

**MODULE #1:**

**BASICS OF THE CO-OPERATIVE MODEL**

**Newfoundland-Labrador Federation of Co-operatives**

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## Unit 1.0 Co-operatives: the Basics

### 1.1 What is a Co-operative?

A cooperative is a business organization legally incorporated under either a provincial or federal legislation. In many respects, a co-operative operates like other business entities. However, it is different from other businesses in terms of its structure, purpose, ownership, governance, investment and disposition of profits.

The International Cooperative Alliance (ICA) is the organization that represents the co-operative business sector from a global perspective. It defines a co-operative (known also as a “co-op”) as “an autonomous association of persons united voluntarily to meet their economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.”

The Canadian Co-operative Association (CCA) represents the co-op business sector in Canada. It builds on the ICA’s definition by further defining a co-op’s operational structure. “A co-operative is an enterprise that is jointly owned by the members who use its services. All members of a co-op are equal decision makers in the enterprise, using a democratic system of one-member, one-vote. In turn, all members share the benefits of co-operation, based on how much they use the co-operative’s service.”

A co-operative is a business entity based on democracy. That is, all members participate in decisions that direct the policy and governance of the business. The co-op model is utilized for all kinds of social and economic enterprise. Co-ops operate in many business sectors in Newfoundland and Labrador and can be found in almost every social and economic sector in Canada and around the world.

Co-ops have existed for many years in the more traditional economic sectors such as agriculture, fisheries, and financial services. More recently however, they have been established in such sectors as health care, transportation, child care, funeral services, culture/tourism, energy production, waste recycling and pharmaceutical services, to name a few.

### 1.2 Types of Co-operatives

Co-operatives can be formed for many different purposes and are classified in many ways: by sector, by purpose and by membership. In Canada co-operatives operate at the local, provincial and national levels. Some co-ops do business internationally. Types of co-ops include:

- Financial Co-operatives. These co-operatives offer deposit, loan and/investment services for members. Credit unions are the most common example of this type of co-operative.
- Retail Co-operatives. These co-ops provide their members with goods such as food, hardware, clothing and recreational gear. They range in size from small purchasing groups to large supermarket and retail supply organizations.
- Service Co-operatives. These co-ops provide a variety of member services including housing, child care, water supply, communications, energy, health care, transportation,

communication, and municipal services. Almost any community service can be delivered using the co-op business structure.

- Producer Co-operatives. They provide their member/producers with services necessary to support their business activities and market their products and services. They are prominent in the agricultural sector where they process and market products, provide farm supplies, operate feedlots and run community pastures. Co-ops also operate in other primary sectors including the fishery, forestry, cultural and crafts sectors.
- Worker Co-operatives. These co-ops are owned by their employees and their purpose is to provide them with work through the operation of their enterprise. They are prominent in such sectors as organic foods production, the arts and entertainment industry, forestry, construction and home care sectors.
- Multi-stakeholder Co-operatives. These co-ops include different categories of members who share a common interest in the success of the business. The members often include employees, investors and service recipients. They are prominent in the community development, home care and health care sectors.

A new category of producer co-operative is called a “new generation” co-op. It is different from other producer co-ops in that it requires contractual agreements that obligate members to sell their product to the co-op and for the co-op to purchase it, based on an agreed upon price. This approach provides the member with a guaranteed price while ensuring that the co-op has the product it needs to honor its marketing and sales agreements. New generation co-ops are most prominent in Ontario, Saskatchewan and Manitoba.

Another model used in Newfoundland and Labrador is the community service co-op. These co-ops are incorporated under special provisions of this province’s Co-operatives Act. Generally speaking they are formed to respond to community needs such as health care, elder care and municipal and community development services. All financial surpluses generated by these co-ops are retained within the business to further its continued growth and success.

Co-operatives are flexible and adaptable business entities. They can be formed to provide many different services, can operate in all economic sectors, and can be structured to meet the specific needs of the people who form them.

## **1.3 Co-operative Profiles**

### **International**

Ocean Spray Co-operative. Ocean Spray is an agricultural co-operative formed in the 1930’s which is owned by more than 800 cranberry growers in the United States and Canada. It has over 2000 employees and is the leading producer of canned and bottled juice drinks in North America. In 2005 it posted gross sales of roughly \$1.4 billion.

## **National**

The Co-operators Group Limited. The Co-operators is the largest multi-product insurance company in Canada, with assets exceeding \$5.7 billion. This co-operative had its beginnings in 1945, providing life insurance for farmers in Saskatchewan. After several amalgamations and transformations, the co-operative became a national entity providing a variety of insurance products across the country. It is now owned by 37 co-operative organizations, one of which is the Newfoundland and Labrador Federation of Co-operatives.

## **Newfoundland and Labrador**

Fogo Island Co-operative Society Limited. In the early 1960's, Fogo Island was scheduled to be resettled. Residents made the decision to stay and try to make it on their own. Island residents came together and formed the co-op in 1967 with the goal of building an economy around the fishery. They took possession of facilities abandoned by private enterprise, built new plants and developed new markets. Today, the co-op has a fleet of 30 long-liners, three fish plants, a laboratory, and a marine service centre. Its annual sales exceed \$15 million.

Eagle River Credit Union. In 1984, people living on the south coast of Labrador learned that their only bank was pulling out of the region. They decided to set up a credit union. A steering committee was established to lead the process with the local shrimp company spearheading the effort. The new credit union opened its doors later that year in the building left by the bank and using the same office equipment. Eagle River has since grown into the province's second largest credit union in the province, with over 6300 members, 6 branches and assets of over \$63 million.

