

# How to Start a Co-operative

*Guidelines for Incorporating in Nova Scotia*

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## 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

## Introduction to Co-operatives

We are not suggesting one can learn all there is to know about co-operatives in one short chapter. These few words will only serve as an introduction to the subject. The serious reader should acquire additional publications on co-operatives, exchange ideas and thoughts with other co-operatives, and implement the ideas of co-operation in your own co-operative. In this way, your co-operative will become more successful and rewarding to you and your fellow members.

### **CO-OPERATIVE DEFINED**

Co-operatives are often defined as 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.

### **CO-OPERATIVE PRINCIPLES & IDEALS**

Most co-operatives can be divided into two categories: those that market products for their members (marketing), and those that sell products to their members (consumer). The latter are sometimes referred to as purchasing products for their members. Some co-operatives have both consumer and marketing functions.

The Co-operative Associations Act requires co-operatives operate on a 'co-operative basis', as defined in the legislation and as generally accepted by co-operatives across Canada.

Co-operatives are guided by seven principles as defined in legislation and agreed by co-operatives around the world. The International Co-operative Movement formally adopted these principles at its congress in Britain in 1995. These principles are:

#### **Voluntary & Open Membership**

Voluntary and open membership to all persons able to use the services and willing to accept the responsibility 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 policies and making decisions. Men and women serving as elected representatives are accountable to the members. In primary co-operatives, members have equal voting rights (one member, one vote). Co-operatives at other levels are also organized in a democratic manner.

## **Member Economic Participation**

Members contribute equitably to, and control the capital of, their co-operative. They receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for developing the co-operative, benefiting members in proportion to their transactions with the co-operative, and supporting other activities approved by the membership.

*Note* It is important to note here that these three general principles are set out in legislation, and must be followed by every co-operative. These principles are the main distinguishing characteristics of a co-operative enterprise.

## **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 the members and maintenance of their independence.

## **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-operative. 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, regional, national, and international structures.

## **Concern for Community**

In focusing on member needs and wishes, co-operatives work for the sustainable development of their communities.

## **CO-OPERATIVE IDEALS**

In addition to the above principles, co-operatives usually follow ideals, some of which are included in the provincial legislation and identified here as 'PL'. Co-operation is an economic system with a social content which requires:

- Regular reports from the executive to the membership (PL)

- Continuous member education
- No proxy voting (PL)
- Encouragement of co-operation both at home and in other countries
- No contribution to the furtherance of the interests of any political party (PL)
- A rejection of excessive government aid and of unnecessary state intervention in co-operative affairs
- A rejection of special privileges from government or from other agencies which would render it difficult for the co-operative to become self-sufficient and/or maintain its independence

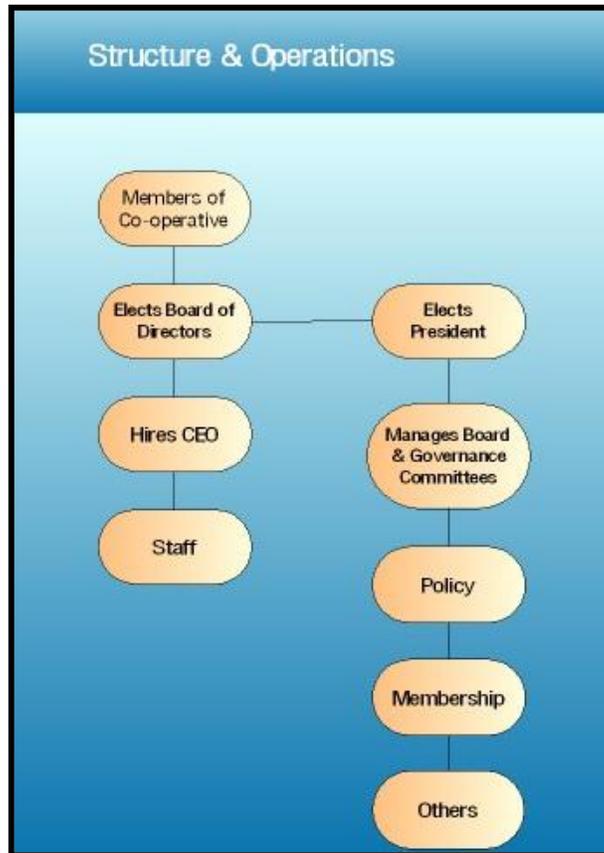
Co-operativism is primarily an economic system requiring:

