



# CULTIVATING CO-OPS

A co-operative development workbook for  
emerging and existing  
co-operative enterprises in British Columbia.

2018 Edition



Building BC's  
Co-operative  
Economy

# FORWARD

This 2018 edition of Cultivating Co-ops updates and expands the 2013 edition created by the British Columbia Co-operative Association. The 2018 and prior editions of this Cultivating Co-ops contain material adapted from or inspired by Saskatchewan Co-operative Association, Manitoba Co-operative Association, Ontario Co-operative Association, Co-operatives and Mutuals Canada, Devco Development Co-operative, CoopZone, Vancity, the province of British Columbia, and Innovation, Science and Economic Development Canada. We gratefully acknowledge their direct and indirect contributions.

All references, hyperlinks and websites listed in this workbook were accurate as of March 2018. BCCA assumes no responsibility for broken or misdirected links. The information presented in this workbook is to assist you in developing and incorporating a co-operative within British Columbia, Canada. It is not intended to replace legal or other advice. BCCA strongly recommends that you consult a co-op developer, lawyer and/or other professional advisors to ensure that the specific needs of your co-operative are met.

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**BCCOOP**

**Building BC's  
Co-operative  
Economy**

# CONTENTS

FORWARD	2
CONTENTS	3
INTRODUCTION	5
How to use this Workbook	5
What is the British Columbia Co-op Association?	7
<b>CHAPTER 1: A CO-OPERATIVE OVERVIEW</b>	<b>8</b>
First Things First	8
What is a Co-operative?	8
A Different Business Model	10
Co-op Members	12
Co-op Structure	13
The Role of the Board of Directors	14
For Profit or Not for Profit	15
Types of Co-ops	16
Co-op Tiers	17
Barriers to Co-op Incorporation	19
<b>CHAPTER 2: GATHER YOUR TEAM</b>	<b>21</b>
Formalize Your Working Group	21
Work with a co-op developer	24
<b>CHAPTER 3: BEGIN PRE-DEVELOPMENT</b>	<b>25</b>
Conduct a Pre-Feasibility Study	26
Confirm Co-op Suitability	26
Expand Your Industry knowledge	27
Consult With Your Intended Members	29
<b>CHAPTER 4: CONDUCT A FEASIBILITY STUDY</b>	<b>31</b>
<b>CHAPTER 5: CREATE A BUSINESS PLAN</b>	<b>33</b>
The Content of the Business Plan	34
<b>CHAPTER 6: RAISING CAPITAL AND FINANCING</b>	<b>37</b>
Identify Your Costs	37
Identify Sources of Funding	38
<b>CHAPTER 7: INCORPORATE YOUR CO-OP</b>	<b>41</b>
Select Your Co-op Name	41
Summary of Useful Incorporation Links	42
Submit Government Documentation	43
<b>CHAPTER 8: BECOME OPERATIONAL</b>	<b>45</b>
Corporate Governance	46
Management Team Skillset	46
<b>CHAPTER 9: MAINTENANCE, AFTERCARE &amp; GROWTH</b>	<b>48</b>

Stay Current with the Province	49
<b>APPENDIX A: WEBSITES &amp; CO-OP RESOURCES</b>	<b>51</b>
Starting a Co-op	51
Documentation and Incorporation Information for BC Co-ops	51
Provincial Co-operative Associations	52
Other National and Provincial Co-op Resources	53
Financing and Community Economic Development	53
Sources Used in this Document	53
<b>APPENDIX B: CO-OP SELF ASSESSMENT TOOL</b>	<b>54</b>
<b>APPENDIX C: SUCCESS FACTORS</b>	<b>57</b>
Small Business Survival Tips	58
<b>APPENDIX D: ELEMENTS OF A CO-OP FEASIBILITY STUDY</b>	<b>59</b>
<b>APPENDIX E: INCORPORATION DOCUMENTATION GUIDANCE</b>	<b>61</b>
Members	61
Structure	62
Shares	63
Directors	65
<b>APPENDIX F: MORE ABOUT CO-OPERATIVES</b>	<b>66</b>
Three Co-op Differentiators	66
Co-op Principles	66
Comparing Corporate Forms	69
More on Community Service Co-ops	70
<b>APPENDIX G: A CO-OP DICTIONARY</b>	<b>71</b>
<b>APPENDIX H: FREQUENTLY ASKED QUESTIONS</b>	<b>75</b>
1. How long does it take to start a co-op?	75
2. How much does it cost to start a co-op?	75
3. Are co-ops legal?	76
4. Can people donate money to a co-op?	76
5. What does “open and voluntary membership” mean?	77
6. Can co-ops terminate a membership?	77

# INTRODUCTION

## HOW TO USE THIS WORKBOOK

The Cultivating Co-ops workbook has been prepared by the British Columbia Co-operative Association (BCCA) as a do-it-yourself tool to support the development of co-operatives in BC. It will also help to connect you and your co-op development working group to further resources.

Cultivating Co-ops will be useful for co-ops in the pre-development stage, as well as newly-formed and existing co-operatives. This workbook has been organized into chapters for easy reference. We recommend you review the table of contents to familiarize yourself with the information presented in each chapter. The co-op development process is rarely linear and many of the steps we've outlined could overlap or happen in a different sequence.

We have also assembled a series of tips, frequently asked questions, a co-op dictionary and other resources, which are found in appendices at the end of this workbook. It is our goal that this combined set of resources will answer many of your questions and inspire you to continue to pursue co-op incorporation and maintain the sustainability of your co-operative.

In each chapter, we'll often ask you to write down the answers to a number of questions you should be considering in your journey towards co-op incorporation. We suggest that you take the time to reflect on the questions we pose and how best to answer them. There are no correct or incorrect answers, and if members of your team have different responses than you, use them to form the basis for some good conversations!

Let us know other questions we could pose to those in the co-op development phase or best practices you've discovered and we may include them in future editions.

Refer to the appendices for tips, FAQs and a co-op dictionary.

We've left lots of room on this side of the page for you to take notes!





Co-op development and incorporation can sometimes be more complicated or time-consuming than other enterprise start-ups. The time from co-op development to incorporation and the launch of your enterprise will, to a large degree, depend on your working group's resources and available time.

Knowledge of BC co-op legislation and the province's co-operative sector is essential to create an effective and sustainable co-operative enterprise. We urge you to reach out to BCCA and/or a recognized co-operative developer early in your co-op development journey in addition to using the trusted advisors already in your network. For a list of other co-op development resources, including CoopZone, refer to [Appendix A](#).

You may photocopy or reproduce parts of this workbook. We request that you cite the source.

Like co-operatives themselves, every co-op development situation is unique. We wish you much success on your co-op development journey!

Unless otherwise noted, this workbook uses the terms "cooperative", "co-operative" or "co-op" to refer to non-financial co-ops. Those looking to develop credit unions (financial co-ops) should begin by contacting Central 1 Credit Union. Those looking to develop housing co-ops should also contact the Co-operative Housing Federation of BC.

A co-operative developer will support the work of the trusted advisors already in your network.

## WHAT IS THE BRITISH COLUMBIA CO-OP ASSOCIATION?

The British Columbia Co-operative Association (BCCA) is a member-owned and member-driven co-operative. BCCA is a “second-tier” co-operative that brings together other co-ops, credit unions, sector stakeholders and supportive organizations drawn from across the spectrum of BC’s economy. Among BCCA’s members are some of the largest co-operatives in Canada, as well as some of the smallest and newest types of co-ops. A member listing can be found at [www.bcca.coop](http://www.bcca.coop).

BCCA’s work, though constantly evolving, generally focuses on the following areas:

- Strengthening and supporting existing co-ops.
- Developing new co-ops, and bringing co-ops to new sectors of the economy.
- Educating and promoting co-operative solutions to the challenges and opportunities facing BC’s communities.
- Introducing young people to the advantages of membership and employment in co-ops and credit unions.
- Linking co-ops together to share ideas and solve common problems.
- Sharing services and technical expertise amongst co-ops and credit unions.
- Bringing co-ops and credit unions together with their communities.
- Forging partnerships with other institutions, governments, and jurisdictions to build new relationships and strengthen the co-op movement in our province.

BCCA is the umbrella organization that works on behalf of co-ops and credit unions in British Columbia.

We promote co-ops as powerful tools for community control over local economies and as key strategies for economic and

# CHAPTER 1: A CO-OPERATIVE OVERVIEW

A co-operative (also called a co-op or cooperative) is just one of the many forms of legally incorporated enterprise models available to individuals and working groups in BC.

## FIRST THINGS FIRST

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No matter what type of enterprise your working group eventually selects, you must first define the product or service that your venture will provide or the gap(s) it will fill. Be crystal-clear about the needs of your prospective customers. Challenge yourself and those in your working group to answer questions like: “How will our enterprise meet those needs?” And, “What will differentiate us from the competition?” We’ll discuss this further in other chapters.

Once you have decided on the “reason” for your enterprise, then you can choose the best model – whether a co-op, non-profit society or company – to ensure success and sustainability.

## WHAT IS A CO-OPERATIVE?

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Co-operatives are locally owned and democratically controlled by the members who use their services. Co-ops are founded on a common idea: That people know what is best for them and can work together to achieve their goals. Co-ops empower individuals, and encourage healthier and stronger communities by pooling resources and sharing risks.

Co-operatives are based on the values of self-help, self responsibility, democracy, equality, equity and solidarity. Co-op members support the ethical values of honesty, openness, social responsibility and caring for others.

Decide on the “reason”  
for your enterprise  
BEFORE  
finalizing its structure.





Although co-ops have existed since the 1700's, the first formal co-operative, structured as we know most co-ops today, was incorporated in Rochdale, England in 1844 by a group of weavers.

Co-operatives operate in almost every sector of the BC economy including finance (banking, investment and insurance), transportation, agriculture and food, culture, media, social services, renewable energy, resource management, housing, retail services and child care. They can provide virtually every product or service, and can be either non-profit or for-profit enterprises.

As a trusted place to do business, co-operatives are chosen by more than 1 in 7 people worldwide. Nearly twice as many BC co-ops remain in operation compared to other forms of enterprise after five years. Co-ops create jobs at nearly five times the rate of the overall economy. For additional co-operative success factors, refer to **Appendix C**.

Since co-ops are run and directed by the people who use them, co-ops also fill the cultural, social and economic needs of the communities or groups they serve. Co-ops are diverse organizations. They may be large or small, simple or complex. Some co-ops serve the whole community; some serve particular groups within that community. For example, artisan co-ops serve their members who sell products through the co-op. On the other hand, anyone can join a community credit union.

Co-ops are a method for their members to exercise control over the economic, social and cultural activities that affect their lives.

Co-ops and credit unions are excellent examples of how democratic principles can be applied to economic life.

Co-operation means people working together to meet common goals and needs.

Within a co-operative, people find strength in collective action and the powerful motivation of mutual support

## A DIFFERENT BUSINESS MODEL

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Co-operatives are different from companies, non-profit societies and other corporate forms. (See the **chart** in Appendix F for some of the highlights.) Co-ops are created and designed to meet the needs of members, not shareholders. They are powerful tools to develop local economies and build skills and expertise - while still operating as sustainable and successful enterprises.

Generally, co-ops and credit unions operate regionally or in communities, though there are many examples of provincial, national and international co-operatives. A co-op incorporated in BC is always owned by three or more members and can never be owned by just one person!

Pursue co-operative incorporation if you have a group of people committed to:

- Offering a product or service that is not otherwise available or difficult to access in their community.
- Responding to a local opportunity, or solving a challenge affecting your community/region/group.
- Providing business continuity when a small business owner plans to retire, or a local business closes.
- Democratically operating an organization that you co-operatively own.
- Contributing to your community's economic stability.
- Participating in the co-operative.
- Keeping profits and control of a business within the community.