Advocate Youth Services Co-operative. AYSC was established in 2007 by a group of young people in Baie Verte to facilitate their participation in the development of their community and to undertake skills development and career orientation activities for its members. The co-op generates revenue by undertaking community development/infrastructure projects and through sponsorship of social and community events.

## **Other Provinces**

West Prince Funeral Co-op, PEI. Residents of this rural region of PEI were concerned about the exorbitant rates being charged by private funeral homes for funeral services. The local Parish Priest convinced them of the benefits that a funeral co-op could help reduce costs for the same services. Spearheaded by local organizations, the West Prince Funeral Co-op was established in 1986. The Co-op opened with an embalming room in the Church basement and a visitation parlor in the chapel vestry. It rented these facilities from the parish for 6 years but in 1992 it built a modern, fully-serviced building to accommodate the successful co-operative enterprise.

## **Unit 2.0 Co-operatives as a Business Model**

### **2.1 Co-operative Structure: Roles and Responsibilities**

Co-operatives, by their very nature, are democratically run businesses. This directly impacts their organizational structure and how they operate. Fundamental to that structure is the role and responsibility of the member/owners of the co-op, which then defines and determines the roles and responsibilities of other elements of the organization.

The co-operative is sustained through a democratic structure comprised of the members, a Board of Directors, and various committees and, in many cases, management and staff. A co-op's structure may be very simple or more complex, depending on the nature and size of the business.

The components of the co-operative structure are linked. The membership invests in the co-op, sets its objectives, participates in policy provide the basic governance for co-op operations. The membership elects the board of directors at the co-ops annual general meeting (AGM). The board of directors represents the membership and is more closely involved in the day to day operations of the enterprise. The board would be responsible for hiring and supervising the co-op's manager, who would then hire and supervise other co-op employees. Committees may be established work on specific aspects of the co-op's operations. The roles and responsibilities of these co-op stakeholders in a larger co-operative are as follows:

### *2.1.1 The Membership*

The membership is always at the ultimate decision making body in a co-operative. Their service needs are the sole reason why the co-operative was established in the first place. They are the owners of the enterprise and as such, exercise their collective democratic control over how it operates. Specifically, the responsibilities of co-op's members are to:

- Attend the AGM and other membership meetings
- Invest share capital (member equity) in the co-operative
- Use the co-operative's services
- Participate in the election of the Board of Directors
- Be aware of and abide by the co-ops By-Laws, and policies
- Participate in the decision making process
- Serve on the Board and co-op member committees
- Promote the co-operative to others and to the community in general.

### *2.1.2 The Board of Directors*

The board carries out the direction it receives from the members and operates within the framework of the Co-operatives Act, the co-op's Articles of Incorporation, by-laws and operational policies. It governs the affairs of the co-operative between annual general meetings. The responsibilities of the board of directors include:

- Ensuring adherence to the Co-op Act, Articles of Incorporation and By-laws
- Articulating the co-operative's mission, purpose and other policies;
- Establishing and ensuring adherence to appropriate financial procedures;
- Selecting and supervising management;
- Approving the co-ops budget and monitoring operations;

- Developing and monitoring long-term strategic plans;
- Recruiting and orienting new board members;
- Recommending by-law amendments or new by-laws to the membership;
- Ensuring implementation of member and public communications plans;
- Managing and protecting the assets of the co-operative;
- Participating in board training/education sessions;
- Accepting or rejecting new membership applications.

### 2.1.3 Committees

The board and membership may delegate some responsibilities, particularly around issues of an operational nature, to an executive committee. This committee would be comprised of a president, vice-president, secretary and/or treasurer. Other committees may be appointed, from time to time, to take on other tasks and projects.

Committees with ongoing areas of responsibility are called standing committees. Examples include Finance and Member Communications committees. Working committees are formed when required to deal with one time issues and/or projects. An example might be a committee that works the development of a new policy and is dissolved after the submission of a final report and recommendation to the board.

Committee members usually come from within the co-op but external expertise is also used, as required. Most committees make recommendations to the board or membership on the issues which they have been asked to address. Committees usually have their responsibilities outlined in the co-op's by-laws or in a "terms of reference", issued by the co-op, to guide its activities.

### 2.1.4 Management and Staff

The responsibilities of a co-op's manager are similar to those of a private sector company. While the board supervises the manager, he/she is responsible for supervising the other staff. If co-operative is to be successful, it must be a viable, self-sufficient business. Consequently, a board has the responsibility to appoint a competent manager to run their business on behalf of the membership. The Board must then support that manager and work with him/her to ensure the co-operative's ongoing success.