- The establishment of a standardized and accurate bookkeeping system
- The periodic auditing of all commercial entries and of the bookkeeping by impartial and competent auditors (PL)
- The encouragement of cash trading

A co-operative strives to be just, equitable, and fair by:

- Treating all patrons equally
- Treating employees justly and paying fair wages
- Not discouraging collective bargaining by employees
- Assuring service to members is paramount
- Ensuring that only the best goods and services are to made available to members and customers

## Structure & Operations



### **The Board Works Closely with the CEO**

The organizational structure of a co-operative recognizes the superior position of the members in the ownership and control of the business. By exercising their democratic rights at membership meetings, committee meetings, and in direct contact with management and the board, members can have a positive influence on the way the co-operative is operated and relates to members. All major objectives and decisions should be established or approved by the general membership.

In order to be efficient, the members elect a board of directors who act as trustees and 'stand in' for the members in the direction of the business.

The board, where the size of transactions warrants, appoints a manager to make decisions on a daily basis following the policies of the board. The board and members, however, remain responsible and accountable for the decisions and results of the manager.

### **Members (Anyone)**

- Who can benefit from the services of the co-operative?
- Who can contribute to the success of the business?
- Who is willing to accept responsibilities of membership?
- Who has been approved by the board of directors?

### **Benefits of Membership**

- Savings on products purchased or increased price received for product sold by the co-operative, expressed initially or through distribution of profits
- Competitive impact on prices, services, and quality
- Control of the business
- Access to a dependable supply and/or market

### **Members Have the Right**

- To receive a copy of the by-laws and annual audited reports
- To attend all membership meetings
- To receive a yearly statement of their equity
- To elect directors at annual meetings

In return for their benefits, members assume responsibilities that can determine the ability of their co-operative to continue to serve member's objectives, including:

- Patronizing and supporting the co-operative
- Investing equity in the co-operative
- Becoming involved in the affairs of the co-operative
- Serving on the board and committees so the co-operative can more effectively serve members and customers

Members can be assured that their interests in the co-operative are being met when:

- They are involved in determining their needs and wants
- They vote effectively
- The co-operative effectively responds to their needs and wishes
- They are informed through meetings, newsletters, etc

- They have an opportunity to effectively participate in the affairs of the co-operative
- They feel that their participation is meaningful

One of the most important jobs of the membership is to elect a competent board of directors. The roles of the board, President, and staff are covered later in this publication.

## **TYPES OF CO-OPERATIVES**

Co-operatives are usually one of two types or a combination of the two types. As a member, you either buy from or sell to the co-operative. The former is a consumer co-operative, and the latter is a marketing co-operative.

### **Consumer Co-operatives**

Consumer co-operatives sell products to their members, which is often referred to as purchasing products for their members. There are four main types of consumer co-operatives:

**Retail.** Products are purchased for members (for example: food, hardware, building supplies, farm supplies, agricultural requirements, etc)

**Housing.** Shelter is provided to the members of the co-operative. There are approximately 80 housing co-operatives in Nova Scotia

**Other.** Services or other items are purchased by the members (for example: livestock, pasture, water by rural residents, funeral services, etc)

**Community Development.** Providing micro loans, investing in equity of new co-operatives, and coordinating activities of co-operatives in the community

### **Marketing Co-operatives**

Marketing co-operatives sell products for their members. There are five main types of marketing co-operatives:

**Agriculture.** Dairy products, livestock, poultry, produce, grain, fruit, berries, field crops, etc

**Fish.** Lobster, ground fish, shell fish, and aquaculture products

**Forestry.** Pulp, logs, Christmas trees, maple products, and silviculture services

**Creative.** Crafts, fine art, design, theatre, music, entertainment, etc

**Worker.** Labour of the members is the product marketed. The business can produce any type of product or service the members decide

## **Second-Tier Co-operatives**

Co-operatives are usually more successful in the long run if they are effectively federated or centralized for efficiency, economies of scale, and mutual self-help.