The decision to create and operate a co-operative is internally motivated. It comes from within the community, often initially driven by a working group or steering committee that has identified a need or wishes to take advantage of an opportunity. (Community can be defined many ways, including geographical, cultural, philosophical or through sharing a common interest or need.)

The decision to create and operate a co-operative comes from within the community.

## Co-operatives:

- Help people obtain goods and services that they may not otherwise be able to afford on their own. By pooling their purchasing power through a co-op, members can obtain affordable, quality products and services.
- Are inclusive and accountable. They are open to everyone regardless of income or social status.
- Help build stronger communities. Most co-ops are community or regionally based, so investment in them and surplus revenue from them stays within the local economy. Every dollar invested in a local co-op has a significant multiplier effect for the community.
- Are loyal to their communities. They are less vulnerable to takeovers and closures by outside decision makers. In fact, in many communities, co-ops have stayed to serve their members long after other businesses have moved to other locales. For example, there are numerous communities in BC where credit unions are the only source of financial services.
- Must operate as viable and sustainable enterprises or community service organizations over-and-above simply being a co-operative.

The decisions taken by co-operatives balance the need for profitability with the needs of their members and the wider interests of the community.

Most co-operatives follow a “triple bottom line” philosophy – measuring their success through economic, social and environmental performance. Instead of focusing solely on returning profit to investors, co-ops embrace a broad set of values of which economic success is one factor.

## QUESTIONS AND CONSIDERATIONS

My knowledge of the co-operative sector on a scale of 1 (low) to 4 (expert) \_\_\_\_\_

Three resources or methods I could use to increase my co-op understanding:

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## CO-OP MEMBERS

Members are individuals or groups of people who use and need the services and products a co-operative provides.

The members determine the strategic direction of the co-op, elect the board of directors and decide what should be done with any surplus (profit) that is generated. In non-profit co-operatives the members own the co-op, not for their own benefit, but for the overall benefit of the community.

People from all kinds of communities, backgrounds, income levels and ages are members of co-ops and credit unions. Co-op members can be individuals, groups, and even other corporations. Each member of a first-tier co-operative only has one vote regardless of the number of shares held.

Co-ops require that members buy a share, which is their financial investment in the co-op. The value of the share varies depending on the size and type of co-operative or credit union.

Co-ops are responsible to their own members – not to outside shareholders. (Co-operatives must, of course, adhere to all local, provincial and federal legislation, as well as industry-specific regulations.) While some co-operatives that provide a public service (like housing co-ops) may receive government or grant funding – and therefore must fulfill the conditions of the grant, or operate within the funder's guidelines – co-operatives are not government institutions.

Ideally, the process of being an active co-op member brings its own rewards, allowing members to solidify social and economic links in the community. Perhaps most importantly, membership provides a common ground and support to reduce isolation, and build confidence and skills. Depending on the co-op structure, members may volunteer in activities such as serving on a committee, distribution in a food co-op or organizing an activity at a housing co-op.

One member, one vote  
— regardless of the  
number of shares held.

In this way they can learn new skills which can be applied elsewhere. Some co-ops do not require members to volunteer at all.

As part of the co-op development process, the working group needs to define who its primary members will be, and how the co-op will recruit and retain members.

## QUESTIONS AND CONSIDERATIONS

How will we define the membership of our co-op?

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What community or geographical area will our co-op serve?

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## CO-OP STRUCTURE

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Co-operatives are organized so that the members delegate control of the organization to an elected board of directors that is comprised primarily of members.

It is a misconception that individual co-op members are directly involved in every single operational aspect of the co-op. While this may be true for some smaller co-operatives, most co-ops involve the membership in approving the vision and direction of the co-operative, and some include the membership in decisions regarding major expenditures or other significant changes to the co-op.

The co-op is required to have at least one member meeting a year - the Annual General Meeting. This is the time when the membership is updated on the activities of the co-operative, elects directors to the board, provides input, asks questions, and votes on resolutions. Many co-ops also have member appreciation days, mid-year meetings, or invite members to participate in committees or focus groups.

The board of directors puts in place and oversees the top manager. Management hires the staff. In emerging and newly-formed co-ops – and sometimes in smaller co-operatives – the board may also take on managerial and operational roles.

The board of directors is directly accountable to the members — the people who need and use the co-op's services.

This is unlike a corporation, which is accountable to external shareholders.

## THE ROLE OF THE BOARD OF DIRECTORS

The board is accountable to current and future members of the co-operative, provincial, federal and other legislation, and has responsibility to the institutions that fund the co-operative.

The role of the board of directors may vary with the specific needs of the co-operative, but generally includes:

1. Creating and supporting the vision and strategic direction.
2. Planning for future needs.
3. Overseeing the co-operative's finances and co-op property.
4. Leading a democratic organization.
5. Managing the co-operative's risk, including legal, financial and reputational.
6. Hiring and evaluating the Executive Director/CEO/Manager.
7. Securing capital or fundraising for the co-operative.
8. Overseeing committees and task forces.
9. Representing the interests of the co-operative and its members in relations with the co-operative sector, government agencies and the larger community.
10. Participation in the co-operative's events and activities.

*Source: Adapted from the Ontario Co-operative Association*



The *Act* states, “The directors must manage or supervise the management of the business of the association and may exercise all the powers of the association”.

The board of directors is directly accountable to the members - the people who need and use the co-op’s services. This is unlike a corporation, which is accountable to external shareholders.



## FOR PROFIT OR NOT FOR PROFIT

Your working group must determine whether your co-op will be a for-profit or a not-for-profit (also called a non-profit) enterprise. Not-for-profit co-ops in BC are incorporated as Community Service co-ops and have similar status in law as non-profit societies. They may also be eligible for charitable status.

Community Service co-operatives do not distribute surplus or patronage dividends or issue investment shares, although they usually have other membership requirements (like committee involvement, for example). Community Service co-ops use surpluses to enhance services. Read more on this type of co-op below and in **Appendix F**.

For-profit co-op enterprises generate surpluses that can be used to strengthen the co-op by expanding the enterprise and/or holding funds for future needs. Surpluses can also be shared among members and staff. These co-op enterprises may have structures that allow members and non-members to buy shares and invest in the co-op.



## TYPES OF CO-OPS

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Co-operatives have been formed in almost every business or social sector you can imagine. For example, co-ops operate bakeries, fisheries and forestry enterprises, radio stations and media outlets, design shops and furniture factories, health centres and credit unions, craft and food distributors, dairies and food stores.

In addition to the different services or products that co-ops offer, BC legislation permits a variety of co-operative types. Although some co-ops might fit into more than one type, these are the most common:

**Community Service co-op** - A designation recognized under the *Cooperative Association Act*. It has a similar status in BC law to that of non-profit societies. The co-op may also be eligible for charitable status (which must be applied for separately through the Canada Revenue Agency). Community Service co-ops require the inclusion of non-alterable clauses in their Rules that ensure that the co-op operates on a non-profit basis and that its purpose is charitable, or to provide health, social, educational or other community services. Members: Customers/clients.

**Consumer or user co-op** - Helps members to use their combined purchasing power to buy goods and services they need. Examples include farm supplies, food retailing and wholesaling, elder care, health care, housing, and funeral and burial services. Members: Customers/clients.

**Financial co-op** - Provides financial services such as insurance, loans, savings plans, and marketing services to their members. The owners are individual members in local communities or groups of organizations throughout the province or country. Financial co-ops include insurance providers, investment co-ops, credit unions and caisses populaires. Members: Customers/clients and stakeholders.

The co-op business enterprise model can be used in almost any type of industry or sector.

**Producer or Marketing co-op** - Markets products or adds value to the products that members produce. Examples include agricultural products, or the works of crafts people and artisans. Members: A marketing co-op can meet many needs, but primarily its member-owners are those who will benefit from pooling their products to reach a market.

**Multi-stakeholder co-op** - A hybrid in which a variety of member groups share control. For example, workers, suppliers and consumers may be represented on the board of directors. Some examples of multi-stakeholder co-ops are local food co-ops in which control may be shared by both producers and consumers, and health co-ops in which patients and health care providers are the member groups that share control. Members: Stakeholders.

**Worker co-op** - Combines worker ownership and democratic control. Members provide themselves with employment while making goods and/or services available to the community. Examples of worker co-ops include lumber businesses, pulp mills, aboriginal food growers, bakeries, and print shops. Members: Workers.

A key difference between a corporate structure and a co-op's structure comes in the order of priorities.

For a co-op, these include meeting the needs of its membership in a productive, self-sufficient and socially responsible manner.

## CO-OP TIERS

Co-operatives assemble themselves in various ways:

**First tier (or primary) co-op** - A co-op that does business or provides services within a community and directly to individual members.

**Second tier co-op** - A federation or association of first-tier co-ops which individually offer their members similar products or services. For example, BCCA or the Co-operative Housing Federation of BC. Second-tier co-operatives typically offer products and sector- and community-building services to their member co-ops.

**Third tier co-op** – A federation that represents many other co-operative federations and associations, and provides them with programs and services. When an entire co-op movement unites under a single umbrella organization, this is called an apex organization. Co-operatives and Mutuals Canada (CMC) is an apex organization uniting the co-op movement across Canada.

Second and third tier co-ops – especially co-op associations such as BCCA – often maintain extensive networks with other co-operatives throughout the province, the country and the world. Many of the co-op sectors in BC are organized into informal alliances in addition to belonging to second and third tier co-ops. If you're unaware of the alliance/federation for your sector, contact BCCA. These networks help co-ops avoid some of the start-up pitfalls, share knowledge and/or resources and better serve the needs of their members. In this way co-ops can be stronger together than they could be by existing independently.

Internationally, a fourth tier exists to promote co-ops on a global level. This tier includes the World Council of Credit Unions and the International Co-operative Alliance.

## QUESTIONS AND CONSIDERATIONS

What co-op type will allow us to best meet our members' needs?

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Why?

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## BARRIERS TO CO-OP INCORPORATION

As you begin to contemplate incorporating as a co-operative, you and your working group will undoubtedly come across a number of barriers. It is wise to identify these stumbling blocks early on so that you can plan for them and help to eliminate or mitigate them.

Lack of knowledge about the co-op model, and incorrect assumptions about co-operatives are probably the two largest barriers you will need to overcome. Do your research and learn as much about the co-op model as you can and how it will strengthen your enterprise idea. Become as much of a “co-op expert” as practical.

Some advisors (including legal, financial and business start-up centres) may not fully understand co-operatives and may try to steer you in other directions or give you incorrect advice. Lenders, investors, granting organizations and even government agencies often fail to recognize the unique ownership and capitalization structure of co-ops when creating programs, or don't specifically mention if co-ops qualify for their services. This often leads to delays. For example, you may need to explain to a supervisor how their program applies to your co-op enterprise and wait while they obtain approval or clarification.

Our recommendation: In addition to your other trusted advisors, engage the services of an established co-op developer early in your co-op development process and reach out to other co-ops operating in your sector for advice and support. **Appendix A** has a list of co-op resources to assist you.

Like any good business, a co-op requires an excellent business plan, sufficient start-up capital, and the tenacity of its founders.

There will be long hours, many meetings, and low pay in the start-up phase.

And... there will also be break-throughs, exciting developments and the internal reward of accomplishing something important to you and your community!

## QUESTIONS AND CONSIDERATIONS

What are the three strongest advantages for our working group to incorporate as a co-operative?

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What are the three most obvious disadvantages?

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How can we mitigate those challenges?

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What do we need to learn before proceeding to the next stage?

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Notes:

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# CHAPTER 2: GATHER YOUR TEAM

Congratulations: You have decided that the co-op model is the one you want to pursue, and you most likely have already assembled an informal group of interested people. You're aware of the advantages of becoming a co-op and how it will enhance your enterprise idea. You've identified some of the barriers that operating as a co-op could present – and you've considered some options to mitigate them.