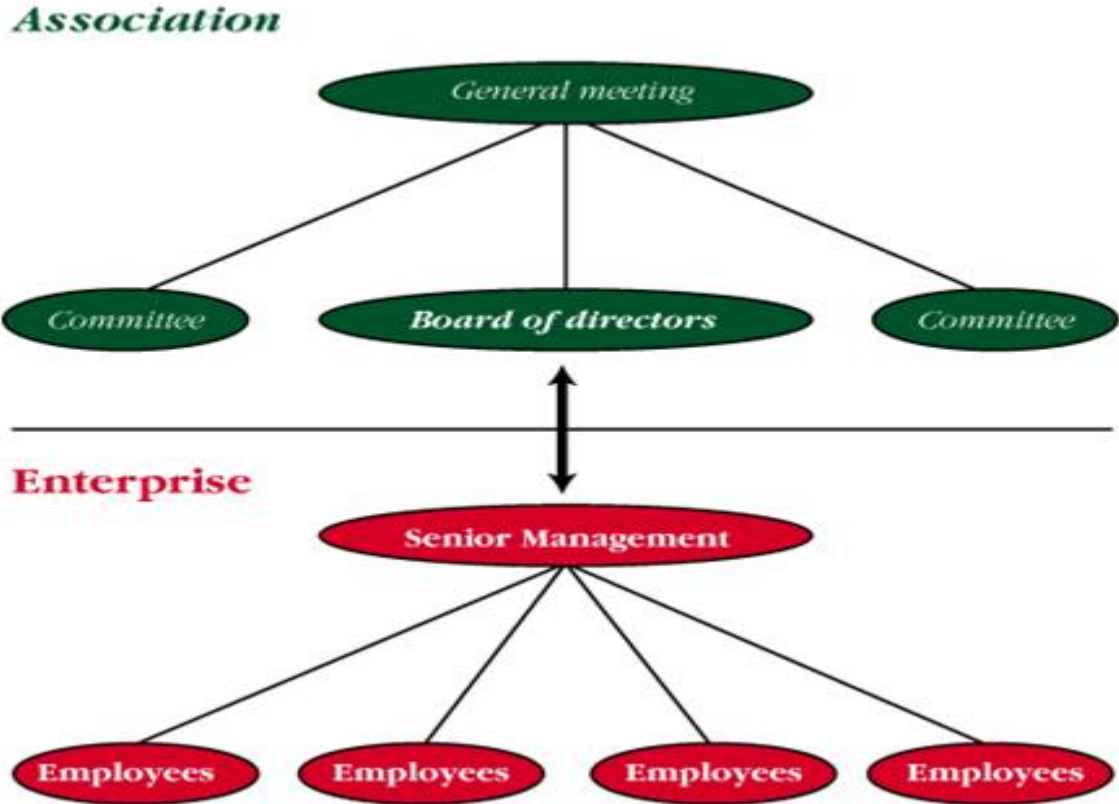
The relationship between board and management in a larger co-operative is a critical one. They are the two elements of one team and must work together with a clear understanding of each other's roles and responsibilities. John Carver, in his 1990 book titled *Boards that Make a Difference* said the following about that relationship:

*No single relationship in the organization is as important as that between the board and its chief executive officer. Probably no single relationship is as easily misconstrued or has such dire potential consequences. That relationship, well conceived, can set the stage for effective governance and management.*

To avoid misunderstanding it is important to develop clarity around the roles of board and management. While the board has the ultimate responsibility for the success of the co-operative, it must rely on the professional competence of the management and staff to achieve that success. In establishing the processes and practices that define this relationship, the Board should endeavor, paraphrasing John Carver, to “*keep their arms around the co-operative while keeping their fingers out.*”

2.1.5 An Organizational Framework

The chart below describes how a co-operative is structured. It illustrates the unique quality of a co-operative being both a democratic “association of people” and a business “enterprise”.



2.2 Smaller Co-operatives

In this province many co-ops are established to deliver services on a limited scale for a small number of members. In such cases there is often no need, nor are the financial resources available to employ a manager and staff, or their employment may be on part time or seasonal basis. In these co-ops the responsibilities of the membership becomes more participatory than

would be the case in a larger co-op. There is also an expanded role for the board and committees as they would become more directly responsible for the co-op's day to day operations.

Members of these co-ops recognize the implications of this early in the development process and structure themselves accordingly. Most often this means a significant volunteer contribution from all members, particularly if they have a skill in areas such as marketing and sales, accounting etc. that would benefit the co-op's operations. Smaller co-ops also often access the expertise of other co-ops, local community development organizations and government to assist them with their operational activities.

## **2.3 Comparison with Other Business Models**

As already stated, a co-operative is business enterprise and the co-op model can be applied to any economic activity. Like other enterprises however, they require capital investment and human resource expertise. Co-ops must also effectively respond to the needs of their members, be well-managed and financially self sufficient.

However, co-ops differ in a number of ways from other business models. Co-ops are established because there is a community identified need. They are often established in communities where important services are being lost or new services are required. The priority of the co-op is to ensure the continued availability of the service it provides, with profit generation being a secondary concern. This means that in a co-operative there is less of an emphasis on the generation of profits than there would be in a privately owned corporation.

Co-ops are therefore, driven by both social and economic concerns. They are community-based enterprises that are established by their member/owners to meet their economic and social service needs. The priority for co-op is to improve the quality of life for its members, not to make profits for shareholders. The basic distinctions that make co-ops unique can be summarized as follows:

- Different Purpose: Whereas the primary purpose of a private sector enterprise is to maximize profit for its owners and/or shareholders, the primary purpose of a co-operative is to meet the common service needs of its members. However, a co-operative must maintain a level of profitability necessary for it to maintain stable operations.
- Different Control Structure: Whereas share ownership is the controlling factor in most private sector businesses, members are the controlling factor in a co-operative enterprise. In a co-operative each member has one vote regardless of the number of shares held.
- Different Allocation of Profit: Whereas investor-owned businesses must distribute profits in the form of dividends allocated based on number of shares held, co-operatives distribute profits to members in proportion to the business they conducted with the co-operative during its business year.

To see a detailed comparison of the co-operative business model with other business models, please see **Appendix "A"**.

## **2.4 Member Benefits and Obligations**

As a unique form of business model driven by its principles and values, forming a co-operative has certain benefits. These benefits include:

- Member access to goods and services often not otherwise available.
- Member and community control of co-op business activities.
- Co-op accountability to members and the community re its activities.
- Profits returned to members and retained in the community.
- Greater community independence re socio-economic decision making.
- Greater business stability and longer operational life.
- Member education through “engagement” in the decision making process.