This 'co-operative of co-operatives' can perform necessary functions for local co-operatives often more economically and effectively than could the smaller co-operatives themselves. Examples are:

- Co-op Atlantic, the centre for retail consumer co-operatives and agricultural supplies co-operatives
- Co-operative Housing Federation, the centre for housing co-operatives

These 'central' organizations can provide marketing, financing, wholesale supplies, accounting, consulting, auditing, and other services more efficiently and avoid duplication.

## **CO-OPERATIVES CONTRASTED WITH COMPANIES**

The difference between co-operatives and companies may be expressed as follows:

<b>CO-OPERATIVES</b>	<b>COMPANIES</b>
<ul style="list-style-type: none"><li>• One member, one vote</li><li>• No proxy voting permitted</li><li>• Shares are not transferable except as prescribed in the by-laws</li><li>• Shares may be repurchased by the co-operative under certain conditions (i.e. exclusion from membership, etc)</li><li>• Interest or dividends on shares are limited by the by-laws. The most frequent rate is zero</li></ul>	<ul style="list-style-type: none"><li>• One share, one vote</li><li>• Proxy voting permitted</li><li>• Shares may be sold or transferred to others</li><li>• Shares are usually not repurchased by the company</li><li>• Shares earn dividends, which are an indication of the strength of the company</li></ul>

- Surplus earnings (profits) are to be allocated to the reserve and to members in proportion to the business done by members with the co-operative. The members decide
  - Incorporation fee is \$107. Usually the members can prepare their own incorporation documents with a little help
  - There is an annual registration fee. The co-operative is required to file documents each year with the Co-operatives Branch
- Profits are returned to the reserve and to shareholders in proportion to the number of shares held. The directors make the decision
  - Incorporation fee is \$335. Usually the assistance of a lawyer is required
  - Companies are required to pay a yearly registration fee based on the size of the company. In addition, certain submissions are required to be filed with the Registrar each year

## Co-operative Legislation

Co-operatives are administered through the Co-operative Associations Act of Nova Scotia, Chapter 98, RSSN 1989.

“The purpose of this Act is to provide for the incorporation, inspection, examination, and supervision of the co-operative whose primary purpose is to provide services to its members, and which belongs to the people who use the service, the control of which rests equally with all the members, and the gains from which are distributed among the members in proportion to the use each makes of its service.”

Provisions are made for by-laws, withdrawal, exclusion, meetings of members, contracts, borrowing, distribution of earnings, audits, amalgamation, dissolution, winding-up, and offences. Copies of the Act and Regulations are required to be available to each member and by-laws are required to be given to each member on demand.

### ARTICLES OF INCORPORATION & BY-LAWS

The application for incorporation is made up of two parts. The Regulations specify what must be in the articles and by-laws. These are required to be approved by the Inspector of Co-operatives before incorporation is approved.

**Name.** The Choice of the name of the new co-operative must be acceptable to the Registrar. Contact the Co-operatives Branch with the name choice. Atlantic Provinces name search is \$48.99 and a Canada-wide search is \$61.24

**Objectives.** The objectives of the co-operative are a brief description of the type of business and special aspects of the business

**Limited Liability.** A statement which limits the liabilities of the members to their investment in the co-operative

**Par Value.** Par value of shares is usually 10 to 1,000 dollars

The attached model articles of incorporation and by-laws should be completed by filling in the blank, underlined sections and additions made where appropriate.

Telephone, fax, or e-mail the Inspector of Co-operatives or Nova Scotia Co-operative Council representatives to reserve a name before you complete the articles and by-laws. If you have any questions, please feel free to contact the Co-operatives Branch or the Nova Scotia Co-operative Council for assistance.

A co-operative may be incorporated on a membership basis with a ‘membership fee’ or with ‘shares’ structured as a ‘for-profit’ or a ‘non-profit’ co-operative.

A separate page includes the signatures of three to seven people who are applying for incorporation. Each subscriber must purchase at least one share in the co-operative and the total number of shares taken by the subscribers is recorded. A witness to the signatures is required from a responsible adult, not directly associated with the new co-operative. A typed or printed list of the names and the witness is required so the information provided is recorded accurately.