Starting any type of venture can be difficult. Try not to get discouraged! It takes time and dedication, but starting a co-operative can be very fulfilling. Working with a group of people to develop a co-operative is challenging, but you will also find support and a broad range of experience and skills within your group.

Identify the skills and resources that each person can bring to the working group.

## FORMALIZE YOUR WORKING GROUP

Find other people in your community with similar needs or who share your idea for a co-operative enterprise. To start a co-operative in BC you need at least three members. However, it usually takes at least three to seven interested and committed people to form a steering committee or working group and begin the co-op development process.

Spread the word about your co-op idea. Use social media, community bulletin boards and attend neighbourhood meetings. Go where other people with similar needs congregate, and talk with them. It is important for you and the developing co-operative to have a support network within both your community and the co-op sector. These discussions may also help you refine your market niche or product and service offerings.



It may take longer than you anticipate to get your working group together. Start with one or two informal meetings that will help you gauge other people's interest and level of commitment. Then from those people create your working group.

As you formalize your working group, identify the skills and resources that each person can bring to the team. It is a good idea for your group to include someone with financial expertise, someone with social media and marketing skills, and someone with a knowledge of the sector you'll be operating within (e.g., lumber, local food, health, etc.). Knowledge of fundraising, co-ops, or governance models would also be helpful, as would ties to other organizations, businesses and any similar co-ops or co-op alliances already operating in the marketplace. Go well beyond the basic skills and ensure that you have a group with a diverse set of skills!

You'll need a governance model to help your working group organize, plan, make decisions and implement them. It doesn't have to be complex, but it should be clearly understood by all. You will most likely need a Chair and committee heads, and a reporting structure. Remember – you are co-operating together on this working group; the co-op is not owned or directed by only one person. Determine how you will:

- Accommodate those that are very detail oriented and big picture thinkers,
- Accommodate those who have less time to give to the co-op development process,
- Manage questions of leadership, power, and authority in your working group,
- Make decisions (by consensus, a simple majority, etc.),
- Assign tasks and responsibilities, and
- Finance the early development phases of the co-op. (For instance, will working group members be expected to contribute? Will you apply for grants?)

Don't ignore governance and group process.

Can you all get along and actually start to form a co-op?

Are you all in agreement on the vision and goals for the co-operative?

Does anyone have experience in leading or organizing effective meetings?

Members of the working group typically make up the first members of the incorporated co-operative, and many also form the first board of directors.

At this stage, all members of your working group should have individually completed the Co-op Self Assessment tool, found in **Appendix B**. Arrange a meeting of your working group to discuss the answers.

## QUESTIONS AND CONSIDERATIONS

How/when can we spread the work about our co-operative idea?

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Names of people who are interested in working with us. What are their skillsets?

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Other skillsets we should consider:

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Other co-ops we can contact for resources and support:

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## WORK WITH A CO-OP DEVELOPER

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At this stage, your working group or selected group members should begin to articulate the vision that outlines the benefits and provides some basic preliminary projections. This is also the time to consult with a co-op development professional.

An effective and well-planned co-op development process is crucial for the success of new co-operatives. It requires a broad set of skills, knowledge and experience. Co-op working groups and their legal, financial and business advisors often lack some of the required knowledge and experience for a co-op development project.

Choosing the right developer is very important. As with any professional service arrangement, satisfy yourself that the developer has the knowledge and skills you are seeking. Be comfortable on a personal level with the developer, as you will be working very closely with him/her. Check references, and review the CoopZone website.

Obtain a workplan or memorandum of understanding that addresses your working group's needs. You may contract with the developer for specific services, or to work with you in all stages from pre-development through to incorporation. Spend time with the developer to identify the services he/she will provide, the approach(es) used to assist you, the timeline for the work, and of course, what it will cost.

Co-op developers possess unique skills, knowledge and experience.

### QUESTIONS AND CONSIDERATIONS

Who should be on our shortlist of co-op developers?

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What co-op development opportunities should they be involved in?

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What is our budget for a co-op developer?

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# CHAPTER 3: BEGIN PRE-DEVELOPMENT

The Pre-Development phase is the time to become confident that you have determined an appropriate need or opportunity for your co-operative.

**A NEED:** Your community lacks certain services or products. Also consider needs like affordability, accessibility and quality. A co-op can be formed to provide the needed service or product.

**AN OPPORTUNITY:** Sometimes changes in the community or workplace create new possibilities for services or products. Co-ops can respond to these changes.

Examples: Unavailability or instability of work; a business which is closing; unavailability of certain products and services; poor quality of certain products and services; or products and services that are overpriced.

We'll examine this further in chapters 4 and 5, but for now use the area below to jot down a few points that describe the product(s) or service(s) your enterprise will provide.

You want to be sure of the viability of your enterprise before proceeding any further in the co-op development process.

## QUESTIONS AND CONSIDERATIONS

What is the unmet need(s) or opportunity?

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What product(s) or service(s) will our co-op provide?

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Who/what is competition for our co-op?

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## CONDUCT A PRE-FEASIBILITY STUDY

A pre-feasibility study will help your working group determine if your enterprise idea is viable and if you should continue to devote additional resources to moving ahead. Your study should be as rigorous as your time and budget permits.

- Conduct a preliminary market review.<sup>1</sup>
- Identify available technical and financial assistance.
- Assess receptiveness to your co-operative enterprise in the local community.
- Evaluate if a co-operative is still the best legal framework to use and if the type of co-operative selected is the most suitable.
- Determine if there are any regulatory or other barriers that must be overcome to form the new co-operative.
- Evaluate the project's potential to attract at least the minimum number of members and investors required.
- Research the current and anticipated competitors. (Remember to consider online/technology or out-of-region companies.)

## CONFIRM CO-OP SUITABILITY

There are different kinds of enterprises and business structures that could address your need or opportunity. An analysis of co-op suitability, as part of the pre-feasibility study, will help your working group determine whether a co-operative enterprise is right for you. (The first pages of this workbook explain the highlights of the co-operative model. Additional co-op information, including the three co-operative differentiators, can be found in **Appendix F.**)

Your co-op suitability analysis will determine:

- Is the co-op model the right one for our business?
- What type of co-op structure will we adopt?
- Who will the members be?
- What services will we provide to members?
- What will be their obligations as members?
- Can non-members be involved in the co-op, and if so, how?

<sup>1</sup> Learn more about market research here: <https://www.bdc.ca/en/blog/pages/how-conduct-market-research-small-businesses.aspx>



A co-operative is a unique type of business. The dedication of its members is critical to the on-going process. Particularly if the members will be the customers, it's vital to know they will continue to purchase from the co-op.

Your suitability analysis should predict members' buy-in and engagement, and confirm whether your members are producers, consumers or workers.

Not only should a co-op be right for you, you have to be sure you're right for a co-op. Being a part of a developing or operational co-operative doesn't mean your working group does everything together. However, it must be able to work together when making a decision: Participants must be willing to communicate, to share, to discuss, and to find solutions that all can accept. Together, the group must be willing to share the risk and responsibilities.

If your pre-feasibility study indicates that a co-op may not be the best solution, or that your enterprise cannot meet the needs of your members, this is your opportunity to refine your concept or disband the working group.

Do your research to be sure that a co-operative enterprise is right for your working group.

## EXPAND YOUR INDUSTRY KNOWLEDGE

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You and your working group will need to learn more about your new sector, product or service. For example, if you are starting a co-op café you need to learn about how restaurants are run. You might need to do some research to find out which suppliers provide restaurant fixtures, the benefits of serving fair-trade coffee, how to avoid food safety concerns, how cafés are structured, and more.

The most successful businesses are run by people who know their industry well. Industry experience enables your working group to avoid mistakes that newcomers can make in areas such as costing, revenue generation, product distribution, marketing or HR strategies.

Attend workshops and seminars on how to run your type of business. You may also be able to visit other businesses to see how they work (possibly in another jurisdiction to avoid any competition concerns). Research co-ops by talking to directors of the kind of co-op that interests you. Find out how the co-op operates, and if that differs from other businesses in the same industry.

## QUESTIONS AND CONSIDERATIONS

Who in our group has knowledge about the industry?

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What are three methods for others to learn more about the industry?

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What industry-specific barriers or mistakes should we anticipate?

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## CONSULT WITH YOUR INTENDED MEMBERS

By now, your working group will have a strong vision of their new co-operative venture, supported by the research undertaken as part of the pre-feasibility study. The working group is now in a position to present the vision and business outline to the intended member group at a meeting to measure their support.

Most often attendees are asked to express interest formally or informally by providing some financial contribution to move the process forward. (For more on fund development and existing co-ops, see Chapter 6, Raising Capital and Financing.) The information presented should be clear on purpose, financial contributions, risks, and obligations being requested of potential members.

You may need to redefine aspects of your vision or assumptions as part of this process, and if necessary, meet with potential members again. Assuming that there is sufficient community and financial support, the group can move forward with a formal feasibility study and begin to consider items to include in the Memorandum of Association, the Rules, and so on.

Be sure to keep your prospective members in the information loop all the way through the process. Consider sharing updates via an email list, social media feed and/or website.

Call a meeting of prospective members.

Determine their level of interest and assess their willingness to provide financial and other types of support.



## QUESTIONS AND CONSIDERATIONS

What are our expectations of potential members at this stage?

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How might the potential members' vision differ from ours?

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How flexible are we in resolving any apparent differences?

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Notes:

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# CHAPTER 4: CONDUCT A FEASIBILITY STUDY

Once you have a clear idea of what your co-op will look like and that you have the support of your potential members, determine whether the co-op will be viable financially. To do this, you'll prepare a feasibility study. Information from the feasibility study typically forms components of the co-op's business plan, but they are two distinct documents with differing purposes and occur at different stages of the co-op development process.

The primary questions you're trying to answer in a feasibility study are: "Does our idea for a new enterprise make good business sense?", and "Will our co-op be financially sustainable?" A comprehensive feasibility study for an emerging or developing co-op will:

- Define the strategic objectives.
- Define the business (members, type of co-op, size, location, etc.).
- Evaluate various start-up financing scenarios and the expected start-up costs and income.
- Determine the break-even point and undertake a preliminary projection of financial statements, a cash budget (revenues and expenditures, and investments by members in share capital, partners, credit union or bank loans, grants, etc.).
- Project how much money you would bring in, both at start up and after launch.
- Discuss the likelihood of your members paying the prices you require for your products or services.
- Evaluate the various strategic scenarios, production costs, and human, material and financial resources necessary.

A feasibility study ensures your idea makes good business and financial sense.

## Feasibility Study Factors

in no particular order

Industry, Niches, Customers, Competition, Objectives, Collaboration, Market Share, Wages, Expectations, Materials, Cost of Goods, Budget, Transportation, Revenue, Operating Costs, Labour, Utilities, Insurance, Overhead, Governance, Office, Store, Break Even, Sustainable, Start-up, Capitals Costs, Depreciation, Assets, Liabilities, Forecast, Assumptions, Income Statement, Balance Sheet, Break Even, Cash Flow, Risk, Financing, Lease, Working Capital, Member Shares, Reserves.

Depending on your budget, skillsets and the time and resources available to the working group, you may undertake this study yourself or contract with a co-op developer.

**Appendix D** provides some foundational questions you should address in the feasibility study.

If the study shows that the new co-operative will be viable, the group can proceed to the business case phase.

## QUESTIONS AND CONSIDERATIONS

Who can lead the feasibility study?

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How long will it take and how much will it cost?

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What if some of the results are negative?

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What do we need to learn before proceeding to the next phase?

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Notes:

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# CHAPTER 5: CREATE A BUSINESS PLAN

Once you have successfully determined the basic feasibility of your co-op idea, your working group (typically with the support of your advisors) must develop a business plan. A business plan is a roadmap that helps you assess your co-operative's potential, demonstrates how you are different from the competition, and helps win the confidence of lenders, stakeholders and investors.