As previously indicated receiving these benefits requires that members participate in the governance of the co-op and use its services. They must be prepared to invest money and to work collectively with other members to make the co-op a success. All co-ops require the involvement and support of their members if they are to succeed. In summary the CCA in its guide book “Building a Better Future, Through Co-operation” describes the benefits and obligations as follows:

“Being a co-op member takes commitment, money and time. Co-op members also have to be able to work together, and be prepared to accept decision making by majority vote. The start-up planning process for a co-operative can be more complex than that of traditional business because it requires many people to come together to create a business plan. However, the advantages of working with a group of dynamic and committed people, who bring a variety of skills to the table, frequently outweigh any drawbacks.”

## **2.5 Essential Conditions for Success**

Despite their advantages and high survival rate, co-ops, like other businesses can succeed or fail depending on a variety of factors. Starting a co-op can sometimes be a lengthy process, as it takes time to inform and educate members and build consensus around a business plan. However taking time to do this right will mean a more committed and supportive membership which is the key to a co-op’s long term success.

Two fundamental conditions are necessary for a co-operative to be successful. The members must share an ongoing economic and/or social need that is being responded to by the co-operative. The co-operative option must be seen as the most effective means of addressing this need in terms of minimal cost and quality of services. The following are some other essential conditions necessary to establishing a successful co-operative:

- A feasible business with a good business plan.
- A strong member investment base and other sources of financing.
- An educated and supportive membership who understand their responsibilities.
- An effective board of directors and well trained, competent staff.
- Strong leadership and a leadership succession plan.
- A strong and positive relationship with the community.

- Ensure that local resources are used wherever possible.

While it is important that a co-op be successful financially, its success is not measured based on return on investment, but by the extent to which it has met the needs of its members.

## 2.6 Misperceptions about Co-operatives

There are some misperceptions that are often held with respect to the co-operative model. The following table presents some of those that are most prevalent and provides the realities.

<b>Misperceptions</b>	<b>Realities</b>
Co-operatives have a high failure rate.	Some studies put the survival rate of co-operatives at twice that of their private sector counterparts.
Co-operatives are charitable, non-profit organizations.	Although not the primary goal of a co-operative, most can and do generate profits.
Co-operatives usually sell groceries or market agricultural products.	Although there are many consumer and agricultural co-ops, co-ops now operate in countless other industry & service sectors.
Co-operatives are controlled by the CEO.	In fact, a co-operative is ultimately controlled by the members through the Board of Directors.
Co-operatives are irrelevant in a global economy.	In 1994, the UN estimated that the livelihood of three billion people was made more secure by co-operatives. At least 800 million people are members of co-ops and they employ over 100 million people.
Co-operatives membership can only be held by individuals.	Membership may be held by incorporated organizations including non-profit associations, and other businesses.

## Unit 3.0 Co-op Principles, Legislation & Governance

### 3.1 Co-operative Principles and Values

The co-operative principles are a set of basic standards that guide the operation of all co-operative enterprises. They are the guidelines by which all co-operatives put their values into practice and what distinguishes them from other enterprise models.

Since their adoption, the International Co-operative Alliance has revised and updated the principles. Most recently, revisions have been undertaken because of the ever widening use of the co-op model and in response to economic and social change. There is now a new generation of socially and environmentally conscious individuals who are using the co-operative business

model because co-op principles and values fit with their own values and life styles. For example, bicycle and car sharing co-ops are being formed to conserve energy and wind energy and bio-fuels co-ops are being formed to produce “green” energy. Although the co-op principles and values have been reframed, their original elements have been maintained and continue to be relevant in our contemporary world.

At its world conference in Manchester England in 1995 the International Co-operative alliance adopted a new definition and set of principles and values for the 21<sup>st</sup> century. The seven principles are listed below.

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training, and information
6. Co-operation among co-operatives
7. Concern for community

The new definition of a co-operative is constructed to include a wide and growing array of co-operative enterprises. It identifies the fundamental characteristics of any co-operatively run enterprise. They include: co-op autonomy, association of persons, voluntary membership, member need, joint ownership, democratic control and business viability.

The values are divided into two groups with the first representing ‘organizational’ values while the second reflects the ‘personal’ ethics and values that all co-operators endeavor to bring to their co-operatives. These values are what defines and sustains the principles and where co-ops engage “engage the hearts, conscience and loyalty of the membership.”

Set within the co-operative identity, these values and principles clearly distinguish co-operatives from all other forms of enterprise. To quote Canadian co-operator Ian MacPherson, “Viewed as a totality, these Principles, linked to their sustaining values and summarized in the definition, indicate what is unique about co-operatives regardless of where they exist.” A review of the definition, principles and values is provided in **Appendix “B”**.

## **3.2 Co-operative Legislation**

A co-operative is a legal business entity and must be incorporated under provincial or federal legislative acts specifically constructed for the establishment and operation of co-operative enterprises. These acts govern the formation, structure, and operation of co-operatives in various jurisdictions. Most provinces, territories, and the federal government have modernized co-op statutes that have been updated in recent years. This province’s Co-operatives Act was most recently revised in 1998.

A key benefit of incorporation is that it affords protection from personal liability. As well, it brings consumer protection, credibility, legal recognition, access to various business support programs, and on-going affiliation with an extensive co-operative integrated network.

Incorporation under co-op legislation also ensures adherence to the fundamental co-operative operational principles relating to decision making and distribution of profits.

### 3.2.1 *The Canada Co-operatives Act*

Incorporation of non-financial co-operatives under the federal legislation is applicable where a co-operative intends to carry out its business in two or more provinces, and have a fixed place of business in more than one province. The Co-operators Group Ltd. and Mountain Equipment Co-op are two examples of such co-operatives that do business in this province. The **Canada Co-operatives Act** provides detailed information on incorporating and operating a co-op under federal law which can be found at the two websites below. The first is the Act itself and the second is an incorporation kit.

