if your first choice of name is for some reason unacceptable. Assistance in choosing the best name is available from the business development officers
- The objects of the co-operative, which is a brief description of the type of business and special aspects of the business

- The limitation of liability for members, which is a statement which limits the liabilities of the members to their investment in the co-operative
- The par value of shares or the amount of membership fees (usually 10 to 100 dollars). Consultation with the Nova Scotia Co-operative Council is advised in these situations
- The signature, name, and address of the first three to seven members, witnessed by a responsible adult who is not directly associated with the new co-operative
- The conditions of membership or the ownership of shares and/or loan capital
- The election and terms of office of directors and officers
- The value of shares and loan capital, the terms of payment, and the limited on dividends or interest to be paid annually
- The conditions governing annual or general meetings
- Corporate indemnification provisions
- Borrowing of money provisions
- Matters related to audits and financial reporting
- Other matters deemed important for the effective operation of the co-operative

Directors

The provisional directors named in the articles of incorporation (generally the initial subscribers) will serve as directors until the co-operative's first general meeting, when directors are elected for a term of office from among the members or shareholders. The first general meeting is to be held within four months of incorporation, at which time the board of directors is to be elected according to the by-laws. Directors are responsible for the management of the co-operative's business and other affairs, as set out in the by-laws.

Registration

Prior to submitting an application, it is important to establish the co-operative's basic purpose so that everyone shares the same understanding of the organization's goals and objectives.

In order to apply for incorporation, one copy of the articles of incorporation, by-laws signed by the subscribers to the articles of incorporation, and the appropriate fees must be submitted to the Inspector of Co-operatives. Upon approval, the Inspector shall forward the application to the Registrar.

Following the registration of the articles of incorporation and the by-laws, the Registrar issues a certificate of incorporation. The co-operative will be incorporated on the date mentioned on the certificate.

The articles are to be forwarded, along with the by-laws to:

Service Nova Scotia & Municipal Relations
Co-operatives Branch
35 Commercial Street, Suite 101
Truro, NS B2N 3H9

Attach the required registration fee of \$107. Please make all cheques payable to the Inspector of Co-operatives.

A certificate of incorporation will be mailed to the co-operative's registered address approximately two weeks after the Inspector approves the documents. Approved copies of the articles and by-laws will accompany the certificate. If you have any questions, please feel free to contact the Nova Scotia Co-operative Council for assistance.

SOURCES OF ASSISTANCE & INFORMATION

Co-operatives Branch

The Co-operatives Branch administers the Co-operative Associations Act of Nova Scotia providing incorporation, registration, inspections, and liquidation services to the province's 300 co-operatives. The mandate of the Co-operatives Directorate is:

“...to promote and support the use of co-operative structures, principles, and business practices to strengthen and enhance the province's economy and society.”

You will find a directory of co-operatives and other resources, including co-operative legal forms (change of address, change of name, incorporation, registration, etc), and co-operative news on their web site at www.gov.ns.ca/snsmr/coop.

Assorted information and educational materials, including an ongoing fact sheet series, are also available from the Directorate's central office.

Service Nova Scotia & Municipal Relations
Co-operatives Branch
35 Commercial Street, Suite 101
Truro, NS B2N 3H9
Phone (902) 893-6190
Fax (902) 893-6108
Email nscoop@gov.ns.ca
Web www.gov.ns.ca/snsmr/coop

Canadian Co-operative Association

The Canadian Co-operative Association is a national association of co-operatives which provides research, education, training, and assistance to co-operatives. The association

has extensive education and training programs for co-operatives, boards, management, and staff. It is the national representative organization for Canada's English language co-operatives. The Canadian Co-operative Association can be reached through the following contact information:

Canadian Co-operative Association
400 – 275 Bank Street
Ottawa, ON K2P 2L6
Phone (613) 238-6711
Fax (613) 567-0658
Email info@coopscanada.coop
Web www.coopscanada.coop

Canadian Co-operative Housing Federation of Canada

The Canadian Co-operative Housing Federation of Canada is the national association of housing co-operatives, with offices in Ottawa, Toronto, Winnipeg, Vancouver, and Halifax. The Canadian Co-operative Housing Federation of Canada can be reached through the following contact information:

Canadian Co-operative Housing Federation of Canada
Carolyn Brodeaur, Regional Manager
Joann Vitgood, Member Relations
201 – 1099 Marginal Road
Halifax, NS B3H 4P7
Email info@chfc.ca
Web www.chfc.ca

Nova Scotia Co-operative Council

The Nova Scotia Co-operative Council is the provincial development arm of the co-operative and credit union system and represents its 400 co-operative and credit union members. The Council was incorporated in 1946 and is governed by a volunteer board of directors, representative of all sectors and regions of Nova Scotia, from Cape Breton to Yarmouth. At the annual general meeting each year, the members give approval to the strategic direction and mandate for the Council's activities. The Nova Scotia Co-operative Council can be reached through the following contact information:

Nova Scotia Co-operative Council
PO Box 1872, 339 Willow Street
Truro, NS B2N 6C7
Phone (902) 893-8966
Fax (902) 895-0109
Email info@nsco-opcouncil.ca
Web www.nsco-opcouncil.ca

Co-operators Insurance

Co-operators Insurance provides specially designed insurance programs for co-operatives, including bonding, fire, liability, theft, automobile, housing contents, public and director liability, etc. Co-operators Insurance can be reached through the following contact information:

Co-operators Insurance
Shelia Hansen, Co-operative Accounts Manager
202 Brownlow Avenue, Suite 305
Cambridge 1
Dartmouth, NS B3B 1T5
Phone (902) 481-5264
Fax (902) 468-3203
Email shelia_hansen@cooperators.ca
Web www.cooperators.ca

Conseil Canadien de la Co-operation

The CCC is the national and provincial representative organization for French language co-operatives in Canada. The Conseil Canadien de la Co-operation can be reached through the following contact information:

Conseil Canadien de la Co-operation
450 Rue Rideau, Suite 201
Ottawa, ON K1N 5Z4
Phone (613) 789-5492
Fax (613) 789-0743
Email denise@cccoop.ca

Conseil Cooperatif Acadien de la Nouvelle-Ecosse

The Conseil Cooperatif Acadien de la Nouvelle-Ecosse can be reached through the following contact information:

Conseil Cooperatif Acadien de la Nouvelle-Ecosse
Laurette Deveau, Manager
PO Box 667
Cheticamp, NS B0E 1H0
Phone (902) 224-3212
Fax (902) 224-1579
Email pignons3@auracom.com

Frequently Asked Questions About Co-operatives

CO-OPERATIVE VERSUS COMPANY OR SOCIETY

Are there advantages to forming a co-operative rather than a traditional company or society?

Definitely, particularly if you think you will need to obtain the commitment and advice of associates. The co-operative option could then prove to be the best legal choice because it is an organizational tool designed to meet the needs, and facilitate the operations, of both small groups and large groups with ten, hundreds, or even thousands of members. It offers a proven legal framework for governing collective decision-making and for protecting everyone's best interests.

Therefore, if you are attempting to meet a special economic, social, or cultural need, the co-operative's legal format may be the best way to become an entrepreneur or resolve your problem with others who share the same goals. You might be looking for a way to obtain affordable, quality housing, or access to cable television, or any other product or service unavailable in your region. You might want to create a job corresponding to your abilities and your requirements, or reduce your costs of production. By forming a consumer or service co-operative, you will be able to obtain:

Products or Services You Need. As co-owner of an enterprise operating according to democratic rules, you will be able to define the characteristics of the products or services with the other members

Products or Services at a Lower Cost. The enterprise is not operated to maximize profits that must be returned in the form of dividends to shareholders, but to maximize member's co-operative advantage (i.e. quality products and services at the best possible price)

By forming a worker co-operative, you will be able to obtain:

A Job. The job you do not have or the job you would like to have

Better Working Conditions. The right to take part in defining your working conditions (i.e. salary, benefits, organization of work, health and safety in the workplace, etc)

Proportional Returns. The right to share in surpluses in the form of returns in proportion to your salary or hours of work

HOW MANY PEOPLE

How many people are needed to form a co-operative in Nova Scotia?

Provincial legislation requires from three to seven members to form consumer, service, producer, or worker co-operatives within Nova Scotia.

NON-PROFIT CO-OPERATIVES

Is a co-operative always non-profit?

Although the primary goal of a co-operative is not to maximize profits, but rather its service to members, a co-operative must, nevertheless, generate sufficient revenue to cover expenses and ensure its growth. After securing in a general reserve the capital required for financing the expansion of the business, any surpluses remaining are usually returned to the members.

Beyond this basic requirement, and in accordance with certain existing federal and provincial legislation governing co-operatives, a co-operative may decide not to distribute any surpluses and therefore, in some situations, will meet the definition of a non-profit organization. There may, therefore, be two kinds of co-operatives:

For-Profit Co-operatives. Those in which members may redistribute any surpluses of the enterprise among themselves in the form of returns proportional to their business transactions with the co-operative during the fiscal year

Non-Profit Co-operatives. Those in which any operating surpluses of the enterprise may not be distributed to the members and must be returned in their entirety to the co-operative's general reserve (i.e. housing, day care, health, and other similar co-operatives)

SHARES & LOAN CAPITAL

Must all members of a co-operative purchase shares?

Yes, if the co-operative is listed as a co-operative with shares; otherwise, a membership fee will be required.

What is the cost of a share in a co-operative with share capital?

A distinction must be made between a share and number of shares required to become a member of a co-operative. The number of shares, or the cost of the shares that a member purchases will depend on the kind of co-operative and on the federal or provincial legislation governing the co-operative. When it is first set up, each co-operative defines the minimum amount each person will have to invest to become a member. This amount

may correspond to one share or to several shares, which is to be set out in the articles of incorporation and by-laws of the co-operative.

The provincial legislation decrees that the value of a share is always the same, such as one hundred dollars. Depending on investment or start up requirements, a co-operative will define the number of one hundred dollar shares a person must purchase to become a member. In a consumer co-operative, it might be one fifty dollar share. In a producer or worker co-operative, where initial start up costs are usually higher, it might be a total of one thousand dollars or more.

Must all members have exactly the same total value of shares?

No. All must have the minimum number of co-operative shares and/or loan capital defined by the co-operative in order to be eligible for membership, but some members may decide to invest more and to buy more than this minimum number. This does not give them greater rights in the co-operative because the rule of one person, one vote applies regardless of the number of shares a member has. The amount members must invest in co-operative shares and loan capital may vary greatly from one co-operative to another. It depends on the enterprise's capital requirements. Shares may also be bought through payroll deduction of a percentage of salary (for example, five percent) in a worker co-operative or through the payment of patronage returns in the form of loan capital, enabling the enterprise to finance its own growth in whole or in part.

What is loan capital?

Loan capital is similar to a share or preferred share, except that an annual interest return applies. A co-operative issues loan capital when it needs capital for its development projects. Loan capital is, therefore, not a title of co-ownership as a member share is. Loan capital has a rate of interest, but no redemption date. A co-operative may define several different kinds of loan capital with different interest rates. It must be included in the articles and by-laws of the co-operative for each type.

INVESTMENTS FROM NON-MEMBERS

May non-members invest in a co-operative?

Normally, only members may invest in a co-operative. Given the size of the investment necessary to start up or develop an enterprise in certain economic sectors, the province has established a program for investment in a co-operative called a Community Economic Investment Fund (CEDIF), which is usually a separate co-operative that invests in the co-operative and receives a 30 percent tax credit and may be eligible for self-directed RRSP investments. Contact your business development officer for assistance with this matter.