The subscribers become the first board of directors until the meeting of members, which is to be held within four months of the date of incorporation, at which time a board of directors is to be elected according to the articles and by-laws.

These articles and by-laws are to be forwarded to the Co-operatives Branch accompanied by the \$107 incorporation fee. A name reservation charge of \$49.88 should precede the incorporation submission. Once everything has been received by the Inspector of Co-operatives, a Certificate of Incorporation will be mailed to the co-operative's registered address upon approval of all documents. This process takes approximately two weeks. Approved copies of the articles and by-laws will accompany the certificate.

## **AFTER-INCORPORATION REQUIREMENTS**

To maintain the legal status of a co-operative, the Co-operatives Branch should receive the following three reports annually, within two weeks of the annual meeting, which is required to be held within four months of the co-operative's year-end

- Annual Report to the Inspector
- Financial statement for the year-end of the co-operative
- Annual registration fee of \$26.50, made payable to the Inspector of Co-operatives

Other forms are required from time to time, and are available by contacting the Co-operatives Branch, the Nova Scotia Co-operative Council, or on the Co-operatives Branch web site at [www.gov.ns.ca/snsmr/coop](http://www.gov.ns.ca/snsmr/coop).

- Change of registered address
- Change of name
- Special resolutions (there is no charge for special resolutions filing)
  - a) Borrow money
  - b) Change by-laws
  - c) Sell, mortgage, or lease property
  - d) Acquire a business
  - e) Acquire shares or membership in an organization

The Co-operative Association Act requires co-operatives to:

- Maintain a share register, minutes book, and proper set of accounts
- Hold an annual membership meeting
- Create a general reserve
- Forward a statement of the member's investments in the co-operative to members each year
- Report to the membership each year on the finances and operations of the co-operative
- Appoint an auditor or approval of the non-auditor from the members
- Elect members to the board
- Forward financial statements and annual report to the Inspector of Co-operatives at the Co-operatives Branch within fifteen days of the annual meeting, along with the list of new directors 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*

---

\_\_\_\_\_

*Print name* *Fax* *Email*

---

\_\_\_\_\_

*Address* *Town* *Postal code*

---

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

---

\_\_\_\_\_

*Print name* *Fax* *Email*

---

\_\_\_\_\_

*Address* *Town* *Postal code*

---

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

---

\_\_\_\_\_

*Print name* *Fax* *Email*

---

\_\_\_\_\_

*Address* *Town* *Postal code*

---

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

---

\_\_\_\_\_

*Print name* *Fax* *Email*

---

\_\_\_\_\_

*Address* *Town* *Postal code*

---

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

---

\_\_\_\_\_

*Print name* *Fax* *Email*

---

\_\_\_\_\_

*Address* *Town* *Postal code*

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

---

\_\_\_\_\_

*Print name* *Fax* *Email*

---

\_\_\_\_\_

*Address* *Town* *Postal code*

---

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

---

\_\_\_\_\_

*Print name* *Fax* *Email*

---

\_\_\_\_\_

*Address* *Town* *Postal code*

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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.

## Secretary's Certificate & Special Resolution

### Secretary's Certificate & Special Resolution

\_\_\_\_\_ *Co-operative Limited*

In compliance with the *Co-operative Associations Act*,  
Chapter 98 of the Revised Statutes, 1989 amended 2001

---

I certify that this is a copy of the special resolution which was considered according to the *Co-operative Associations Act*, Chapter 98, and by-laws of this co-operative, and

- That proper notice was given which specified the intention to propose this special resolution as well as the time and place of this member's meeting, and
- That quorum was present at the time of the vote, and
- That two-thirds of the votes cast by the members present were cast in favour of this special resolution, and
- That the vote was held at \_\_\_\_\_ in the County of \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

\_\_\_\_\_  
Secretary of the Co-operative

Total number of members in attendance	_____	Votes in favour	_____
Total number of members in the co-op	_____	Votes opposed	_____

---

I, \_\_\_\_\_, move that this co-operative

1.