<http://laws.justice.gc.ca/en/C-1.7/index.html?noCookie>  
[http://corporationscanada.ic.gc.ca/epic/site/cd-dgc.nsf/en/h\\_cs02151e.html](http://corporationscanada.ic.gc.ca/epic/site/cd-dgc.nsf/en/h_cs02151e.html)

### 3.2.2 *The Newfoundland and Labrador Co-operatives Act*

In Newfoundland and Labrador, co-operatives are incorporated under the **Co-operatives Act** of 1998. Individuals should know and understand the requirements and obligations specified under the Act when considering the formation of a co-operative. The Act covers various governance and compliance issues including: powers of the co-operative, procedures for incorporation, responsibilities of officials, responsibilities of members, procedure for dissolution and penalties for violation of the Act.

The Registrar of Co-operatives is a government employee who has responsibility for administering the Co-op Act on a day to day basis. A more detailed and in-depth treatment of the role of the Registrar and important sections of the Act will be covered in another module. Further information can be obtained at the two websites indicated below where the first is the Act itself and the second provides the forms for incorporation.

<http://www.hoa.gov.nl.ca/hoa/statutes/C35-1.htm>,  
<http://www.gs.gov.nl.ca/cca/cr/pdf/coop/coop01-art-inc.pdf>

## 3.3 **Co-operative By-Laws**

All co-ops must have a set of by-laws, which prescribe the form, manner and procedures within which all of the co-operatives activities are undertaken. The by-laws are, in effect, the constitution of the organization.

As well as outlining the structure and objectives of the co-operative, by-laws specify the rights, duties and responsibilities of the members, board of directors, committees, management and others stakeholders. By-laws cannot contravene anything in the Co-operatives Act. They build on the framework provided by the Act by, providing additional procedural rules to guide a

particular co-op's operations. They can be amended by the co-op when necessary to reflect changing circumstances relating to the co-op's operations and business environment

Members, directors and employees should be fully familiar with and understand their co-op's by-laws. Ensuring that the co-operative adheres to the by-laws is primarily the responsibility of the Board of Directors. All members are provided with a copy of the by-laws and they are often referred to at board meetings and the annual general meeting when questions of a procedural nature are being addressed. Some of the items that may be included in the by-laws are:

- Membership and categories of membership;
- Membership requirements, rights, and responsibilities;
- Meetings, including types, quorums, and notices;
- Functions of the board of directors i.e. election, duties and terms of office;
- Member loans or share capital (share or loan certificates);
- Allocation of surplus;
- Bonding requirements of employees and officers;
- Borrowing powers;
- Process for dissolution;
- Amendment procedures.

The Act gives authority to the co-operative to make by-laws necessary or desirable for its governance and operations and to amend them when necessary. New by-laws or amendments to existing by-laws must be confirmed by at least a majority of members present at the meeting. Most co-operatives actually require a two-thirds majority of members present in order to pass or amend a by-law. Changes to by-laws normally require the approval of the Registrar of Co-operatives.

### **3.4 Operational Policies**

Most co-operatives also have a set of operational policies which build on the by-laws and govern the day to day operations of the business. These policies provide a framework for the Board of Directors and management to make decisions on various matters with objectivity and consistency. They allow for decisions to be made by the board of directors without the necessity of a formal membership meeting and vote.

A policy is a selected, planned line of conduct in the light of which individual decisions are made and coordination achieved. The Community Services Council of NL defines policy as “any written statement approved by the board or the membership that: 1) articulates and defines important objectives, principles, and values, 2) limits or prescribes what kind of action will be taken in different situations, 3) defines roles, responsibilities and authority.”

Policies, then, are the practical day-to-day rules and procedures that govern how the co-operative is organized and operated. These rules and procedures are usually set by the Board of Directors in the form of resolutions or motions passed at a board meeting. In this way, policies can easily be amended, changed or withdrawn as circumstances require. The members can also make policies through resolutions at an AGM or special membership meeting.

Policy making is an ongoing process. Some co-operatives have policy development committees that pro-actively solicit policy input from members for consideration by the board of directors. This ensures that the co-op remains aware of changing member needs and community perceptions. Such policies may cover such areas as engagement of youth, distribution of charitable contributions, environmental issues and a host of other operational issues as they arise.

Policies are usually enacted in written form in a policy binder or handbook. Topics or areas around which policies need to be developed and enacted will vary depending on the size and nature of the co-operative. Below is a list of some common areas for co-op policy development:

- Hiring, evaluation, termination and promotion
- General personnel policies
- Member relations
- Working conditions
- Sexual harassment
- Treatment/protection of consumers, customers, clients, and users
- Conflict of interest guidelines
- Board member conduct
- Financial management.

Policies are developed and enacted to avoid some negative effect or create some positive benefit. Some policies issues are relatively simple and straight forward while others can be more wide-ranging and complex. All policy statements need to be carefully thought out. Consideration should be given to consulting with those who may be impacted by the policy. Policies can be rescinded when they are no longer relevant, often by the board of directors or in consultation with the membership.

## **Unit 4.0 The Existing Co-operative System**

### **4.1 An Integrated Co-op Network**

Co-operatives operate at the local, provincial, national and global levels. There is a significant measure of connectivity, integration and support between co-operatives in this province, across Canada and the world. There is an integrated “co-op system” through which co-ops work together and otherwise support each other, based on the sixth co-op principle “Co-operation among Co-operatives”.

#### *4.1.1 Regional/Provincial Co-operative Integration*

Most local co-ops in Newfoundland and Labrador are integrated in some manner to the larger co-op system in the province, and nationally with the co-op system in Canada. This integration is of critical importance in almost every facet of a local co-operative’s operations.

There are generally two types of integrated structures. The first is the ‘trade association’ or ‘representational’ structure that would tend to provide non-economic services such as education and training, communications, lobbying and development support. The second is the ‘business service’ structure which provides joint marketing, wholesaling, group purchasing, financial and many other business support services.