A well thought-out plan enables your emerging co-operative enterprise to be proactive – to anticipate and ride through tougher times or capably deal with unexpected incidents. This should be a living document and referred to often. It will certainly be used by the working group, board of directors and management team during the planning, start-up and early days of your co-operative. It will also provide much of the information your co-operative requires if it applies for loans or grants.

Chapter 4 talked about feasibility studies, which are not the same things as business plans. Feasibility studies are about gathering and compiling information whereas business plans are about planning. The business plan lays out how you will use that information to make your business a success. Business plans focus on tactics and strategies for the implementation of your project, and outlines your plan for business growth and sustainability.

Your co-op developer and your other advisors should assist in the preparation of the business plan, or at least review and comment on an early draft. This isn't the time for a last-minute rush, or to skimp on professional advice. Experts cite lack of clarity, poor information, and the absence of a strategic orientation as the main deficiencies in most business plans.

Business plans are not the same as feasibility studies!

Your business plan should be a blend of narrative and financial figures.

A properly formulated plan can help you gain the confidence of members, lenders, investors and other stakeholders.

It should show you're committed to your co-op and have the skills, knowledge and confidence to achieve your goals.

## THE CONTENT OF THE BUSINESS PLAN

The business plan does not have to be long and complex, but it does need to be organized and well-written.

The sections of your business plan should include:

- The introduction
- A narrative that sells/promotes your co-operative
- A summary of all key working group/board members and their skillsets
- A market analysis
- Revenue and expense projections
- Financing and capitalization projections
- A description of the operations
- Optional: a marketing plan

Your plan should demonstrate that your team is up to the job of running a business and dealing with people. The business plan must contain well-researched, supporting information – not just informal market research or anecdotes. You should address risk management issues, including potential obstacles and provide possible solutions. The plan should set milestones and measurable objectives.

If you don't include a separate marketing plan, you should – at a minimum - address member recruitment and retention, and communication and outreach strategies in your business plan.

One of the key factors to success is to be totally realistic about your projections. You're better off showing less optimistic scenarios and demonstrating how you'll perform, as well as discussing the various risks that you may face and how you plan to address them. It's always better to outperform your projections than to try to catch up with them.

Many business plans also include a marketing plan.

A marketing plan is generally based on the "four P's" – Product, Place, Price, and Promotion.

It addresses these factors:

- Your market (who are the potential buyers or users);
- What services and products you will offer;
- What you will charge for your product or service;
- How you will promote the co-op; and
- Where you will promote the co-op.

A business plan is a crucial document for your new co-operative. It says who you are, describes your enterprise and shows how you will become sustainable/profitable.

The federal government's Canada Business website has some useful information on developing your business plan: [www.canadabusiness.ca/eng/page/2865/](http://www.canadabusiness.ca/eng/page/2865/). You can find additional business plan links in **Appendix A**.

TIP: The introduction section of your business plan can be used later on as your "elevator pitch", a 30-45 second high level summary of your new venture. This can be repeated in your literature and on your website, and demonstrates consistency of messaging. For promotional and consistency purposes, every member of your working group should memorize the elevator pitch and be able to recite it effortlessly!



## QUESTIONS AND CONSIDERATIONS

Who will lead the business plan process?

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Who will receive copies of the plan?

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What are its expected uses?

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## QUESTIONS AND CONSIDERATIONS

What key elements should be addressed in the business plan?

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How long will it take to research and write, and how much will it cost?

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What if some of the results are negative?

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What do we need to learn before proceeding to the next phase?

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Notes:

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# CHAPTER 6: RAISING CAPITAL AND FINANCING

The goal of your co-op should be to ultimately operate at a surplus (i.e. generate a profit) or to break even after all expenses are paid (and contributions are made to your reserves, if appropriate). Achieving a reasonable surplus allows your co-op to be sustainable, plan for the future and to weather economic downturns.

Many start-ups struggle to achieve or exceed a break-even position in their first years. When you deduct all costs of start up and early operation from the revenue, you'll usually see that there's a shortfall of money during that time. If this will be the case for your co-op, be sure your business plan and financial plan acknowledge this and identify how you will raise capital or otherwise finance your operations.

Using the financial plan included in your business plan as a base, you'll need to create an annual budget, monitor it regularly and adapt when there are positive or negative variances. Check with your sector federation or industry group to see if there are key reporting areas or financial benchmarks that can help your team decide if your co-op is operating efficiently and effectively. If you operate using a triple bottom line philosophy, you'll also have social and environmental benchmarks.

## IDENTIFY YOUR COSTS

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Money and resources are often in short supply during the early days of co-op development. Income is either nonexistent or minimal. Eventually you will generate revenue from the sale of products or services, receive funds through grants or subsidies, or through other areas you've identified in your feasibility study and business plan.

Money and resources are often in short supply during the early days of co-op development.

What's your plan for financial sustainability?

Even co-operatives that don't hire staff to manage the operations will have expenses. These could include the following:

- Equipment, land or other assets (from desks to refrigeration)
- Inventory
- Internet, heating, hydro, office space rental
- Loan payments
- Supplies and hidden costs (i.e., delivery charges, processing fees)
- Marketing and promotional items
- Working capital during start-up and early days of operation
- Training expenses
- Wages
- Support for board members and governance processes, including member meetings
- Incorporation, business advisor and other start-up costs

Expenses for feasibility and business plan studies, co-op developers, consultants and other costs are often financed by the prospective members, the working group, a grant, and/or a business start-up grant.

## IDENTIFY SOURCES OF FUNDING

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If you have identified grants or loans as funding options, every person in your working group should be tasked with connecting with your community or performing internet searches to locate sources of seed money, loans and grants. Each person will bring a different perspective to the search and you will most likely discover new sources to apply to. (As mentioned previously, you may have to spend time and resources to convince funders that, as a co-operative, you qualify for their programs since co-ops are not always specifically mentioned in the eligibility criteria.)

Many BC credit unions, such as Vancity or Coast Capital have granting programs available for capacity-building, start-up, technical assistance or business plan development.



Other co-op sector resources include sector federations, and The Co-operators and the Canadian Worker Co-op Federation. Check out the community support or new-business development areas of their websites.

Sector funding for co-op development continues to change, with new capitalization, grant or loan programs under discussion as this workbook is being prepared. Our suggestion is to talk to others in your network for potential co-op sector programs to apply to, and to reach out to BCCA for the most current advice.

Some words of caution: When applying for grants, your co-op's mission and use of the funds must closely align with the mission and vision of the granting organization. If they don't align, you risk spending time and money applying for funds you could never possibly receive. Otherwise, your funding requests may force your new co-operative into "mission drift", i.e. having to change your program focus or target audience to meet the needs of the granting organization. If someone in your working group is not familiar with grant writing, we strongly urge you to spend some time to research best practices in this area before beginning.

A note before we leave this chapter: Ideally, many members of your working group should have a reasonable degree of comfort with reading, discussing or interpreting financial statements and/or financial forecasting. Instead of relying on the one financial leader on your team who works with your financial advisory team and/or co-op developer, having a few people with some of this knowledge will ensure a broad range of opinions and options during your working group meetings.

Methods to finance your BC co-operative include

- Sell investment shares (for-profit co-ops only).
- Accept loans from members.
- Collect fees from members.
- Borrow from other sources (Venture Capital, financial institutions, credit unions, friends, family, etc.).
- Apply for government, foundation, private business, co-op, sector and community economic development (CED) grants.





## QUESTIONS AND CONSIDERATIONS

Which members of our working group have financial knowledge?

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Who can we approach for financing or funding?

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What information will we need to provide when asking for financing?

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What do we need to learn before proceeding to the next phase?

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Notes:

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# CHAPTER 7: INCORPORATE YOUR CO-OP

## SELECT YOUR CO-OP NAME

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To register your co-operative's name, you must present three names, in descending order of preference. The filing fee is \$30.00 as of March, 2018. Once approved, your name will be reserved for 56 days, during which time you must complete the incorporation process. This will give you permanent access to the name. If necessary, you can renew the name registration for an additional 30 days and pay an additional filing fee. The registry will not permit the use of a name if it is the same as, or similar to the name of another co-op.

Information on name approval requests and reservations, as well as the methods for submitting your name approval can be found at this link: [www.bcregistryservices.gov.bc.ca/bcreg/corppg/reg46.page](http://www.bcregistryservices.gov.bc.ca/bcreg/corppg/reg46.page).

Once you've got a clear idea of your co-op's purpose and how it will work, you will want to become legally recognized as a co-operative (technically called a "co-operative association" in BC legislation) so you can start your enterprise. This is best achieved by incorporating your co-operative.

Co-operatives that intend to have places of business in more than one province or territory may choose to incorporate either provincially or federally. The vast majority choose to incorporate provincially.

In British Columbia, the *Cooperative Association Act* (the Act) and *Cooperative Association Regulation* (the Regulation) govern the formation, structure and operation of non-financial co-operative enterprises. (Credit unions are incorporated under their own legislation.) Before you can carry on a business, trade or deliver a community service as a co-operative, you must be incorporated and registered under the Act.

You must reserve your co-op name prior to submitting your incorporation documents.

The name should express the nature of the co-op or the service it provides.

It must contain the word "Co-operative/cooperative" or "Co-op/coop." It may not contain "B.C." or "British Columbia", or the words "Company" or "Limited".

Your working group (most likely supported by your co-op developer and your business advisory team) will need to spend a great deal of time researching and writing your Memorandum of Association, which includes basic information about the co-op, its purpose and its share structure, and your Rules, which outline all the details of the co-op's governance and share structure. Your co-op developer will most likely have assisted with the preparation of other incorporation packages and will be a huge asset at this stage. Your group should also reach out to other co-operatives for their advice and support during this time.

## SUMMARY OF USEFUL INCORPORATION LINKS

- *Cooperative Association Act* – [www.bclaws.ca/civix/document/id/complete/statreg/99028\\_01](http://www.bclaws.ca/civix/document/id/complete/statreg/99028_01)
- *Cooperative Association Regulation* – [www.bclaws.ca/civix/document/id/complete/statreg/391\\_2000](http://www.bclaws.ca/civix/document/id/complete/statreg/391_2000)
- A number of years ago, the BC government created a guide called “Incorporating a Cooperative in British Columbia”, which is still quite helpful – [www.bcregistryservices.gov.bc.ca/local/bcreg/documents/forms/guide.pdf](http://www.bcregistryservices.gov.bc.ca/local/bcreg/documents/forms/guide.pdf).
- A comprehensive list of co-operative forms and information packages:– [www.bcregistryservices.gov.bc.ca/bcreg/corppg/crcoop.page](http://www.bcregistryservices.gov.bc.ca/bcreg/corppg/crcoop.page).
- Links to additional co-operative incorporation and maintenance documents can be found in **Appendix A**.

While not part of the incorporation process, this is also the time to start making notes and gathering best practices on what policies and procedures your co-op will eventually require.

Your group is not required to incorporate as a co-operative to run your business co-operatively.

You can work collectively and co-operatively and not be incorporated, but your enterprise is not permitted to use the word co-op (co-operative) in your legal or operating name.

Incorporation also facilitates on-going affiliation with co-operative organizations and federations.



## SUBMIT GOVERNMENT DOCUMENTATION

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There are four documents required to incorporate a co-op under BC's *Cooperative Association Act*. Additional requirements (and some templates) for each document can be found on the BC Registry Services website at [www.bcregistryservices.gov.bc.ca/bcreg/corppg/reg59.page](http://www.bcregistryservices.gov.bc.ca/bcreg/corppg/reg59.page).

**The Memorandum of Association** includes basic information about the co-op, its purpose and its share structure. This is where you specify if you are going to incorporate as a Community Service co-op.