And

2. Request that the Inspector of Co-operatives approve this resolution.

---

*Forward to the Inspector of Co-operatives, 35 Commercial Street, Suite 101, Truro, NS, B2N 3H9 within  
15 days of passing this special resolution*

## Rules for Success

A co-operative can succeed and serve its members only by being competitive in its field of business. Key factors in the growth and stability of co-operatives are:

**Equity.** Co-operatives need to obtain sufficient ownership funding from their members

**Market Rates.** Co-operatives should pay and charge market rates for products, supplies, and services

**Growth.** Most co-operatives that do well tend to increase their membership, equity, and market share while keeping their structure flexible enough to accommodate steady growth

**Management.** Co-operatives require able management, sensitive to market changes and responsive to member's interests and needs

**Collaboration.** Co-operatives can increase services to members and ensure long-term success through collaboration with other co-operatives in a central or federation of co-operatives

Six ingredients in the successful co-operative enterprise are:

- A strong desire by the board, management, and staff to make the business succeed
- Clear goals which are understood, few in number, quantified, and with target dates for completion
- Belief that the goals can be accomplished and belief in the people in the organization; patience and foresight are also required
- Delayed gratification because it takes time for plans and actions to materialize and time for people and events to change
- Operational procedures which are systematic, detail oriented, patient with people, and quick to react when required
- Driving force which focuses the organization on its mission or purpose

Three major reasons why co-operatives fail are:

- Management's lack of knowledge of the basis of operating the business and inability to effectively work with staff
- Lack of a good support network, especially an effective co-operative federation of like co-operatives; the lack of a competent financial institution and an adequate accounting back-up system
- Insufficient capital from the owners and members to tide the business over during the inevitable tough times that will occur

In many instances of co-operative business failure, there is no effective business plan, or the business plan has not been followed.

The management of the co-operative should keep in mind that, generally, consumers as a group want the very most for the very least. Consumers collectively are wise and need to be given a lot of attention.

A business can absorb mistakes in nearly every aspect of the business, but it cannot absorb many mistakes in its marketing strategy. When effective marketing stops, the effective co-operative stops. Successful organizations do the extra little things, work harder, and provide value to their customers.

Co-operative enterprises are most successful when:

- The objective includes a preoccupation for member satisfaction
- People in the organization enjoy doing what they are doing and are involved in the business
- The members invest surplus funds back into the business
- The co-operative does not take unnecessary risks
- The products and services are at an 'excellent' level

The people that successful co-operatives hire have good:

- Judgment and learn from their mistakes
- Foresight and are able to look into the future
- Leadership ability to provide and receive inspiration
- Communication ability, especially in presentations, reports, and meetings
- Sales ability, or ensure they have someone who has sales ability in the organization

## **WHY CO-OPERATIVES SUCCEED**

- 1) Products are well suited to member's needs and desires
- 2) The business plan is complete and can be followed and explained
- 3) Market information lets them know who the competition is, who the members are, and what the member's want
- 4) Financial control is tight with good budgeting, accurate bookkeeping, and frugality with expenditures
- 5) Talented staff is hired, always well trained, and only hired when necessary

- 6) Time management is excellent, with good job descriptions, a knowledge of what is important, and a situation where everyone knows what they are expected to do
- 7) Communications with staff, board, and members are open, frequent, and accurate
- 8) Market-oriented staff, management, and directors
- 9) A member satisfaction preoccupation among everyone in the organization
- 10) Co-operative ideals and methods of operation are understood and appreciated

## **Co-operatives Resources**

All co-operatives incorporated in Nova Scotia are administered by the Co-operatives Branch, through Service Nova Scotia and Municipal Relations (SNSMR). This means that all incorporations, registrations, special resolutions, approval of liquidators, and examiners are to be approved by the Inspector of Co-operatives. The Co-operatives Branch also provides the following services:

### **INCORPORATION**

All new incorporations are processed by the Co-operatives Branch. Approvals are required before the co-operative records are placed in the Registry of Joint Stock Companies.

Assistance and forms for incorporations are available from the Co-operatives Branch office, the Co-operatives Branch web site at [www.gov.ns.ca\snsmr\coop](http://www.gov.ns.ca\snsmr\coop), or the Nova Scotia Co-operative Council. Assistance with the maintenance of legal status is also available.