SALARY IN A WORKER'S CO-OPERATIVE

Do all members earn the same salary in a worker's co-operative?

This is not obligatory. It may sometimes be the case in very small co-operatives, such as co-operatives composed only of professionals. Generally, however, a co-operative must adapt its salary policies (particularly its salary scale) to the practices in effect in the sector in which it is operating. Otherwise, it runs the danger of having production costs that are too high to be competitive in the marketplace. If salaries are too low, on the other hand, the co-operative may face difficulty hiring or retaining experienced workers. Salary policies are set by the board of directors.

CO-OPERATIVE VERSUS PRIVATE ENTERPRISE

Does a co-operative perform as well as a traditional private enterprise?

It may perform a great deal better. Some studies comparing the performance of these co-operatives with private enterprises operating in the same economic sector have demonstrated their superiority in two ways:

- Significantly longer survival
- Better quality of products and services

Members know that the business belongs to them. They know that the better their support, and the greater the surplus the enterprise generates at the end of the year, the more they can increase their income through returns.

The co-operative model is also particularly well suited to new methods of participatory management being increasingly adopted by enterprises wishing to maximize their performance and the quality of their client services.

Definition & Principles of a Co-operative

STATEMENT OF IDENTITY

The Statement of Co-operative Identity was adopted in 1995 by the General Assembly of the International Co-operative Alliance (ICA), held in Manchester to mark its centennial. The statement is the result of a long process of consultation involving thousands of co-operatives around the world.

DEFINITION

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

VALUES

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.

PRINCIPLES

The co-operative principles are guidelines by which co-operatives put their values into practice.

Voluntary & Open Membership

Co-operatives are voluntary organizations; open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are organized in a democratic manner.

Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes:

- Developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible
- Benefiting members in proportion to their transactions with the co-operative
- Supporting other activities approved by the membership

Autonomy & Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Education, Training, & Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of co-operation.

Co-operation Among Co-operatives

Co-operatives serve their members most effectively, and strengthen the co-operative movement, by working together through local, national, regional, and international structures.

Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

How a Co-operative Works

STRUCTURE OF A CO-OPERATIVE

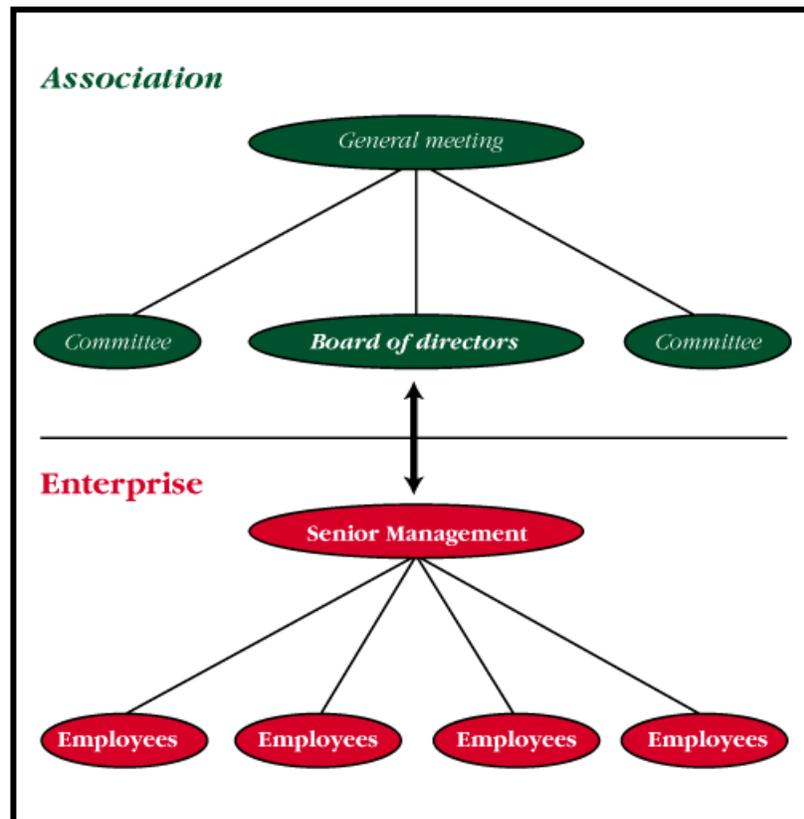
A co-operative is both an association of people and an enterprise. It, therefore, has two different structures:

The Association of People

Composed of all the democratic structure (i.e. general meetings, board of directors, other boards, and committees) in which members of their representatives, elected on a one-person-one-vote basis, can participate directly as delegates of groups of members.

The Enterprise's Structure

The complexity of which may vary with the scale and nature of economic activities, and which may be more or less similar to that of other private enterprises, with a head office and administrative units.



Source: Alain Bridault, *Managing the Democratic Process in a Co-operative*, from the collection of *Managing a Co-operative*, Sillery, Quebec, ORION Research and Consulting Co-operative, March 1998, Page 36.

The association of people is directed by a voluntary board of directors. The co-operative is governed by the board of directors and directed by the person holding the position of chief executive officer, general manager, or executive director. An 'executive director' usually heads up a non-profit co-operative or an association.

ARTICLES OF INCORPORATION & BY-LAWS

A co-operative's articles and by-laws are like a government's constitution. They define the rights and obligations of each member of the co-operative. They constitute a legal document. They may only be amended by a majority of two-thirds of the members at a general meeting. They must include provisions regarding the following:

- The co-operative's objectives and its fields of activity
- Requirements for becoming a member, including the number of co-operative shares, and termination of membership, both withdrawal or expulsion
- The procedure for calling the annual general meeting, special general meetings, and meetings of the board of directors
- The powers and responsibilities of the board of directors and other committees
- The powers and responsibilities of the chief executive officer and/or executive director
- Corporate indemnification of the board and officers

For-Profit Model Incorporation Documents

THE CO-OPERATIVE ASSOCIATIONS ACT CHAPTER 98 ACTS OF 1989

ARTICLES OF INCORPORATION AND BYLAWS FOR A FOR-PROFIT CO-OPERATIVE LIMITED BY SHARES OR LIMITED BY MEMBERSHIP

NAME: The name of the co-operative is the _____ Co-operative Limited.