**The Rules** outline details of the co-op's governance and share structure. The Rules and the Memorandum need to be signed by "the subscribers," the founding members of the co-op. A minimum of three subscribers need to sign the Memorandum and provide their personal contact information.

**The List of First Directors** name the interim directors until the first general meeting, which must be held within three months from the date of incorporation. The co-op must have at least three founding directors, all of whom must be included among the signors on the Memorandum and Rules.

**The Notice of Registered Office** gives the official address of the co-op. This must be a physical location in BC, and may be the home or workplace of one of the members. The Corporate Registry office will send its response to your incorporation documents to this address, as well as any future "official" documents for the co-op, until or unless it's changed.

Refer to **Appendix E** for guidance on completing these incorporation documents.

The filing fee for incorporating a co-op is \$250.00 as of March, 2018.

Advantages of incorporation include protection from personal liability (losses and other liabilities would be held by the co-op, not by you as individuals), consumer protection, credibility, legal recognition, access to loan programs, and ongoing affiliation with co-operative organizations and federations.

Two sets of signed originals of all the documents are required by the Corporate Registry in Victoria. Remember to keep copies for your files. The registry office will usually get back to you within three to four weeks with either your Certificate of Incorporation or a list of changes required.

## QUESTIONS AND CONSIDERATIONS

What is our timeline for being incorporated?

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Who will prepare the Memorandum of Association, the Rules, and other documents for submission?

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What member input do we need during this process?

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What do we need to learn before proceeding to the next phase?

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Notes:

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# CHAPTER 8: BECOME OPERATIONAL

Now that you are incorporated, you will want to formally establish the internal structure of the co-operative and get ready to launch the enterprise.

Co-op members are required to hold an Annual General Meeting within three months of incorporation to elect a board of directors and its officers (president, treasurer, secretary), then once in each calendar year after that. The board hires the manager (also called a CEO or executive director). The manager (or the board, if your co-op doesn't require a manager) hires the staff.

The management team will need to:

- Develop a 'critical path' of activities and timelines for the opening and first year(s) of operating (this will be based on your business plan).
- Negotiate building, equipment and office equipment leases or purchase agreements.
- Create an organizational chart and hire staff.
- Develop a training program for board, staff and/or volunteers (including a co-op knowledge component).
- Purchase facilities, equipment and inventory.
- Put financial systems in place.
- Begin to draft policies and procedures.
- Ensure other legal requirements are in place, and that permits, insurance and tax numbers have been received.
- Define the roles of committees and/or the use of members as volunteers.
- Create job descriptions for staff, directors, officers.
- Join BCCA, and any applicable co-op sector federations.

You'll soon be opening your doors. Are you prepared??

The board and manager should establish clear boundaries about their roles and responsibilities since there can be a great deal of overlap.

This is particularly important in the early days of start-up when time and resources are especially tight.

## CORPORATE GOVERNANCE

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The working group (or board of directors if after incorporation) should research and implement appropriate governance models and develop terms of reference for all board and committee positions. Boards should determine if they will be operational (assisting with the day-to-day activities of the co-operative), or governance boards (overseeing the conduct of the business and supervising management).

Effective board governance is a matter that every co-operative director should be familiar with. Working groups or the boards of newly-incorporated co-operatives should begin to develop processes, policies and practices to support board effectiveness. A detailed discussion on this subject is beyond the scope of this workbook. There is a large amount of useful information available for non-profit and for-profit organizations from the Internet and through governance advisors. You may wish to begin your search with the board governance section of Imagine Canada's website <http://sectorsource.ca/managing-organization/board-governance>.

Corporate governance refers to how a board directs and manages the co-operative's affairs.

Board decisions affect stakeholders including employees, members/customers, suppliers, communities and investors.

## MANAGEMENT TEAM SKILLSET

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- Strategic Management: Creating a business and strategic plan for your co-op and making sure you keep to it.
- Bookkeeping and Basic Accounting: Which records to keep, how to keep them and how to file them.
- Financial Management: Where to find financing and how to manage it once you've sourced it.
- People Management: Hiring and managing your first employees.
- Marketing: How to market your business through traditional channels, web and social media.
- Sales: How to complete a sale and look after your customers.
- Operations Management: Choosing and managing your suppliers.
- Co-op Knowledge: Understanding the opportunities that are possible with a co-operative, preparing for the challenges and embracing the seven principles.



## QUESTIONS AND CONSIDERATIONS

How will we determine who is the first president, the treasurer and secretary of the Board?

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What governance model should we adopt?

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What skills should the management team possess during start-up and year 1?

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What training will Board, staff & members require during start-up and year 1?

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What do we need to learn before proceeding to the next phase?

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Notes:

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# CHAPTER 9: MAINTENANCE, AFTERCARE & GROWTH

The task of starting your co-operative may be over, but surviving and growing are challenges you will always face. You will have to maintain quality services and products and grow financially. You will need to comply with municipal, provincial, federal and industry guidelines and reporting. You'll need to continually engage and recruit members. Development and improvement are key ingredients to success. Create a plan to continuously learn and improve - and follow it! Use these topics as a starting point.

1. Training and education for the board of directors.
2. Training and education of members, committee members and volunteers.
3. Co-operative education of staff, members and the community.
4. Increasing or strengthening your range of services or products.
5. Reviewing your policies and procedures.
6. Finding ways to grow financially.
7. Enriching your governance and member engagement practices.
8. Broadening your communication channels.
9. Facilitating joint projects or activities with other co-ops locally, provincially, nationally and internationally.

Federations and local organizations often provide education and training services to their members through conferences, workshops, publications, and networking events. Each co-op federation has its own program of services that range from board training, member education and government relations, to workshops on financial management, legislation and how to develop education tools. The programs are numerous and varied. In instances where there is no sectoral federation, reach out to BCCA to remain connected!

Continue to develop your co-operative.

Take part in co-op sector and industry training to continuously improve board training, member education, corporate governance, communications, financial management, industry best practices, operations and regulatory compliance.

We urge your newly-incorporated co-operative to become a member of the British Columbia Co-operative Association. BCCA is the umbrella organization that works on behalf of co-ops and credit unions in the province. We welcome and support emerging and newly-formed co-operatives in all sectors of the economy as members.

## STAY CURRENT WITH THE PROVINCE

Once they have been approved and returned to you by the BC co-op registrar, keep your certified copy of the Memorandum and Rules in your files. (You are required to provide a copy to any member upon request.)

You must hold your first general meeting within three months after the date of incorporation, unless the BC co-op registrar has given you an extension. Thereafter, your co-operative must hold a general meeting at least once every calendar year, within four months after the end of its fiscal year.

- The *Cooperative Association Act* requires all incorporated co-operative associations to file information with the BC corporate registry office (there are filing fees for each). These filings are:
- Annual Report (must be filed within two months after each AGM).
- Change in Directors (must be filed within 15 days after the change.)
- Change in Memorandum/Rules.
- Change in registered office (must be filed 'without delay').

For more information on maintaining the legal status of your BC co-operative use this link: [www.bcregistryservices.gov.bc.ca/local/bcreg/documents/forms/reg14.pdf](http://www.bcregistryservices.gov.bc.ca/local/bcreg/documents/forms/reg14.pdf).

Co-ops are strengthened by working together.

Other co-op and credit union organizations may be able to offer training, support, financing or services through possible joint ventures or as a market for your own co-op's services and products.

You, in turn, may be able to provide the same for other co-ops.



## QUESTIONS AND CONSIDERATIONS

How can we continue the sustainable development of our co-op after incorporation?

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How can we recruit new members?

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How can we keep existing members involved and informed?

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What else can we do to ensure the business is running well (e.g. use policies from others in the industry, create contract templates, determine performance targets, etc.)?

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What else do we need to learn?

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Notes:

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# APPENDIX A: WEBSITES & CO-OP RESOURCES

## STARTING A CO-OP

- CoopZone  
<http://www.coopzone.coop>
- Devco Development Co-operative  
<http://www.devco.coop>
- Co-op Development Resources in BC  
<http://www.coopzone.coop/tag/british-columbia/>
- Skills Necessary in a Co-op Developer  
<http://www.coopzone.coop/developers/co-op-developers-skills-inventory/>
- Finding a Co-op Developer in BC  
<http://www.coopzone.coop/developers/members/region/British+Columbia/>
- Take an Entrepreneurial Self Assessment Quiz  
<https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/business-assessments/pages/self-assessment-test-your-entrepreneurial-potential.aspx>
- Prepare a Winning Business Plan  
<https://www.bdc.ca/en/articles-tools/start-buy-business/start-business/pages/create-effective-business-plan.aspx?type=B&order=2&intlnk=rightbox>
- Starting A Business – Resources from the Province of BC  
<http://www2.gov.bc.ca/gov/content/employment-business/business/managing-a-business/starting-a-business>
- Starting a Business Checklist – Small Business BC: [http://smallbusinessbc.ca/wp-content/uploads/resource\\_files/Starting\\_a\\_Business\\_Checklist.pdf](http://smallbusinessbc.ca/wp-content/uploads/resource_files/Starting_a_Business_Checklist.pdf)

## DOCUMENTATION AND INCORPORATION INFORMATION FOR BC CO-OPS

- Incorporating a Co-operative in BC – BC Registry Services  
<http://www.bcregistryservices.gov.bc.ca/bcreg/corppg/reg59.page>
- Link to the *Cooperative Association Act* – BC Laws  
[http://www.bclaws.ca/civix/document/id/complete/statreg/99028\\_01](http://www.bclaws.ca/civix/document/id/complete/statreg/99028_01)
- Link to the *Cooperative Association Regulation* – BC Laws  
[http://www.bclaws.ca/civix/document/id/complete/statreg/391\\_2000](http://www.bclaws.ca/civix/document/id/complete/statreg/391_2000)

- Guide to the BC *Cooperative Association Act* – CHF BC  
<http://www.chf.bc.ca/pdf/coopactguide.pdf>
- Incorporating a Cooperative in British Columbia – BC Registry Services  
<http://www.bcregistryservices.gov.bc.ca/local/bcreg/documents/forms/guide.pdf>
- A comprehensive list of co-operative forms and information packages - BC Registry Services  
<http://www.bcregistryservices.gov.bc.ca/bcreg/corppg/crcoop.page?>
- Instructions for Completing the Memorandum of Association – BC Registry Services  
[http://www.bcregistryservices.gov.bc.ca/local/bcreg/documents/reg59/appendix\\_a.pdf](http://www.bcregistryservices.gov.bc.ca/local/bcreg/documents/reg59/appendix_a.pdf)
- Model Rules of Association – BC Laws  
[http://www.bclaws.ca/EPLibraries/bclaws\\_new/document/ID/freeside/391\\_2000#ScheduleB](http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/391_2000#ScheduleB)
- Matters that Must Be Provided for in the Rules – BC Registry Services  
[http://www.bcregistryservices.gov.bc.ca/local/bcreg/documents/reg59/appendix\\_b.pdf](http://www.bcregistryservices.gov.bc.ca/local/bcreg/documents/reg59/appendix_b.pdf)
- Current fee structure for the *Act* and the Regulation – BC Laws  
[http://www.bclaws.ca/EPLibraries/bclaws\\_new/document/ID/freeside/391\\_2000#ScheduleA](http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/391_2000#ScheduleA)

## PROVINCIAL CO-OPERATIVE ASSOCIATIONS

- BC Co-operative Association
- Alberta Community & Co-op Association
- Saskatchewan Co-operative Association
- Manitoba Co-operative Association
- Ontario Co-operative Association
- Nova Scotia Co-operative Council
- New Brunswick Co-operative Enterprise Council
- Prince Edward Island Co-operative Council
- Newfoundland and Labrador Federation of Co-operatives
- Arctic Co-operatives Ltd.
- Many provinces also have francophone co-operative associations.