### **REGISTRATION**

To maintain legal status, co-operatives are required to report each year to the Co-operatives Branch and include a \$26.50 filing fee, financial statements, list of officers, and other pertinent information. This form is referred to as the Annual Report to the Inspector of Co-operatives.

In addition, special resolutions, borrowing authorities, by-law changes, and other corporate legal procedures are administered by the Co-operatives Branch. Assistance for preparation is available.

### **LIQUIDATIONS & WIND-UP**

When co-operatives cease to operate, the Co-operatives Branch supervises the liquidator and assists with the winding-up of the business.

### **EXAMINATION**

Members or the executive of the co-operative may require the Inspector of Co-operatives to examine into the affairs of the co-operative if there is just cause.

## **APPROVAL PROCEDURES**

Approval of the following legal procedures is required from the Co-operatives Branch:

- Amalgamation
- Name change
- Certificate of Good Standing
- Capital borrowing
- Article and by-law changes
- Restoring status as a co-operative

## **PUBLICATIONS**

The following is a partial listing of publications available from the Nova Scotia Co-operative Council, for these and other resources, contact your local business development officer

- How to Start a Co-operative
- Board Manual for Co-operatives
- Business Plan Workbook
- What are Co-operatives?
- Forming Our Co-operative

## **CO-OPERATIVE SECRETARIAT**

The Co-operative Secretariat advises the federal government of policies affecting co-operatives, coordinates the implementation of such policies, and acts as a catalyst for the promotion of co-operatives within Canada.

Forty percent of Canadians are co-operative members (5.1 million). Co-operatives provide over 83,000 jobs and have assets of over 17 billion dollars. 5,719 non-financial co-operatives have annual sales of 26.7 billion dollars per year, which indicates the importance of co-operatives to the economy of the nation. In addition, there are 3,900 credit union locations in Canada with 10 million members and assets of 141 billion dollars.

The Secretariat provides:

- Information on co-operatives throughout the annual statistical publication Co-operation in Canada
- Advice to co-operatives and provincial administrators on questions of law, start up, finance, taxation, and marketing
- Support and coordination to federal government departments and committees, as well as to provincial governments, co-operative administrators, and the major co-operatives in the country

## **CO-OPERATIVE SECTOR RESOURCES**

There are a number of co-operative organizations providing resources to co-operatives, both at start up and after the co-operative is in operation.

### **Co-op Atlantic**

Co-op Atlantic has, perhaps, the most comprehensive support system for member co-operatives, providing groceries, farm supplies, feed, hardware, building supplies, and housing services.

**Retail Development Division.** Members of Co-op Atlantic have a significant share of the food retailing market in the Atlantic area. The Retail Development Division assists with new co-operative development and support services to member co-operatives:

- Engineering provides equipment purchasing, engineering design, and contract administration for new and expanding co-operatives
- Retail planning and merchandising provides layout planning, merchandising advice, and personnel training
- Management services contracts for management and supervision of retail co-operatives
- Agriculture provides advice and management services to agricultural retail co-operatives

**Financial Services Division.** This division provides to member co-operatives:

- Accounting services
- Computer services with micro computer systems and training, including scanning, reporting systems, electronic ordering, and inventory systems
- Financial Development Funds provide equity financing for expanding retail co-operatives

**Consumer Products Division.** This division provides food, petroleum, hardware, produce, and family fashion products to co-operatives for resale.

**Agricultural Division.** This division provides feed, grains, farm supplies, and farm equipment to co-operatives and farmers

**Agricultural Marketing Division.** This division provides marketing services to agricultural marketing co-operatives

**Real Estate Division.** This division provides consulting and management services to both new and established housing co-operatives

Co-op Atlantic can be reached through the following contact information:

Co-op Atlantic  
PO Box 750  
Moncton, NB E1C 8N5  
Phone (506) 858-6000  
Fax (902) 858-6378

### **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](mailto:info@coopscanada.coop)  
Web [www.coopscanada.coop](http://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](mailto:info@chfc.ca)  
Web [www.chfc.ca](http://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](mailto:info@nsco-opcouncil.ca)  
Web [www.nsco-opcouncil.ca](http://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 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](mailto:shelia_hansen@cooperators.ca)  
Web [www.cooperators.ca](http://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](mailto: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](mailto:pignons3@auracom.com)

## Business Plan Preparation

This section deals briefly with the preparation of the business plan. A more comprehensive guide is available in the form of the Business Plan Workbook.