Both structures involve local co-operatives joining together as associations or federations or becoming members of a “second tier” co-operative that would provide them with the business services they need to support their operations at the local level. Some examples of such integration in this province include the following:

**Newfoundland-Labrador Federation of Co-operatives (NLFC)**, which is the trade association that represents the collective interests of co-operatives in the province.

**Association of Newfoundland and Labrador Fisheries Co-operatives (ANLFC)**, which encourages business collaboration amongst fisheries co-ops in the province.

**Co-operative Housing Association of Newfoundland and Labrador (CHANAL)**, which represents the sector specific interests of housing co-ops in the province.

**Co-op Atlantic (CA)**, which provides wholesale purchasing, management training and other operational supports for agricultural and retail co-ops in this province and the Maritimes.

Through such organizations local co-ops provide themselves with many services such as developmental support for new co-op start-ups and expansions, access to training services for local co-op members, boards and staff research, technical assistance, operational support services, and wholesale and group purchasing services that lower costs for co-ops operating at the community level.

In addition to these and other organizations local co-ops often work together on a more informal basis to share information, access training supports, and engage in other business support activities that can best be undertaken collectively rather than individually. Newly developing co-ops or those facing operational difficulties can rely on their fellow co-ops to provide assistance and advice whenever it is practical and possible for them to do so.

#### *4.1.2 National/Global Co-operative Integration*

While local co-operatives in Newfoundland and Labrador are members of various second tier trade associations and business service groupings, many of these second tier provincial co-op organizations are members of, or otherwise associated with, a third tier of co-op organizations at the national level.

The NLFC is a member of the Canadian Co-operatives Association and is a shareholder in The Co-operatives Group Ltd., which provides insurance and other services across the country. CHANAL is affiliated with the Canadian Co-operative Housing Federation and also a

shareholder in The Co-operators Group Ltd. Local credit unions are affiliated with the Canadian Credit Union Central which provides business support services for that sector across the country.

Many national co-operative organizations are members of global/international bodies such as the International Co-operative Alliance and the World Council of Credit Unions. This represents a fourth tier of co-op organizations and integration, that can be directly linked back to the memberships of local co-ops at the community level in Newfoundland and Labrador as well as all other provinces and territories across the country. **Appendix “C”** provides a summary of these relationships.

People who join a co-operative or credit union want to “co-operate” with others to access the services they wish to receive. It is therefore logical that this co-operation manifest itself at all levels with the co-op sector in the form of integrated, world-wide networks. When a group of people decide to form and/or join a co-operative, they become part of a provincial, national and global network of integrated and supportive co-operative organizations.

## **4.2 The Canadian Co-operative System**

Co-operatives are playing a vital role in the Canadian economy by providing essential goods and services to a significant portion of the population. There are over 10, 000 co-operatives with more than 10 million members. Three of every ten Canadians are members of at least one co-op. In Quebec, approximately seventy percent of the population are co-op members, while in Saskatchewan fifty-six percent are members.

Canadian co-operatives hold over \$160 billion in assets, which are owned by the members and the communities they serve. Non-financial co-ops do nearly \$30 billion a year in business. At least 10 co-ops are listed in the top 500 companies in Canada and several financial co-ops have been rated the best places to work in Canada.

At least 70,000 co-op members serve on co-op boards of directors. These volunteers make an important contribution to the success of their co-ops and to the development of local leadership and management skills at the community level.

Canadian co-operatives employ just over 160,000 people. In addition, over 250,000 independent producers rely on marketing and production co-operatives for their livelihood. These co-ops are especially significant in rural and remote regions of the country where they meet the economic needs of producers in agriculture, the fisheries, arts and crafts production, and manufacturing.

The national agricultural co-op sector accounts for over 40 percent of total farm cash receipts, most significantly in the areas of grains and oil seeds, dairy, poultry, honey and maple products, live stock, and fruits and vegetables. Fisheries co-ops process and market the products of almost 9,000 members on both Canadian coasts and the lake districts of many provinces. Thousands of arts and crafts producers market their products through co-ops, share equipment and facilities, and access other services necessary to support their professional activities.

More than 18,000 Canadian employees own and control worker co-ops which operate in all sectors of the economy. The largest worker co-ops operate in Quebec's forest industry, where the sector has over 300 co-op members and does \$40 million in business each year.

In the financial sector, there are more than 1,600 credit unions and caisses populaires operating in all provinces of Canada. They employ over 60,000 people and report assets of more than \$170 billion with Quebec accounting for nearly half of this amount through its caisse populaire system. These credit unions serve over 10 million members at over 3,400 locations. They are the only financial institution in over 900 communities across the country.

The co-operative movement in Canada has grown and evolved into a highly organized and integrated system. All provinces have second-tier associations, councils or federations. These organizations are members of the Canadian Co-operative Association which represent the sector at the national level. It represents most of the larger co-op businesses and co-op associations across the country.

The Counciel Canadien de la Cooperation (CCC) is the third-tier organization representing all French-speaking co-operatives in Canada. It represents eight provincial councils from New Brunswick, Nova Scotia, Prince Edward Island, Manitoba, Ontario, Alberta, Saskatchewan, and Quebec. Despite the linguistic separation, both national organizations co-operate and collaborate on a formal and informal basis.

Canadians continue to use the co-op model in innovative ways to address a wide range of needs and challenges – including the needs of aboriginal and immigrant groups, youth, disabled persons and low income communities. New co-ops are being developed in many new sectors such as organic food production, car sharing, funeral services, wind power and bio-fuels. Co-operatives are a proven tool for mutual self-help, enabling people to work together towards common goals. In their one-hundred-year history co-operatives have helped thousands of disadvantaged people and communities to create effective solutions to social and economic challenges, while building local leadership skills, local autonomy and control.