## OTHER NATIONAL AND PROVINCIAL CO-OP RESOURCES

- Innovation, Science and Economic Development Canada  
[https://www.ic.gc.ca/eic/site/693.nsf/eng/h\\_00037.html](https://www.ic.gc.ca/eic/site/693.nsf/eng/h_00037.html)
- The apex organization for Canadian co-ops - Co-operatives and Mutuals Canada  
<http://canada.coop/en/about-cmc/our-members>
- The national federation for Worker Co-ops - Canadian Worker Co-op Federation  
<http://canadianworker.coop/>

## FINANCING AND COMMUNITY ECONOMIC DEVELOPMENT

- Canadian Alternative Investment Co-op  
<http://www.caic.ca>
- The Canadian Community Economic Development Network  
<https://ccednet-rcdec.ca/en>
- Canadian Centre for Community Renewal  
<http://communityrenewal.ca/>
- DIY co-op financing video – Investors Aid Co-op  
<https://www.youtube.com/watch?v=k2jvQMvpm48>
- Centre for Co-operative and Community-Based Economy  
<https://www.uvic.ca/research/centres/cccbe/>
- Managing Your Finances – Canada Business Network:  
<http://www.canadabusiness.ca/eng/page/2845/>

## SOURCES USED IN THIS DOCUMENT

The 2018 and prior editions of Cultivating Co-ops contain material adapted from or inspired by:

- Co-operatives and Mutuals Canada
- Manitoba Co-operative Association
- Ontario Co-operative Association
- The Province of British Columbia
- Saskatchewan Co-operative Association
- Innovation, Science and Economic Development Canada
- Vancity
- CoopZone
- Devco Development Co-operative

*All links were accurate as of June 2018.*

*Note that inclusion in this resources section does not constitute an endorsement by BCCA.*



# APPENDIX B: CO-OP SELF ASSESSMENT TOOL

Distribute this two-page document to each member of your co-op development working group. Answer every question to the best of your abilities. Discuss the answers as a group, and use any dissenting views as the basis for further discussions. This process will ensure that the group is in complete agreement as to the vision and purpose of the co-op.

1. What need/opportunity will the co-op meet?
2. Are there other organizations or businesses currently filling this need in your community (including online)?
3. If so, list them.
4. How was this need met in the past?
5. Why does the opportunity exist now to develop a co-op to meet this need?
6. Who will benefit from the development of this co-op. How will they benefit?
7. Why are you considering the co-op model to meet this need? What about co-ops appeals to you?
8. Will the co-op be for-profit or not-for-profit?
9. How many people are working together to start the co-op?
10. What skills and resources do they bring to the group?
11. What other skills and resources will you need?
12. How will you access/develop these skills and resources?

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7. Will the co-op be for-profit or not-for-profit?
8. How many people are working together to start the co-op?
9. What skills and resources do they bring to the group?
10. What other skills and resources will you need?

11. How will you access/develop these skills and resources?

12. Why do you want to start a business together rather than on your own?

13. What experiences have you and/or your group had in working collectively to achieve a goal?

14. What lessons did you learn from those experiences?

15. What is your strategy to build support for the co-op?

16. What steps will be needed to achieve your goal of setting up a co-op?

17. Co-op development requires talent, time and tenacity. Describe the commitment you are prepared to make in the next 6 months/12 months/2 years.

18. What do you hope to gain from your participation in the co-op?

19. How will you finance the co-op? (Consider the costs of both co-op development and the costs of operating the co-op enterprise. )

What further research/information do you need to make your decision to start a co-op?

# APPENDIX C:

## SUCCESS FACTORS

Multiple studies have shown that co-operatives have a higher survival rate than conventional businesses. A 2008 study in Quebec revealed the following success factors:<sup>1</sup> Four factors indicate that the higher survival rate is specifically due to the inherent structure of the co-op model:

- The focus on member service as opposed to profit, which has an impact on business decisions.
- The central role of the member, who is both investor and consumer in the co-op.
- The democratic nature, the return of profits to members and the open governance structure of co-ops.
- The presence of a group of promoters rooted within communities.

Three factors also indicate a historical advantage, as well as the business environment of co-ops:

- Strong representation in economic sectors that fulfill basic human needs, including agriculture, forestry, residential services, funeral services and education.
- The majority of successful co-ops operate in both regional and sectoral networks.
- Support of primary and secondary organizations, which favours improved project management of start-ups and in the development and presence of financial and fiscal tools and resources, which are adapted to the co-op model.

A study undertaken by BCCA to assess the survival rate of co-ops incorporated between 2000 and 2010<sup>2</sup> shows that these co-ops attribute the following factors in their success:

- Financial factors, both in terms of adequate start-up capital, and in the realization of the importance of start-up capital to the success of the co-op.
- The background and experience of the board of directors.
- Paid management with previous co-op experience (as opposed to volunteer managers with no co-op background).
- Training and enlisting outside consultant expertise.
- Business planning and clarity of purpose.

<sup>1</sup> Survival Rate of Co-operatives in Québec, 2008 edition, Report by Ministry of Economic Development, Innovation and Export in Québec (translated by the Ontario Co-operative Association). [http://www.ontario.coop/cms/documents/212/2008\\_Quebec\\_Co-op\\_Survival\\_Report\\_Summary.pdf](http://www.ontario.coop/cms/documents/212/2008_Quebec_Co-op_Survival_Report_Summary.pdf)

<sup>2</sup> [http://www.bcca.coop/sites/bcca.coop/files/BALTA\\_A11\\_report\\_BC.pdf](http://www.bcca.coop/sites/bcca.coop/files/BALTA_A11_report_BC.pdf)

In the BCCA study, the most important advice that respondents had for new start-ups was:

- Get outside help (i.e., consultants).
- Anticipate problems and solutions.
- Be flexible with the changing nature of the co-op structure.

The respondents also advised new groups to keep it simple and focused, get community buy-in, do a business plan and feasibility study, talk to others who are doing similar things, and set up structures and policies.

## SMALL BUSINESS SURVIVAL TIPS

Follow these tips to avoid some of the pitfalls that can lead to small business failure.

- Develop a good marketing and business plan that takes into account customer needs, competition, pricing and promotional strategies.
- Have a good working knowledge of [co-op and] business law or hire a lawyer.
- Understand your business finances, such as cash flow and handling credit.
- Keep a good inventory of your products or services and your existing customers.
- Supervise, train and motivate your employees.
- Make sure you have the experience, expertise and talent to run your business.
- Plan every part of your business from start to finish.
- Know your market and define how much of it you will be able to capture.
- Make sure you are offering a product that is unique and competitive, or at a lower cost than that of your competitors.
- Don't under-estimate your expenses and over-estimate your revenue.
- Make sure you have some cash reserves or a line of credit to help you get through slow periods.

*Source: Canada Business Network*

# APPENDIX D: ELEMENTS OF A CO-OP FEASIBILITY STUDY

Use these four topics as the foundation for a formal study to determine your group's capacity to develop:

## The Co-op

- Level of group development (consensus on the vision, skills, "key person" strengths/weaknesses, etc.)
- Systems support
- Access to funding
- Capital available for investment/access to financing
- Motivation and expectations (key result areas, minimum acceptable outcomes, etc.)

## The Proposed Product

- Refined product definition
- Packaging, promotion
- Market profile (most available market, most lucrative market, market entry strategy, competitive products, popularity trends, etc.)
- Production features and practices (how complex, how risky, special handling, etc.)

## The Production

- Facilities (scale, capital costs, location)
- Workers (skills requirements, employment challenges, number of workers, workplace safety, etc.)
- Management production control
- Availability of supply for key components, market scope and delivery





# APPENDIX E: INCORPORATION DOCUMENTATION GUIDANCE

Answers to the following questions are required to draw up the four documents required for incorporation. Every co-op incorporation is unique. However, these considerations will assist you in proceeding through the incorporation process.

## MEMBERS

### 1. Who will the members be?

The Rules must describe a typical member of the co-op. Eligibility can be very open: e.g., “anyone who can use the services of the co-op or support its objectives” or more specific: e.g., “anyone who is employed in the operations of the co-op” or “any artist who uses the facilities of the co-op.” (You may also decide that not everyone who uses the co-op needs to be a member.)

If a group wants membership to include individuals or organizations who will use the co-op differently (e.g., some members will market their products through the co-op and others will purchase services from the co-op), it is possible to identify membership as one of several possibilities.

Another approach is to create different classes of members. The Rules can attach different conditions to each class in relation to number of membership shares to be purchased, representation on the board and so on.

Co-ops with more than one type of member are often referred to as multi-stakeholder co-ops.

### 2. What obligations will members take on as members of the co-op?

There are obligations that may be specific to the co-op. For example, “A member must be employed by the co-op,” or “Must market all or a certain percentage of a particular product s/he makes through the co-op.” Some of the obligations are statutory but may also be included in your submission. For instance, a member must hold “the required number of membership shares”.

### 3. What service(s) will the co-op provide to its members?

The Memorandum must describe the purpose for which the co-op is being created. Does it provide employment? Access to equipment or facilities? Services to market a product?

#### 4. How will members get admitted to the co-op?

The Rules must identify the process that admits members to the co-op. It can be as simple as “approval by the Directors.” This doesn’t prevent the co-op from having a ‘try-out’ period before a member’s application is accepted.

#### 5. Under what circumstances would you want to be able to expel a member, and how would you want to go about that?

You must state in the Rules why and how a member may be expelled from the co-op. The Directors have the legal authority to expel a member, but the decision to do so must be passed by a special resolution of the members. The co-op may define the requirements of this resolution. The Rules also contain an appeal process, whereby a member being expelled may appeal this decision to the general membership.

## STRUCTURE

#### 1. Do you want to place any legally binding restrictions on what the co-op does?

On incorporation, the founding members can specify in the Memorandum certain activities that the co-op will or will not undertake, e.g. it will only sell “organically grown products” or “authentically produced Squamish art.” If members want to change the restriction in the future, they will need to pass a special resolution and submit the change to the Corporate Registry in Victoria.

#### 2. Do you want to legally structure the co-op as a not-for-profit co-op?

Not-for-profit status may give the co-op access to programs and funding that are only available to non-profit societies. There are two elements that comprise “not-for-profit” status in co-operatives. The first is the “not-for-profit dissolution clause” that prohibits members from taking any residual value if the co-op should permanently close. The second element prohibits members from withdrawing profits as dividends while the association is in operation. There is no obligation to include either in your structure but if you wish to do so, the Memorandum must specify the inclusion of these elements. Note that inclusion of one or both elements does not automatically give the co-op access to charitable status or compel the Canada Revenue Agency to treat the co-op as a not-for-profit entity. You must apply separately to the CRA for charitable status, which may give the co-op access to programs and funding that are only available to non-profit entities.

Since April 2007, an amendment in the Act means that non-profit co-ops can now be incorporated as Community Service co-ops and have similar status to non-profit societies. The change facilitates the eligibility of Community Service co-ops to apply for charitable status with the CRA.

## SHARES

### 1. How many types of shares do you need for the co-op?

A member is required by the BC Co-operative Association Act to “subscribe to” (which means purchase or commit to purchase) at least one Membership Share. The co-op has the ability to require that members must purchase more than one Membership Share. The number to be purchased can be changed as the co-op develops. Only members can purchase Membership Shares.

The Memorandum and Rules must also indicate if you want to have Investment Shares in addition to Membership Shares. If the co-op decides to have one or more classes of Investment Shares, terms would need to be attached to them to encourage their purchase for the purpose of raising capital. They may, for example, have preferred redemption conditions, higher rates of return, or other rights. Keep in mind that having Investment Shares can be handy for raising your capital, but it is a more complex structure and needs more administration and reporting to government.

Shares may be structured as par value shares or non-par value shares. Par value shares have a face or nominal value, such as \$10, \$25, or \$100. This is what a person pays to acquire a share; when the share is redeemed by the co-op it is redeemed at the same amount. Investment Shares are most often non-par value; they are purchased from the co-op at an agreed-upon amount, and as the co-op is successful, part of the earnings of the co-op are allocated to increasing the redemption value of these shares.