A business plan is a concise, but comprehensive, description of your business. It details products, production techniques, markets, marketing strategy, management, staff, members, funds source and use, and financing needs.

The plan reviews the past, describes the present, and forecasts the future. It is a 'blueprint for financing' and is an important component of an application for funding, which forces management to plan and assess the co-operative's progress.

The plan starts with a mission for the enterprise, which ensures management understands and can focus on the principle purpose and objectives of the business.

### **PARTS OF THE BUSINESS PLAN**

There are essential components that should be in every business plan:

- Executive summary
- Business description
- Market analysis
- Products or services
- Marketing strategy
- Operations (marketing or service)
- Management and organization
- Timing schedule
- Financial information
- Funds required

These should be listed in a table of contents.

### **Executive Summary**

The purpose is to persuade the reader to study the completed plan. It should be approximately two or three typed pages and should summarize the body of the report.

## **Business Description**

This section should include the name, address, date of incorporation, description of the co-operative, background of the co-operative, and objectives of the co-operative. All this could be included in one to two typed pages.

## **Market Analysis**

Complete this section under the following titles:

**Products.** Material source of supply, are products unique, design and quality, sizes, packaging, guarantees, return policy, service and parts, buying is important, how much, from whom, is this the best price, best terms, best quality, return of product, is there a stock control plan, line of credit with suppliers, what are the payment terms, etc

**Place.** Size of market, who is the competition, what is the percent of market, strength, advantages, disadvantages, percent of market required, product trends, how will you sell, through dealers, agents, or direct, what are your transportation costs, zoning restrictions, etc

**People.** Who are the customers, age, sex, income, where do they live, play, shop, do they need credit, etc

**Price.** Consider what to charge the competition, service required, discounts, delivery needed, etc

**Time.** Consider advertising and promotion, how much, where, when, what media, how often, anything free, any restrictions, etc

## **Products or Services**

The purpose is to describe your products or services completely, but concisely, highlighting any feature that may give you a competitive advantage. Include the following information:

- Your product or service in non-technical terms
- The key features, benefits to potential customers, and how it compares with your competition. Where appropriate, include photographs, diagrams, sketches, and sales brochures, if any
- Any research and development activities which are required prior to placing your product or service on the market, give a clear indication of the cost involved and the time required for completion
- Your plans for future development of the product or service, as well as any plans for development of new or related products in light of changing market needs
- Any regulatory or other approval or licensing requirements, if applicable

## **Marketing Strategy**

The purpose of the marketing strategy is to provide projections of sales and market share, as well as to identify your target market. Demonstrate that you have the capability to produce, sell, and deliver your product and that the marketing plan will achieve your projections. In your marketing approach, include the following information:

- An estimate of sales volume and market share, and any market studies that you may have prepared
- List any customers who have made firm purchase commitments or have indicated a willingness to make such commitments
- Identify your target market and its various segments. Indicate if you intend to concentrate on specific segments or the market as a whole
- Discuss your means of identifying and contacting potential customers. Consider the buying process potential customers will present
- Discuss your pricing strategy, comparing it with that of your competitors. Indicate how your pricing approach will enable you to penetrate the market, maintain and increase your market share, and make a profit

In the sales and distribution section of the marketing strategy, include the following information:

- How you plan to sell and distribute your product or service
- The geographic locations to be covered
- Whether you intend to use distributors or a direct sales force
- How they will be selected and remunerated
- If a direct sales force is used, include how it will be structured and controlled, the number of personnel, and the amount and type of compensation to be paid
- Detail the reasons for this approach

If service or warranty policies are part of your product or service, describe them and your plans for dealing with service-related problems.

In the advertising and promotion section, describe how you plan to create awareness of your product amongst potential customers. List promotional services you will use, such as advertising, public relations, trade shows, exhibits, sales brochures, etc. Also, include an estimate of your costs for promotion.