OBJECTIVES: (Activity Code____) The objectives for which the co-operative is established are to carry on a co-operative basis _____

Including the acts and things set forth under Section 16 of the Co-operative Associations Act.

LIABILITY: The liability of the members is limited.

REGISTERED OFFICE:

a) The registered office (*street/911 address, and postal code*) of the co-operative shall be _____

The mailing address (*PO Box or other mailing address, and postal code*) if different shall be _____

Phone: (902) ____-____ Fax: (902) ____-____ Email: _____

b) The board may from time to time determine the place or places at which the business of the co-operative shall be carried on.

THE SEAL: The seal of the co-operative shall be such as to make a circular impression having two circles between which are the words (*co-operative's name*) “ _____ “. And inside the inner circle, the words “Incorporated 20____”.

FINANCIAL YEAR: The financial year of the co-operative shall be from the first day of (*month*) _____ to the last day of (*month*) _____

WITHDRAWALS: Member's applications to withdraw their membership, shares, and/or loan capital shall be made in writing to the board and shall be subject to a policy of the board of directors.

MEMBERSHIP: The board shall determine the conditions of membership or _____, including the requirements to pay equity in the form of fees, shares, and/or loan capital. Members shall withdraw or be excluded from membership according to Section 29 or Regulations 4 and 6 of the Co-operative Associations Act, and also if a member acts contrary to the best interests of the co-operative.

MEETINGS:

- a) The annual meeting of the members shall be held within four months of the year-end. Special meetings shall be held when called by the secretary as directed by the directors, or by a written request of the members as per Section 5(2) or Regulation 17 of the Co-operative Associations Act. All meetings shall be at such place as the directors may from time to time determine.
- b) At all meetings (# or %) _____ of the members shall constitute a quorum.
- c) Notice of annual or special meetings shall be posted prominently in the place of business of the co-operative and shall also be mailed by post or electronic mail to the registered address of the member at least ten days prior to the meeting.

BOARD OF DIRECTORS:

- a) The board of directors shall consist of _____ directors (*minimum of three*) who shall be elected for a term of _____ years arranged so that _____ directors are elected each year. The maximum number of consecutive terms a director may serve is _____.
- b) The directors shall meet as often as the business of the co-operative may require, but not less than _____ times per year. At all meetings (# or %) _____ of the directors shall constitute a quorum.
- c) If a vacancy occurs in the board of directors, the directors may appoint a member to fill that vacancy until the next annual meeting when the members shall hold an election to complete the term of vacancy.
- d) Eligibility for election to the board of directors:
 - Agreement with the objectives of the co-operative
 - Acceptance of leadership position when requested
 - Supportive of the co-operative wherever possible

DUTIES OF OFFICERS: The board shall elect a president, vice-president, treasurer, and secretary from their own membership, and may appoint other officers who are responsible to the board. Their duties shall be specified by the board.

SHARES, FEES & LOAN CAPITAL:

- a) The board shall determine the conditions of membership, including the requirements to pay equity in the form of fees and/or shares.

- For co-operatives limited by shares:
 The par value of shares is _____ dollars (\$ _____) each.
 There shall be no or a maximum of _____% dividends paid on shares
 A minimum number of shares to be held by each member are _____
 Each member may be required to lend the co-operative all or part of the
 patronage dividends payable to him/her by the co-operative, and the co-
 operative is authorized to apply to the member's account the said
 dividends during such time as he/she remains a member of the co-
 operative.
- For co-operatives limited by membership:
 The membership fee is _____ dollars (\$ _____).
 The membership fee is not repayable.
- b) Loan capital may be issued. Interest rates shall be determined by the board of
 directors, but shall not exceed _____% per annum. Loan capital is equity and
 ranks equally with shares in wind-up.

GENERAL RESERVE: A general reserve shall be created by allocating from retained
earnings each year not less than _____% of the surplus until the general reserve is equal
to _____% of the shares and loan capital of the co-operative.

BORROWING POWERS:

- a) The co-operative is hereby authorized to borrow money from its members for
 specific periods of time at specific rates of interest.
- b) The co-operative is authorized to exercise all and every power to borrow money
 and to secure payment thereof which is conferred upon it by the Nova Scotia Co-
 operative Associations Act, Chapter 98, Acts of 1989.
- c) The directors of the co-operative may exercise all such powers to all such acts and
 things as may be exercised or done by the co-operative in respect of the
 borrowing of money, and the provision of security for such borrowing, as has
 been delegated to the directors by the co-operative.
- d) The directors of the co-operative shall not, on behalf of the co-operative,
 authorize or approve capital borrowings or the guarantee of capital borrowings in
 excess of a total of _____ dollars (\$ _____)
 in a single fiscal year without having first obtained formal approval from a
 meeting of the members of the co-operative by way of a special resolution.

DISSOLUTION: If for any reason the affairs of the co-operative are dissolved or wound
up and there remains after satisfaction of all liabilities, including shares and/or loan
capital, any property whatsoever, it shall be divided among the members equally or
in proportion to their shares and loan capital in the co-operative.