Members may not be required to purchase Investment Shares, but may be encouraged to do so by attaching attractive terms and conditions to them.

Ultimately the decision about how the co-op structures its capital must meet the needs of the members, but also the needs of the business plan. If the business plan is not completed at the point the co-op is being incorporated, it may make sense to include a class of Investment Shares even if they are not used immediately or even in the long run. If you include Investment Shares, you cannot also include the not-for-profit language described above.

Establishing a class of Investment Shares means the co-op must comply with the BC Securities Act and regulations. Consultation with a lawyer who is familiar with the Securities Act (and with the Cooperative Association Act) is imperative.

## 2. Do you want to be able to sell Investment Shares to non-members?

In BC a co-op may structure its Investment Shares such that they can be sold to non-members, therefore giving the co-op potential access to a bigger pool of community capital. If a co-op does include this option, the non-member shareholders must have some participation in decision-making and these conditions must be described in the Rules. There are also a few specific issues on which a co-op is required to provide a separate voting forum for holders of each class of Investment Shares. In this forum, members and non-member shareholders who hold Investment Shares have votes equal to the number of shares they hold (as is the case in a company structure).

It is important to consider how the co-op will maintain control over the enterprise if it issues Investment Shares to non-members.

## 3. How many shares can a member hold?

The Act does not limit how many Membership or Investment Shares a member can hold. The most common approach is to set the maximum as a specific number. You may choose not to place a maximum number. However, the rules must state the limit if there is a limit, or state there is no limit.

## 4. Do you want to be able to transfer ownership of Membership Shares from one member to another, and if so, how?

The Rules must state if Membership Shares are transferable or non-transferable. If shares are non-transferable, only a member may “redeem” his/her shares, i.e., turn them in to the co-op and get the par value back in cash. The wording usually is “in a form that is agreeable to the board.”

## 5. Do you want some sort of mechanism for members to “lend” money to the co-op?

The Rules can outline how members can make direct loans to the co-op on which the co-op could negotiate terms of repayment, interest, etc., or the loan payments could be “retained dividends” which would allow the co-op to issue dividends to its members, but retain the cash in the co-op to be used as needed.

## DIRECTORS

1. How many members do you want on the board of directors? Would you like to be able to have a non-member or two as directors?

According to the Act, the board of directors may not be fewer than three people. The co-op may have up to 20% of the total number of board members as non-members of the co-op. Sometimes it can be useful to have non-members on the board because of their expertise or because they represent a significant partner or sponsor.

One way to attract Investment Shareholders could be for the board to appoint a representative of the Investment Shareholders class to the board. If you want to have non-member directors, your Rules must state the option.

2. What is the quorum for board meetings and powers of the board?

The Rules must state the quorum (i.e., the number of directors required to make official decisions at a meeting), even if quorum is a simple majority of the directors. The Act gives the board of directors “all the powers of the association” unless you specify otherwise in the Rules.

Do you want to restrict the powers of the board in any way? For example, limit the amount of money they can spend or invest at any given time, or how they admit members into the co-op? Any restriction you place on the powers of the board will generally mean they have to go to the general membership for its approval before carrying out a restricted activity.

3. How often do you want the co-op to have board meetings?

The frequency of board meeting is best stated in the Rules as the minimum number of board meetings. The co-op will be legally bound to have at least this number of meetings, and may have more, but not less.

### General Meetings

1. How often do you want to require the co-op to have general meetings?

The Act requires the co-op to have one annual general meeting. You can have more as you wish but do not need to specify the number in a rule.

2. What do you think is a reasonable quorum for general meetings?

The quorum may be expressed in the Rules as a proportion of the total membership, as an absolute number or a combination of the two (for example, “half the members but never fewer than ten”).

*Source: Devco (used with permission)*

# APPENDIX F: MORE ABOUT CO-OPERATIVES

## THREE CO-OP DIFFERENTIATORS

Co-operatives and credit unions differ from other enterprises in three key ways.

- 1. Purpose:** Co-ops meet the common needs of their members, whereas most investor owned businesses exist to maximize profit for shareholders.
- 2. Control Structure:** Co-ops use a system of one member/one vote, not one vote per share. This helps them to serve common interests and to ensure that people, not capital, control the organization.
- 3. Allocation of Profit:** Co-ops and credit unions share profits among their member-owners on the basis of how much they use the organization, not on how many shares they hold.

Only in the co-operative enterprise model are all the interests of ownership, control and beneficiary vested directly in the hands of the user – typically the co-op member. Co-operatives are owned and democratically controlled by their members, not external shareholders. Each member has one vote, regardless of how much investment is made in the co-operative or credit union. Sometimes non-members can access some or all of the co-op's services, but non-members do not have the same rights as members.

## CO-OP PRINCIPLES

As enterprises driven by values – not just profit – co-operatives share internationally agreed principles and act together to build a better world through co-operation. Unlike the private, public or voluntary sectors, all co-operative organizations around the world are guided by the same seven principles which form the guidelines by which co-operatives put their values into practice. The most recent iteration of the co-operative principles was adopted by the International Co-operative Alliance (ICA) in 1995.

The BC co-op sector is linked to the international co-op movement through BCCA's membership in Co-operatives and Mutuals Canada (our national co-op federation), which is a member of the ICA.

The seven international principles of co-operation are:

### **1. Voluntary and 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.

### **2. 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 also organized in a democratic manner.

### **3. 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. Members 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 their 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; and supporting other activities approved by the membership.

### **4. Autonomy and 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.

### **5. Education, Training and 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.

### **6. 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.

### **7. Concern for Community**

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



British Columbia has one of the most vibrant co-operative movements in Canada.

There are nearly 700 co-ops and credit unions in BC. They are active in a broad cross section of sectors including financial services, insurance, health services, housing, transportation, social services, agriculture, forestry, fisheries, post secondary education, community investment and retail. Total membership in British Columbia's co-operatives exceeds two million. Collectively, these people control more than \$50 billion dollars in assets through ownership of their co-ops.

Co-ops can be large businesses (think of The Co-operators or Mountain Equipment Co-op), medium-sized operations (Prospera Credit Union, MODO Co-operative Auto Network or BC Tree Fruits), or small enterprises (your local child care co-op, BC Libraries Co-op or Cortes Natural Food Co-op).

Co-operatives are also located in many of Canada's smallest and most remote communities.

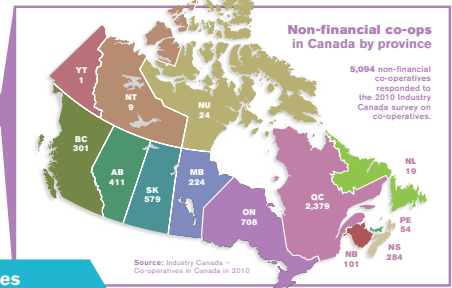
# THE ECONOMIC IMPACT OF CO-OPERATIVES IN CANADA



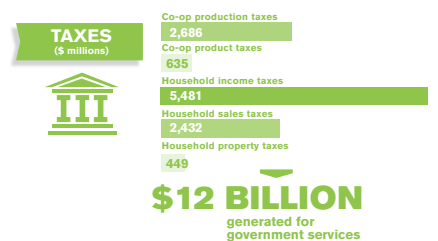
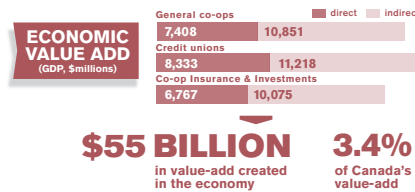
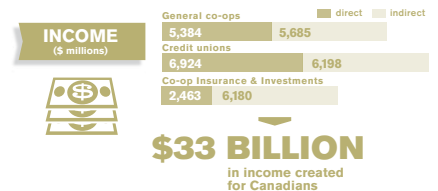
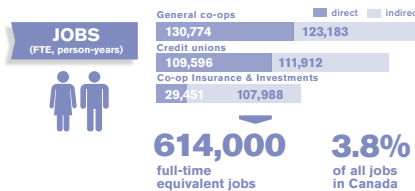
Results from the 2010 economic impact analysis performed by George Karaphillis, Fiona Duguid and Alicia Lake of the Measuring the Co-operative Difference Network.

## Participating in this study

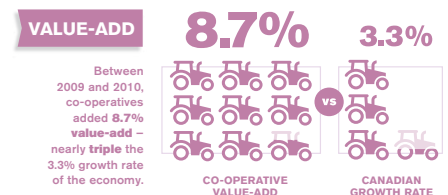
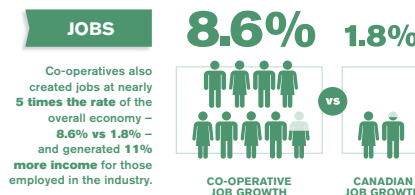
**5,094** non-financial (general) co-ops  
**877** credit unions  
**6** insurance and investment firms



## The direct and indirect impact of co-operatives



## Co-operatives outperformed the broader economy



For the full report and to find the full *Measuring the Co-operative Difference* research archive, visit [cooperativedifference.coop](http://cooperativedifference.coop)

This research was supported by Social Sciences and Humanities Research Council of Canada / Conseil de recherches en sciences humaines du Canada

Infographic source: <http://www.cooperativedifference.coop/co-op-impacts/on-the-economy/>

## COMPARING CORPORATE FORMS

A co-operative is essentially:	A private investor-owned business is essentially:	A not-for-profit society is essentially:
An association of people and/or organizations.	A union of money.	A union of people and/or organizations.
An organization of users.	An organization of investors.	An organization of individuals or organizations.
Organized by people to serve their own needs.	Organized by entrepreneurs to attract and serve customers, and create profit for owners and investors.	Organized to serve others and the community.
Controlled by its members, through an elected board of directors.	Controlled by those with a majority of shares.	Usually controlled by a Board of directors (which typically is not elected).
Liability is limited; members don't automatically share in liabilities of the co-operative.	Liability is limited; shareholders don't automatically share in liabilities of the company.	Liability is limited; members don't automatically share in liabilities of the society.
Shares are par-value or non-par-value. Members benefit from services provided, more than the accrued value of shares. If profits are distributed, distribution is based on the member's use of the co-op's services.	Shares are (usually) non-par-value. Owners benefit/suffer from the market's valuation of shares. Profits are distributed based on number of shares owned.	No shares, no distribution of funds to members. No profits are distributed.
Surplus earnings (profits) belong to the user-members and are used to make the co-op stronger or returned to members (in for-profit co-ops).	Profit belongs to the corporation – and is primarily used to provide a return to shareholders.	Surplus is reinvested in the mandated services the society provides.

## MORE ON COMMUNITY SERVICE CO-OPS

Community Service co-ops require the inclusion of non-alterable clauses in their rules that ensure that the co-op operates on a non-profit basis and that its purpose is charitable or to provide health, social, educational or other community services.

To incorporate as a Community Service co-op, the co-op's Memorandum of Association must include the following non-alterable provisions:

1. That the co-op is a Community Service co-operative,
2. That the co-op will not issue investment shares,
3. That upon dissolution, the co-op's property must be transferred to another Community Service co-op or a charitable organization, and
4. That no part of the property of the co-op is to be distributed to members while it is in operation.

Note: If the Community Service co-op is also intended to operate as a registered charity, the purposes must fall under one of the Canada Revenue Agency's Heads of Charity (e.g., to provide health, social, educational or other charitable services). Application for charitable status must be made separately to the CRA.

With the inclusion of these provisions, the BC Cooperative Association Act formally recognizes the unique value and role provided by co-operatives that wish to operate on a non-profit basis.

# APPENDIX G:

## A CO-OP DICTIONARY

**Annual General Meeting:** A meeting held yearly by the co-operative for its members. At these meetings, members elect the board of directors, approve Rules changes, and make many other decisions. Co-ops may also have Special General Meetings, as required, in order to make special decisions.