### **4.3 The Provincial Co-op Sector**

The co-operative sector in Newfoundland and Labrador consists of co-operatives of several types, credit unions, and some extra-provincial co-operative enterprises. As well, there are both formal and informal linkages with various second and third tier co-operatives and various departments of both levels of government. **Appendix "D"** provides a summary of these relationships.

#### *4.3.1 Local Co-operatives*

There are approximately 60 co-operatives incorporated under the Co-operatives Act. They include:

- Consumer co-ops that provide grocery and retail services for their members, e.g. the Clarenville Consumers Co-op.

- Producer co-ops that assist members with the production and/or sale of products in the fishery agriculture and crafts sectors, e.g. the Petty Harbour Fishermen's Co-op.
- Child care co-ops that provide pre-school education and day care services for member parents, e.g. the Confederation Day Care Co-op.
- Co-ops that provide ambulance and paramedic services for their members, e.g. the North Shore Ambulance Co-op.
- Co-ops that provide community development services and initiate related projects, e.g. the Springdale Community Development Co-op.
- Film production co-ops that provide technical assistance and access to equipment for member producers, e.g. the Newfoundland Independent Film Makers co-op.
- Co-ops that provide community based career development and other services for young people, e.g. the Advocate Youth Services Co-op in Baie Verte.
- Housing co-ops that provide members with quality housing services at reasonable rates, e.g. the Kilbride Housing Co-op.
- Credit Unions that provide financial and investment services for their members, e.g. the Newfoundland and Labrador Credit Union.

#### 4.3.2 *Second Tier Co-op Organizations*

The Newfoundland and Labrador Federation of Co-operatives (NLFC) is a second tier, umbrella organization representing co-operatives in the province. It is governed by a 9-member board and its mandate includes advocacy, promotion, communication, education, and co-operative development. Its head office is located in St. John's.

As previously mentioned these co-operatives are also represented by a number of other organizations including Co-operative Housing Association of Newfoundland and Labrador and Co-op Atlantic. Co-op Atlantic is an integrated wholesale agri-food supplier serving 128 co-operative organizations in Atlantic Canada and the Magdalen Islands. As well as food and agricultural products, CA also has significant holdings in real estate, housing and petroleum. It maintains a large Distribution Centre located in Gander, to service the co-ops in this province.

The province's credit unions are incorporated under the Credit Union Act of the Province. They are members of second tier organizations including the Credit Union Central of Newfoundland and Labrador (CUCNL) and the Credit Union Association of Newfoundland and Labrador (CANL).

The province's Credit Union Deposit Guarantee Corporation (CUDGC) serves the same function for local credit unions as the Canadian Deposit Insurance Corporation (CDIC) serves for the banking system. That is, it provides automatic insurance on certain deposits that members have with their credit unions. As well, it facilitates the financial stability of the credit union system by ensuring that credit unions and their trade associations comply with legislation and best business practices.

Although there is no formal link between second tier co-op and credit union organizations at the provincial level, they do support each other. The NLFC for instance uses a credit union to provide for its day to day financial business activities and program delivery. The NLFC is also

of the view that the provision of financial services through the credit union system is an important component of the community and co-op development process. This is particularly true in rural areas of this province where banks have withdrawn their services.

#### 4.3.3 *Extra-provincial Co-operatives*

In addition to locally owned co-operatives in the province there are a number of extra-provincial co-operatives that are based in other provinces but do business here. Co-op Atlantic has already been mentioned. Other co-ops doing business in the province include:

- Mountain Equipment Co-op which is based in British Columbia but has 10,000 members in this province who purchase outdoor gear through the internet.
- The Co-operators Group Ltd. has its head office in Guelph Ontario and provides insurance and other investment services in Newfoundland and Labrador.

#### 4.3.4 *Government Support Agencies*

In this province the co-op sector receives a significant level of support from both the provincial and federal governments. Government's focus has been on co-ops that generate employment and new economic development, particularly in rural communities. Relevant departments include:

- The provincial department of **Government Services**, which administers the provincial Co-operatives Act.
- The provincial **Department of Innovation, Trade and Rural Development** which provides co-op development advisory support and financial assistance for eligible co-ops through its business support programs.
- **Agriculture and Agri-foods Canada** which provides financing for co-op development program and projects.
- **Industry Canada**, which administers the Canada Co-operatives Act.
- The **Atlantic Canada Opportunities Agency** that provides financial support for delivery of co-o sector development initiatives subject to program eligibility requirements.

## 4.4 **Co-operative Facts and Figures**

### 4.4.1 *Co-op Statistics*

Co-operatives play a significant and vital role in the economy at the provincial, national, and global level. The following statistical information will provide some insight into the size and impact of co-operatives in the economy at all three levels.