CORPORATE INDEMNIFICATION: Subject to the provisions of the Nova Scotia Co-operative Associations Act, every director and senior officer or his/her heirs, executors, and administrators, and estate and effects, respectively, shall at all times be indemnified and saved harmless out of the funds of the co-operative, from and against:

- a) All costs, charges, and expenses whatever that such director or officer sustains or incurs in or out of any action, suit, or proceeding that is brought, commenced, or prosecuted against the director or officer, for or in respect of any act, deed, matter, or thing whatever, made, done, or permitted by the director or officer in or about the execution of the duties of his/her office, and;
- b) All other costs, charges, and expenses that the director or officer sustains or incurs in or about or in relation to the affairs thereof.

Non-Profit Model Incorporation Documents

THE CO-OPERATIVE ASSOCIATIONS ACT CHAPTER 98 ACTS OF 1989

ARTICLES OF INCORPORATION AND BYLAWS FOR A NON-PROFIT CO-OPERATIVE LIMITED BY SHARES OR LIMITED BY MEMBERSHIP

NAME: The name of the co-operative is the _____ Co-operative Limited.

OBJECTIVES: The objectives for which the co-operative is established are to carry on a co-operative basis _____

Including the acts and things set forth under Section 16 of the Co-operative Associations Act.

PROVIDED THAT, if for any reason, the operations of the co-operative are terminated or wound up or are dissolved and there remains at that time, after satisfaction of all its debts and liabilities, any property whatsoever, the same shall be given and paid to some other non-profit organization in Canada having objects similar to the co-operative

PROVIDED THAT, the co-operative shall be carried on without purpose of gain to the members, and that any surplus, or any accretions of the co-operative shall be used solely for the purpose of the co-operative, and the promotion of its objects

PROVIDED THAT, no part of the income of the co-operative shall be payable to or otherwise available for the personal benefit of any member thereof

PROVIDED THAT, the directors and officers who are directors shall serve as such without remuneration and shall not receive directly or indirectly any profit from their positions as such

PROVIDED THAT, a director or officer who is a director may be paid reasonable expenses incurred by him/her in the performance of his/her duties

LIABILITY: The liability of the members is limited.

REGISTERED OFFICE:

c) The registered office (*street/911 address, and postal code*) of the co-operative shall be _____

The mailing address (*PO Box or other mailing address, and postal code*) if different shall be _____

Phone: (902) ____ - ____ Fax: (902) ____ - ____ Email: _____

d) The board may from time to time determine the place or places at which the business of the co-operative shall be carried on.

THE SEAL: The seal of the co-operative shall be such as to make a circular impression having two circles between which are the words (*co-operative's name*) " _____ ". And inside the inner circle, the words "Incorporated 20 ____".

FINANCIAL YEAR: The financial year of the co-operative shall be from the first day of (*month*) _____ to the last day of (*month*) _____

WITHDRAWALS: Member's applications to withdraw their membership and shares and loan capital shall be made in writing to the board and shall be subject to a policy of the board of directors.

MEMBERSHIP: The board shall determine the conditions of membership or _____, including the requirements to pay equity in the form of fees, shares, and/or loan capital. Members shall withdraw or be excluded from membership according to Section 29 or Regulations 4 and 6 of the Co-operative Associations Act, and also if a member acts contrary to the best interests of the co-operative.

MEETINGS:

d) The annual meeting of the members shall be held within four months of the year-end. Special meetings shall be held when called by the secretary as directed by the directors, or by a written request of the members as per Section 5(2) or Regulation 17 of the Co-operative Associations Act. All meetings shall be at such place as the directors may from time to time determine.

e) At all meetings (*# or %*) _____ of the members shall constitute a quorum.

f) Notice of annual or special meetings shall be posted prominently in the place of business of the co-operative and shall also be mailed by post or electronic mail to the registered address of the member at least ten days prior to the meeting.

BOARD OF DIRECTORS:

e) The board of directors shall consist of _____ directors (*minimum of three*) who shall be elected for a term of _____ years arranged so that _____ directors are elected each year. The maximum number of consecutive terms a director may serve is _____.

f) The directors shall meet as often as the business of the co-operative may require, but not less than _____. At all meetings (*# or %*) _____ of the directors shall constitute a quorum.

- g) If a vacancy occurs in the board of directors, the directors may appoint a member to fill that vacancy until the next annual meeting when the members shall hold an election to complete the term of vacancy.
- h) Eligibility for election to the board of directors:
 - Agreement with objectives of the co-operative
 - Acceptance of leadership position when requested
 - Supportive of the co-operative wherever possible

DUTIES OF OFFICERS: The board shall elect a president, vice-president, treasurer, and secretary from their own membership, and other officers who are responsible to the board. Their duties shall be specified by the board.

SHARES, FEES & LOAN CAPITAL:

- c) The board shall determine the conditions of membership, including the requirements to pay equity in the form of fees and/or shares.
 - For co-operatives limited by shares:
The par value of shares is _____ dollars (\$_____) each. There shall be no dividends paid on shares. A minimum number of shares to be held by each member are _____.
 - For co-operatives limited by membership:
The membership fee is _____ dollars (\$_____). The membership fee is not repayable.
- d) Loan capital may be issued. Interest rates shall be determined by the board of directors, but shall not exceed _____% per annum.

GENERAL RESERVE: A general reserve shall be created by allocating from retained earnings each year not less than one hundred percent (100%) of the surplus.

BORROWING POWERS:

- e) The co-operative is hereby authorized to borrow money from its members for specific periods of time at specific rates of interest.
- f) The co-operative is authorized to exercise all and every power to borrow money and to secure payment thereof which is conferred upon it by the Nova Scotia Co-operative Associations Act, Chapter 98, Acts of 1989.
- g) The directors of the co-operative may exercise all such powers to all such acts and things as may be exercised or done by the co-operative in respect of the borrowing of money, and the provision of security for such borrowing, as has been delegated to the directors by the co-operative.
- h) The directors of the co-operative shall not, on behalf of the co-operative, authorize or approve capital borrowings or the guarantee of capital borrowings in excess of a total of _____ dollars (\$_____) in a single fiscal year without having first obtained formal approval from a meeting of the members of the co-operative by way of a special resolution.