**Assets:** Anything owned by a co-op which has commercial or exchange value: property, accounts receivable (money owed to the co-op), etc.

**Cooperative Association Act:** The legislation that governs the incorporation, operations and other activities of BC co-operatives. Also called “the Act”. The official name of the Act is: **Cooperative Association Act, SBC 1999 – Chapter 28**. This means that it is part of the Statutes of British Columbia (SBC) and that the Act was passed in 1999. The Act only became law in 2001, and has been amended a number of times since then. The Act has companion legislation called the Regulation.

**Capital:** Usually refers to money that is invested in the co-op, with the expectation that it will be repaid to investors. Sometimes, however, grants are also used for capital and not repaid.

**Credit Union Incorporation Act:** Legislation regulating the incorporation and operation of BC credit unions.

**Debenture:** A form of security for a loan stating the terms of the loan, including when it is due and the rate of interest. The loan is usually long-term and guaranteed by the co-op’s assets.

**Director:** A member elected by the general membership to guide the co-op on their behalf and in their best interests. Boards of directors set broad guidelines for the functioning of the co-op, manage the co-op’s overall strategic direction, and hire and supervise the senior management of the co-op. A co-op may provide in its Rules for up to 20% of its directors to be non-members. This provides the ability to include others - investors, for example - in the governance of the co-op.

**Dissolution:** The process of formally closing down a legally incorporated co-operative, disposing of all its assets and settling all its liabilities. Voluntary dissolution must be agreed upon by a special resolution at a Special General Meeting of members. If a co-op has issued investment shares, holders of each class of investment shares must also approve the dissolution at a separate meeting for their class of investment share.

**Dividends:** The portion of the co-op's yearly surplus that is distributed to the owners of shares (shareholders), generally calculated as a percentage of the share capital paid up by the member. Many co-ops do not pay interest on membership shares and may restrict the co-op in its Rules from doing so. Community Service Co-ops may not issue dividends on shares. The Canada Revenue Agency treats co-op dividend payments as interest.

**Incorporation:** The process by which individuals form a co-operative corporation. Incorporation allows you to use the word "co-op" in your organization name and gives legal status to your co-op. The members of an incorporated co-op are generally not personally liable for the debts and actions of the co-op.

**Incorporators:** The individuals who create a new co-operative. They legally incorporate the co-op, recruit its first members, and appoint its first directors.

**Member:** Any person who meets the co-op's membership requirements, whose membership status has been approved by the board of directors, and has bought (or subscribed to) any required membership shares.

**Memorandum of Association:** An official document that proves a co-op is incorporated as a legal association under the *Act*, sets out its purpose and its capital structure, and sets the basic legal framework for your co-operative. (Known in some jurisdictions as the Articles of Incorporation.)

**Offering statement:** In the case of co-ops that issue investment shares, this is a document that provides potential co-op investors with the information they need in order to make an informed decision. The statement should indicate any risks associated with investing and a description of how the co-op will use the money it raises, a description of its business, the names and positions of its directors and officers, how the co-op finances its operations, and its current financial statements.

**Officer:** The main officers of a co-op are typically the chair, president, vice-president, treasurer, secretary and manager.

**Patronage return:** The portion of the surplus earned by a co-op in a given year that will be returned to the members. The amount returned to each member is determined by the amount of business the member has done with the co-op (their "patronage").

**Policies:** Internal guidelines which are created by the members or the board of directors and deal with the daily business of the co-op. A co-op can change its policies by a simple majority vote at the Annual General Meeting or a board meeting. Policies must be consistent with the Rules.

**Redeem:** The action taken by a co-op to buy back shares it has sold to its investors.

**Regulation:** The *Act* gives permission to the provincial Cabinet to make regulations. “Regulations” are rules that cover procedures. These regulations have the same legal force as the *Act*. The Cooperative Association Regulation first came into effect on January 31, 2001 and has been updated since that time.

**Rules:** The internal bylaws and procedures that determine how the co-op will manage and govern its business activities, elect its board of directors, hold meetings and pass new internal rules. The Rules must be consistent with the *Act* and the co-op’s Memorandum of Association. The Rules can be changed by a special resolution of the members. (In some jurisdictions, Rules are known as By-laws.)

**Share:** A share represents a portion of the total capital of a co-operative. Shareholders invest their money in a co-op as a condition of their membership. As with other businesses, shares in a co-op are not secured by its assets and therefore are a risk investment. When a co-op dissolves, the shareholders may potentially lose some or all the amount of money they invested in the shares.

**Par value shares** are shares with a fixed, or face value, which is stated on the share certificate. As long as the co-op is financially capable of redeeming its shares, par value shares will be redeemed at this face value. Membership shares are often par value shares, and membership shares in a Community Service Co-op must be par value shares.

**Non-par value shares** have no fixed value. Their value at redemption will be determined by a formula that is determined in advance and included in the co-op’s Rules.

**Share classes:** A co-op must have at least one class of share, the membership share. It may have more than one class of shares. All classes of shares other than membership shares are called investment shares, and each class of investment share may have different terms and conditions attached. Any co-op that issues any investment share must do so under the terms of the BC Securities *Act*.

**Membership shares** may be held only by members of the co-op, and each member must hold at least one such share as a condition of membership. Membership shares do not confer the right to vote, voting rights are vested in your membership. Hence, no matter how many membership shares a member owns, he or she will only get one vote at general meetings. A co-op may pay a modest rate of interest on paid-up membership shares from its surpluses, but if the co-op has issued investment shares, these will normally have a priority claim on the co-op’s surpluses. When a co-op dissolves, member shareholders receive the value of their membership shares after all the creditors of the co-op have been paid and after the owners of preference shares that have a priority claim have received the value of their shares.

**Investment Shares** may be par value or non-par value shares. The purchase price of an investment share is set by the co-op, its redemption value is determined by a formula placed in the Rules of the co-op, and reflected in a shareholder agreement. Investment shares may be made available to members only, non-members only, or to both members and non-members. Purchase of an investment share may not be made a condition of membership. Other than under exceptional circumstances, investment shares confer no right to vote. In a situation where investment shareholders have the right to vote (sale or disposal of all or substantially all of the assets of the co-op, for example), a separate meeting is held for holders of each class of investment shares, and at that meeting each shareholder gets one vote for each investment share of that class he or she holds.

**Surplus:** What is left of the co-op's income in any given year after it has paid all of its expenses for that year. In co-operatives, 'profit' is called surplus. Surplus may be reinvested in the co-operative to make it stronger, or returned to the members as patronage rebates.



# APPENDIX H: FREQUENTLY ASKED QUESTIONS

## 1. HOW LONG DOES IT TAKE TO START A CO-OP?

There are many factors involved in developing a co-operative and they all affect the length of time it takes to become operational. Sometimes getting a group of people together who will be committed to seeing the process through from conception to launch takes many months. Or it may be that extensive market research is required to assess the feasibility of the enterprise, which adds time to the co-op development process. On the other hand, we know of co-ops that had easy access to essential equipment or facilities and had the necessary time, money and resources to develop their project quickly. They were incorporated much sooner. Every co-operative is unique and each co-op development journey proceeds differently. Your co-op developer and advisory team can provide you with some estimates of the process specific to your working group.

## 2. HOW MUCH DOES IT COST TO START A CO-OP?

Fees<sup>1</sup> to the BC government include reserving the co-op's name - \$30, and filing incorporation documents - \$250. However, filing fees are only one example of the costs you'll incur to develop your co-operative. Starting any type of enterprise takes a lot of time, money and commitment.

Other costs could include technical assistance from a co-op developer to help with some or all aspects of the development and launch of your co-op. For example, help with designing and incorporating your co-op could cost \$2,000. For assistance throughout the entire development process (support for preparing your business plan, establishing policies, training directors, and helping to raise the capital you need) fees could exceed \$20,000. You may also choose to engage a lawyer for certain stages of your development, since most co-op developers are not qualified to provide legal advice. There are also expenses to launch the enterprise, most of which would be common to any type of enterprise that operates in the industry or niche market you've defined. These costs would be identified during the feasibility study and included in your business plan. You may wish to set a small amount for any contingencies, as well.

Your working group must also be prepared to spend a lot of time on the start up, generally without any financial compensation. As with any venture, do your homework to determine what your working group can (or wishes) to accomplish on its own, and when it's prudent to bring in co-op developers, consultants and enterprise advisors.

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<sup>1</sup> Province of BC fee schedule as of March, 2018.

### 3. ARE CO-OPS LEGAL?

Yes, BC co-operatives are legally incorporated entities under *Cooperative Association Act*. Canadian co-operatives can also be incorporated under federal or another province's legislation. Just as with an incorporated company or a society, incorporating a co-operative creates a legal entity that can apply for loans, purchase property or equipment and engage in contracts and other activities in its name. Incorporation also limits the liability of directors and members to the amount of their financial investment in the co-operative. Directors of co-ops have the same responsibility to "direct and protect" the co-operative's business and assets as do the directors of companies and societies.

There are groups that consider themselves to be co-operatives but have not incorporated under any co-op legislation. Only an incorporated co-operative has the legal right to use the word "co-operative" in its name.

### 4. CAN PEOPLE DONATE MONEY TO A CO-OP?

Yes. However, most co-ops will not be able provide a charitable donation receipt for tax purposes since not all co-ops apply or qualify for charitable status from the Canada Revenue Agency. If your intention is to donate money to a co-op in order to receive a tax deduction, check first to see if the co-op has charitable status. Since April 2007, an amendment to the BC *Co-operative Association Act* means that "non-profit" co-ops can now be incorporated as Community Service co-ops and have similar status to non-profit societies. The change made Community Service co-ops eligible for charitable status under the right conditions. (Not all Community Service co-ops will be eligible for charity status.)

There are other options for making a donation to a co-op. For example, you could donate to a charity that uses co-operatives as a way of alleviating poverty – the Co-operative Development Fund of Canada, for example. Under certain circumstances, investment in the shares of a co-op can be eligible for inclusion in a self-administered RRSP, which means that investors can get a tax deduction for purchasing them. You can find more information on the RRSP program on the Canadian Worker Co-op Federation website: [www.canadianworker.coop](http://www.canadianworker.coop).

## 5. WHAT DOES “OPEN AND VOLUNTARY MEMBERSHIP” MEAN?

Co-op principle Number One states that membership in a co-operative is 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”.

The Rules of each co-op give the directors, or someone appointed by them, the right to “accept, refuse or postpone consideration of” an application for membership. Usually, too, this is “at their sole discretion.” This does not mean that the co-op can discriminate against anyone. However, it does mean that a worker co-op has the right to refuse membership to someone who is not qualified for a particular job; or a housing co-op can restrict the number of members to the number of housing units available, for instance.

## 6. CAN CO-OPS TERMINATE A MEMBERSHIP?

Yes. Just as co-op members have a right to select and accept new members, they have a right to terminate a membership. There are procedures for member termination outlined in the *Cooperative Association Act*, and they require that a membership may be terminated only for cause, such as conduct that is materially detrimental to the co-op. Termination also requires the agreement of 2/3 of the co-op’s directors. Normally a termination also requires the agreement of a majority of the membership. The co-op should include clear procedures for terminating a membership in its Rules.



Had a cup of fair trade coffee.

Took a spin to the bike co-op.

Bought organic apples at the food co-op.

Got the mini from the car share co-op.

Arrived at the housing co-op.

Dropped my son off at the pre-school co-op.

Set up my retirement plan at my credit union.

Picked up a prescription at the health co-op.

Planned my trip to Hawaii with the travel co-op.

# I choose CO-OP

One-third of British Columbians are members of the province's 700 co-ops. Join us! Visit [bcca.coop](http://bcca.coop) to learn more.



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Building BC's  
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