## **Operations**

A description of how your product is to be manufactured (or your service is to be performed), including full details regarding location, plants and equipment, the process, and labour should be included in the operations section. Include information such as:

- A description of the location of your business, giving the advantages and disadvantages of the location. Discuss the various operating cost components including labour, materials, transportation, customers and suppliers, taxes, utilities, etc. To support these costs, emphasize your proximity to customers and suppliers
- In the plant and equipment description, outline that which is in use or to be acquired, and whether you intend to buy or lease these facilities. Discuss future plant and equipment needs, based on your sales projects, the cost, and the timing
- Under the manufacturing process (if any), describe such factors as the method of manufacture, quality, production, inventory control, breakdown of both fixed and variable costs, availability and cost of raw materials, alternative sources or raw material supply, organization and operation of the purchase function, production capacity, and suppliers
- Under labour force include whether there is an availability of skilled labour, whether the labour force is unionized or likely to be unionized in the future, whether additional training will be required, as well as the cost to your co-operative

## **Management & Organization**

An able and experienced management team is crucial to the success of any business undertaking. Under the organization section, describe the management team and the role of each person on it. Show how their talents and expertise complement each other. Under the key management section, present a brief synopsis of each management team member, outlining clearly the following information:

- The duties and responsibilities of each member
- Career highlights of each, emphasizing any previous achievement that demonstrates ability relative to current tasks
- Enclose a resume for each management team member
- Highlight availability of back up management to provide continuity for critical positions
- The commitment of management to the ongoing stability of the business must be substantiated and emphasized

Under the compensation and ownership section, outline how each individual is to be compensated and what investment each has in the business. If appropriate, enclose a list of shareholders and the number of shares owned by each.

Under the board of directors section, identify each board member and describe how each can contribute to the development of the business and indicate the extent of the investment of each board member in the business.

Under the professional advisors and consultants section, identify your professional advisors, especially your legal, accounting, and financial consultants. Where appropriate, identify your consultants in areas such as advertising, public relations, technology, and other services.

### **Timing Schedule**

This section should be devoted to a carefully prepared schedule (perhaps a bar chart) showing the timing of activities relating to major aspects of your business plan. Be realistic in your timing. A realistic timing schedule provides investors with a strong indication of the ability of management in planning the future development of the co-operative.

### **Financial Information**

The exact nature and extent of the financial information to be included in your business plan depends, to a large extent, on two factors:

- The state or stage of your present financing
- The amount of funding you are seeking

Generally speaking, it is necessary to provide financial statements and projections for the first three to five years. If your business is already operational, you should provide financial statements for the past three years, or from start up. You should also provide the following information:

- Projected statements of operations
- Operating statistics, with an explanation of any unusual fluctuations
- Detailed breakdowns of income statement categories
- Cash flow projections
- Pro-forma balance sheets
- Break-even analysis
- An analysis of the income tax status of the business, including details of income tax credits or other incentives

Projections should be related to your market expectations. It is also important to state the assumptions used when preparing the financial projections. The financial analysis should identify and support the amount of funds you are presently seeking.

## **Funds Required**

In this section you specify the amount of funds you require, when you will need them, and how they are to be used. You should include:

- How much money you will need initially
- How you will use the money
- Your plans, if any, for obtaining financing in addition to the initial equity investment (apportion the funds between debt and equity)
- The terms you expect
- Your plans for future financing (when, how much, what type, etc)

## **SUMMARY**

In conclusion, your business plan should describe:

- Your business and industry
- Your product or service
- How the product or service will be made
- Your market and marketing approach
- The people involved in your business
- How much money you will need, and how you will use it

The business plan should have a neat, professional appearance. It should be indexed so that the reader (that is, the potential investor or lender) can quickly and easily find specific sections. The appearance of the document itself will be enhanced by placing it in a suitable binder.

Most of the business plan can be prepared in-house; however, remember that the preparation of financial projections requires specialized financial expertise and knowledge. It is therefore highly recommended to obtain outside help in preparing this section.

When the business plan is complete, you should have qualified third parties review it before submitting it to potential lenders or investors. Your accounting or legal advisors are well equipped to provide you with constructive comments.