DISSOLUTION: If for any reason the affairs of the co-operative are dissolved or wound up and there remains after satisfaction of all liabilities, including shares and/or member loans, any property whatsoever, it shall be paid to a non-profit organization whose objectives are similar to those of the co-operative.

CORPORATE INDEMNIFICATION: Subject to the provisions of the Nova Scotia Co-operative Associations Act, every director and senior officer or his/her heirs, executors, and administrators, and estate and effects, respectively, shall at all times be indemnified and saved harmless out of the funds of the co-operative, from and against:

- a) All costs, charges, and expenses whatever that such director or officer sustains or incurs in or out of any action, suit, or proceeding that is brought, commenced, or prosecuted against the director or officer, for in respect of any act, deed, matter, or thing whatever, made, done, or permitted by the director or officer in or about the execution of the duties of his/her office, and
- b) All other costs, charges, and expenses that the director or officer sustains or incurs in or about in relation to the affairs thereof.

SUBSCRIBERS / FOUNDING MEMBERS

The names and addresses of subscribers with the number of shares taken, if required, by each subscriber (signature with additional information written in handwriting). A typed or printed copy in addition to this completed form is also required to assure accuracy.

1. _____
Signature *#. of Shares (if structured as a share co-operative)* *Telephone #* *OFFICER*

_____ *Fax* *Email*

_____ *Address* *Town* *Postal code*

2. _____
Signature *#. of Shares (if structured as a share co-operative)* *Telephone #* *OFFICER*

_____ *Fax* *Email*

_____ *Address* *Town* *Postal code*

3. _____
Signature *#. of Shares (if structured as a share co-operative)* *Telephone #* *OFFICER*

_____ *Fax* *Email*

_____ *Address* *Town* *Postal code*

4. _____
Signature *#. of Shares (if structured as a share co-operative)* *Telephone #* *OFFICER*

_____ *Fax* *Email*

_____ *Address* *Town* *Postal code*

5. _____
Signature *#. of Shares (if structured as a share co-operative)* *Telephone #* *OFFICER*

_____ *Fax* *Email*

_____ *Address* *Town* *Postal code*

6. _____
Signature *#. of Shares (if structured as a share co-operative)* *Telephone #* *OFFICER*

_____ *Fax* *Email*

_____ *Address* *Town* *Postal code*

7. _____
Signature *#. of Shares (if structured as a share co-operative)* *Telephone #* *OFFICER*

_____ *Fax* *Email*

_____ *Address* *Town* *Postal code*

The above subscribers will become the provisional (first) directors, to be confirmed or replaced at a general meeting of members within four months of the incorporation according to the bylaws of the co-operative. The total number of shares taken by all subscribers, if incorporated with shares is _____,

Dated this ____ day of _____, 20____.

Witness to above signatures _____
Signature *Print Name*

Address _____
 Occupation _____ Tel (902) _____
 Fax (902) _____ Email _____

These Articles of Incorporation and by-laws accompanied by a fee of \$107.00 (payable to the Inspector of Co-operatives) are to be forwarded to the Co-operatives Branch, 35 Commercial Street, Suite 101, Truro, NS, B2N 3H9 for approval and registration.

The Democratic Structure

A co-operative operates according to the rules of parliamentary democracy.

ANNUAL GENERAL MEETING

The board of directors must call and organize an annual general meeting. The by-laws may provide for a quorum (number of members or percentage of total members), without which a general meeting may not be held. One member may not vote for another member (i.e. no proxy voting). In particular, the membership meeting has exclusive authority to:

- Amend the articles and by-laws
- Elect members of the board of directors and of other committees as required
- Appoint the external auditor
- Decide to wind up the co-operative or amalgamate it with another co-operative
- Decide to apply for membership in a federation or another inter co-operative organization

BOARD OF DIRECTORS

It governs the co-operative on behalf of the members. It has exclusive authority to:

- Hire and fire the person holding the position of chief executive officer
- Approve salary and human resources management policies
- Define the co-operative's strategic and operational objectives
- Dispose of the co-operative's assets
- Set the amount and method of payment for patronage dividends
- Approve or refuse repayment of member's equity
- Prepare and submit the annual report of activities to the general meeting
- Set any limitations for the chief executive officer

CHIEF EXECUTIVE OFFICER / EXECUTIVE DIRECTOR

The chief executive officer (CEO) has the same responsibilities and powers as in any corporation (i.e. planning, organizing, directing, and controlling the enterprise). The CEO works closely with the board of directors and must keep it informed of all the enterprise's activities.

The CEO has the power to hire and fire employees of the enterprise in accordance with the provisions of the articles and by-laws and with the directives and policies issued by the board of directors.

Various Types of Co-operatives

There are various types of co-operatives working in a multitude of sectors of economic activity.

TYPE OF CO-OPERATIVE	EXAMPLES
Financial Co-operatives	
<ul style="list-style-type: none"> • These co-operatives offer financial, loan, or investment services and insurance services to their members • They are owned by user-members or by subscribers to insurance 	<ul style="list-style-type: none"> • Credit unions & Caisses populaires • Insurance co-operatives • Mutual companies
Consumer Co-operatives	
<ul style="list-style-type: none"> • Provide their members with goods for their personal use • Owned by the consumers of the goods sold by the co-operative • Work in various sectors • Range from small purchasing groups to large supermarket-type organizations 	<ul style="list-style-type: none"> • Food • Natural foods • Housing • Hardware • Clothing
Service Co-operatives	
<ul style="list-style-type: none"> • Provide services to their members (individuals or corporations) • They are owned by the users of the services • Range in size from small day care centres to large health co-operatives • Represent an interesting alternative to public services delivery 	<ul style="list-style-type: none"> • Water supply • Cablevision • Community development • Electricity, natural gas • Day care centres, nurseries • Funeral services • Health care • Transportation & communication • Tourism • Municipal services
Producer Co-operatives	
<ul style="list-style-type: none"> • Some co-operatives market, or process and market, their member's products and services directly • Others may also sell the input necessary to their member's economic activities, such as agricultural supply co-operatives • Owned by members that purchase from them their inputs, or who deliver to them the products and services they market 	<ul style="list-style-type: none"> • Agricultural processing & marketing • Farm supply • Crafts • Livestock & crops • Government procurement • Feedlots & pastures • Fisheries • Pooling of equipment

TYPE OF CO-OPERATIVE	EXAMPLES
Worker Co-operatives	
<ul style="list-style-type: none"> • Purpose of these co-operatives is to provide their members with work by operating an enterprise. They may be found in all economic sectors • Owned by their employee members. They are mainly part of the small or medium sized enterprise sector • The members, who are the collective owners, obtain jobs and control the management and administration of their enterprise • Employees can also form a co-operative for the purpose of acquiring voting shares of the corporation which employ them 	<ul style="list-style-type: none"> • Agri-food • Natural food • Arts & entertainment • Manufacture & sale of clothing • Communications & marketing • Construction & renovation • Education • Forestry • Printing & publishing • Industrial production & manufacturing • Ambulance services • Business services • Home nursing services • Home care
Multi-Stakeholder Co-operatives	
<ul style="list-style-type: none"> • The membership of these co-operatives is made of different categories of members who share a common interest in the organization (i.e. clients, workers, investors, community organizations, etc) 	<ul style="list-style-type: none"> • Home care services • Health services • Disabled business • Community services

Seven Steps in Forming a Co-operative

PHASE I – DEVELOP THE CO-OPERATIVE BUSINESS IDEA

Step 1: Assemble a Group of Interested People

Identify the needs to be met:

- Unavailability or instability of work
- Unavailability of certain products and services
- Poor quality of certain products and services
- Products and services over-priced
- Market development

Identify professional assistance needed to launch the business:

- Legal consultant
- Co-operative development officer at the Nova Scotia Co-operative Council
- Feasibility study, business plan, and financial consultant
- Accounting consultant
- Other

Step 2: Conduct a Feasibility Study

- Conduct a preliminary market review
- Identify available technical and financial assistance
- Assess receptiveness to the co-operative business in the local community
- Evaluate if the co-operative is the best legal framework to use or if the kind of co-operative selected is the most suitable
- Define the intended benefits of the co-operative for members (i.e. quality, price, etc) and characteristics
 - a) Products and services offered (consumer's co-operative)
 - b) Products and services marketed (producer's co-operative)
 - c) Salaries and working conditions (worker's co-operative)
- Evaluate the project's potential to attract the minimum number of members required

If this study is not conclusive, the group should reevaluate its business idea. If this study shows that the planned co-operative is feasible, the group can proceed to the second phase.

PHASE II – COORDINATE THE PRE CO-OPERATIVE’S ACTIVITIES

Step 3: Hold an Organizing Meeting

- Choose the corporate name of the co-operative and the location of its head office
- Define the co-operative’s mission (i.e. objective and purpose)
- Elect a temporary board of directors and secretary to the board
- Officially submit an application for incorporation as a co-operative from the provincial ministry responsible for co-operatives or from Industry Canada, if you are incorporating federally

Step 4: Conduct a Viability Study

- Obtain financing for the viability study from such sources as:
 - a) Internal financing by the members
 - b) Special grants
 - c) Negotiate a technical assistance or business start up agreement with a specialized organization
- Define the strategic objectives
- Evaluate the various strategic scenarios, production costs; as well as human, material, and financial resources necessary
- Evaluate the various start up financing scenarios
- Do a preliminary projection of budgeted statements and of a cash budget (revenues and expenditures, investments by members in share capital, partners, credit union or bank loans, grants, etc)

If this study concludes that, although the planned co-operative looks feasible, it would not be financially viable, the group should consider terminating the project. If the study shows that the new co-operative will be financially viable, the group can proceed to the third phase.

PHASE III – ORGANIZE & START UP THE CO-OPERATIVE

Set up ad hoc committees to distribute the workload among the members of the first board of directors (i.e. planning committee, training committee, committee to draft by-laws, etc).

Step 5: Organize the Co-operative

- Decide on the co-operative's structure and define the various categories of members, if necessary (i.e. consumers, suppliers, workers, etc)
- Determine the roles and responsibilities of the various democratic bodies (general meeting, board of directors, committees, etc)
- Establish the articles and by-laws
- Recruit members
- Organize and offer a program to train members in the administration and management of a co-operative, the chairing and running of annual meetings, or the operation of a committee or board

Step 6: Organize the Enterprise

Plan the operation of the enterprise:

- Draw up an organization chart of the enterprise
- Do the operational planning for the first year of activities
- Negotiate contracts for the supply of necessary products and services and, as required, sales or marketing contracts (depending on the type of co-operative and the nature of the enterprise)
- Devise and implement an ad hoc accounting system
- Define the duties and responsibilities of each position
- Select and recruit the person to occupy the position of CEO or general manager

Plan and organize the enterprise's start up financing:

- Determine the value of the membership share to become a member (i.e. \$5 or \$50?)
- Evaluate the value of the share capital on start up and during the first three years of operation (in terms of the expected growth in the number of members)
- Prepare the loan capital by-laws, if applicable
- Draw up the overall financing plan for the first three years of operation
- Draw up the business plan
- Negotiate the capital contribution of external financial partners, if necessary (i.e. CEDIF capital corporations, private funds, caisse populaire or credit union investment programs, etc)
- Apply for a government start up grant, if they are available and if required
- Negotiate medium term credit union or bank loans and a line of credit

Recruit and train the enterprise's staff members:

- Select and recruit employees
- Organize and offer a staff training program
- Organize and offer a co-operative training program

Ensure the legality of the enterprise's operations. Take care of the legal formalities and obtain the legal authorization necessary to start up the enterprise's activities:

- Federal government employer numbers for GST/HST for Revenue Canada (attached to the approval of incorporation)
- Provincial numbers for the provincial revenue department, for provincial tax
- Co-operatives may also have to register with, or be licensed by, other legislation or federal or provincial departments
- Municipal permit, employee number, etc

Step 7: Hold the Initial General Meeting

- Adopt the articles and by-laws
- Adopt the business plan
- Approve the co-operative's membership in a sectoral federation or an intersectoral interco-operative organization
- Appoint an external auditor
- Elect the members of the board of directors and any other committees (if the general meeting has the power to do this)

Drawing the Business Plan of a New Co-operative

A WORK TOOL

A business plan is a document providing a complete description of the co-operative enterprise you wish to form. It describes in detail the products or services that will be produced or sold, the organization of work and the management approach, the results of the market study and the marketing plan, the characteristics of the paid and unpaid human capital (i.e. the members), equipment and materials needed, financing requirements, and the financing plan. The business plan is a work tool. It serves two purposes:

- 1) To facilitate the acquisition of external capital, credit union and/or bank loans, and grants. It must explain to the person or organization from which financial support is sought why they should invest in the enterprise you are proposing, the seriousness of that enterprise, and your team's ability to launch and develop it successfully.
- 2) To facilitate control of the process of launching and developing the new co-operative. It will be the means by which you monitor the new co-operative's results and follow up on its activities.

The business plan must be relatively brief (no more than thirty pages, plus appendices). The people who will have to consult it before deciding whether or not to invest in your co-operative, loan it money, or give it a grant often have no time to waste. They have to be able to understand your plan and the exact nature of what you are requesting very quickly.

CONTENT OF A BUSINESS PLAN

The Content of a Business Plan	
Item	Description
1	Summary of the Business Plan <ul style="list-style-type: none">• Maximum of two pages
2	Brief Description of the Co-operative <ul style="list-style-type: none">• Maximum of one page• Name, address of the head office, and date formed• Type of co-operative, objectives, and number of members

The Content of a Business Plan	
Item	Description
3	<p>Analysis of the Co-operative's Market</p> <ul style="list-style-type: none"> • Brief description of the characteristics of the products or services offered with respect to comparable products and services available on the market • Characteristics of the market, size, parts of the market held by competing enterprises, market segments, and market trends • Characteristics of your sales strategy (i.e. direct, through third party, shipping costs, etc) • Characteristics of the clientele (members or non-members), age groups, gender, occupation, family income, location, buying habits, etc) • The price of the your products or services
4	<p>Description of Products & Services</p> <ul style="list-style-type: none"> • The originality of the products and services compared to what is available from the competition, their distinguishing characteristics (include photographs or sketches, if necessary) • Description of any research and development activities required before they can be marketed (give associated costs and timetable) • Description of new products and services development plan • List of legislation that must be complied with and legal authorizations that must be obtained before they can be introduced on the market
5	<p>Marketing Plan</p> <ul style="list-style-type: none"> • Estimate of sales for the first three years and the market share sought (refer to your detailed market study on which you based your sales objectives, include it as an appendix) • List of buyer-members or potential buyers who have already expressed an interest in buying • Description of market segments targeted (i.e. size, location, other characteristics, etc) • Description of your strategic market penetration plan and its cost (how you will advertise your products and services, promotion campaign, media publicity, discounted membership prices, etc)
6	<p>Operations</p> <ul style="list-style-type: none"> • Advantages of the location of your place of business • Characteristics and costs of the building and equipment already owned, or to be purchased or leased (attach a plan, if necessary, and refer to detailed descriptions in an attachment) • Description of the process and methods of producing the products and services • Description of the characteristics of the manpower required (i.e. professional qualifications, numbers, salary costs, etc)

The Content of a Business Plan	
Item	Description
7	<p>Management & Governance Plans</p> <ul style="list-style-type: none"> • Characteristics of the association's structure and method of operation (division of powers and responsibilities of the various bodies, names of the directors, and a brief description of their expertise) • Characteristics of the structure (organizational chart) and of the enterprise's method of operation (management philosophy, methods of participatory management that will be introduced, names of managers and their qualifications, a description of their duties, their responsibilities, and reporting relationships) • Identification of external professional resources with whom you plan to deal (organizations specializing in start-up assistance, accounting firms, marketing consultants, trainers, etc)
8	<p>Timetable of Activities</p> <ul style="list-style-type: none"> • A graph of the timetable for the first three years, with monthly or semi-weekly columns and horizontal lines to indicate the beginning, duration, and end of the enterprise's major series of operations. Each activity should be coded and a brief description given in a column to the left
9	<p>Projected Financial Statements</p> <ul style="list-style-type: none"> • Statement of assets and liabilities for the first three years • Statement of earnings for the first three years • Projected cash budget for the first year, estimate of working capital for the following two years • Break-even point (level of revenue beyond which the co-operative will generate a surplus, after fixed and variable costs are subtracted)
10	<p>Financing Plan</p> <ul style="list-style-type: none"> • Total investment needed for start-up • Short and medium term investment plan • Source of funds (share capital, external investors, medium term loans, etc) • Amounts by source, conditions of acquisition (interest, share of surplus, etc), repayment schedule, and security given
11	<p>Attachments</p> <ul style="list-style-type: none"> • Articles of incorporation and by-laws of the co-operative • Data from the market study • Summary of the curriculum vitae of the main people in charge and list of members • Letters of support, intention to buy or sell, etc • Any other relevant information that may shed more light on the nature of your operations, equipment needed, manufacturing methods and procedures, etc