#### Newfoundland and Labrador:

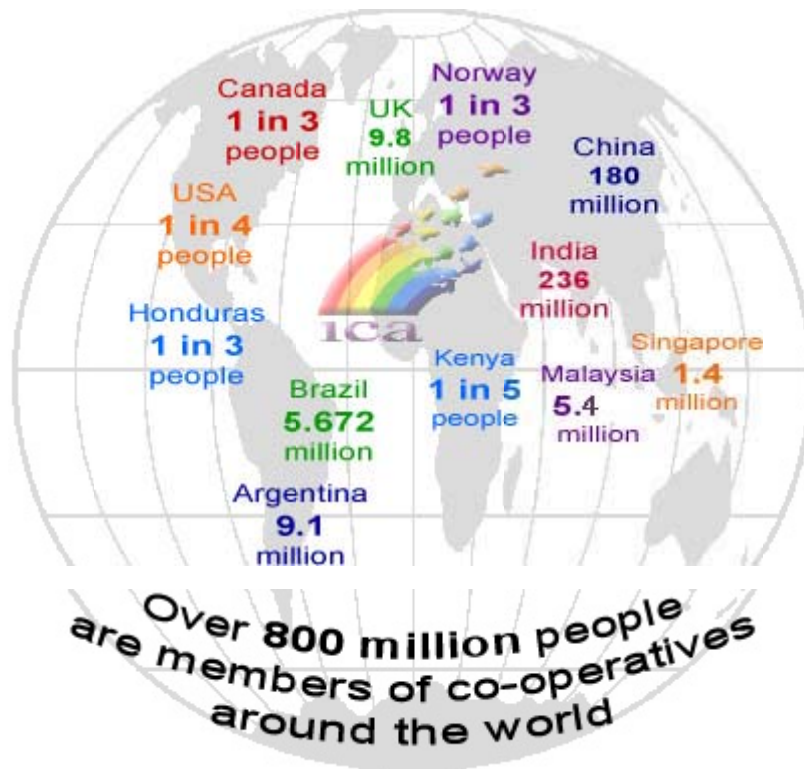
- Number of co-ops & credit unions .....> 73
- Number of employees .....> 1,400
- Number of members .....> 57,000
- Sales (1998 figure in millions) .....> \$132M

Canada:

- Number of co-ops & credit unions .....> 10,000
- Number of employees .....> 160,000
- Number of members (of at least 1 co-op).....> 43%
- Total assets (billions) .....> \$225B

Global:

- More than 800 million people in over 100 countries are members of co-operatives. (See graphic below)
- Co-operatives provide over 100 million jobs around the world, 20% more than multi-national corporations.



4.4.2 Other Interesting Facts

Around the World

In New Zealand, 22% of the gross domestic product (GDP) is generated by co-operatives including 95% of the dairy market, 70% of the meat market, 50% of the farm supply market, and 62% of the grocery market.

- In Japan, the agricultural co-operatives report outputs of USD \$90 billion with 91% of all Japanese farmers in membership.
- In Italy, 70,400 co-operative societies employed nearly 1 million people in 2005.
- In France, 21,000 co-operatives provide jobs to 700,000 people. In Germany, 8,106 co-operatives provide jobs for 440,000 people.

### In Canada

- Consumer co-ops in Canada do more than \$9 billion in annual business and return over \$300 million a year to their members in patronage dividends.
- Annually, co-ops give back approximately \$120 million to Canadian communities through sponsorships and donations.
- By 2004, there were 56 funeral co-ops in Canada (39 of those in Quebec) with reported assets of \$121 million.
- Across Canada, there are 2,100 non-profit housing co-ops providing homes to over 250,000 people in 90,000 households.

### In Newfoundland and Labrador

- Almost all commercial milk produced in Newfoundland and Labrador is processed and marketed by two co-operatives based in the Maritime Provinces.
- The main producer of chicken products in the province, Country Ribbon, is jointly owned and operated by two co-operatives in the Atlantic Provinces.
- One of the longest continuously operating fish processing operations in Newfoundland and Labrador is the Fogo Island Fisheries Co-operative, which has been in business since the 1960's.

## **Unit 5.0 Developing a Co-operative**

### **5.1 Why Develop a Co-operative?**

The organizers of a co-op development initiative can be groups of individuals, communities, businesses, non-profit agencies or a mixture of participants from any or all these groupings,

depending on the nature of the project. Some reasons why people pursue the development of new co-operatives are as follows:

**To Provide a Community or Public Service:** This involves engaging the local population as members and investors in a co-operative that establishes or maintains basic services that seen as being of critical importance to the community. Examples include co-ops that run ambulance services, provide home care for seniors and operate rural convenience stores and gas bars. Such co-ops are also established to provide municipal services; manage community infrastructure; and to promote tourism and other economic development activities.

**To Create Employment for Themselves:** Employees of can also be the manager's of an enterprise using the worker co-operative model. They may choose to pursue this option due to a variety of circumstances such as economic issues that limit employment opportunities in a particular region. Some worker co-op members simply wish to have a greater level of participation in the decision making process through a democratic work place and have greater share of the benefits. Worker co-ops operate restaurants, produce organic foods and are active in many other manufacturing and processing sectors.

**To Lower Member Business Operating Costs:** Farmers, fishermen and other small business operators often establish co-ops to reduce the costs of their business "inputs". Co-op members share equipment and facilities. They reduce prices for their supplies through group purchasing. Such co-ops will also engage in product research and business development initiatives on behalf the group that would not be feasible for a single member to undertake.

**To Increase Member Business Revenues:** Small business operators also form co-ops to maximize the financial return they receive from the sale of their products. Businesses that are members of co-operatives often share processing facilities; sell under common brand names; and are able to negotiate better prices with buyers because they can collectively provide a greater volume of product and ensure consistency of supply. The benefits of marketing co-ops are well known and established. Thousands of primary producers across Canada are members of marketing co-ops.

**To Development an Innovative Enterprise:** Local people often identify innovative business opportunities that if developed, could provide benefits for themselves and their communities. In many cases however, these opportunities and potential benefits are not as readily apparent or may not be attractive to investors from the private sector. If such innovative opportunities are to be responded to, the local people often must do the job themselves. The co-operative model is often a preferred business structure to undertake this task as it engages local people as members, owners and investors of innovative community owned enterprises.

## 5.2 The Development Process

To incorporate a co-operative in Newfoundland and Labrador you must develop draft by-laws and a business plan and file these, along with articles of incorporation, with the Registrar of Co-

operatives who, upon being satisfied that all necessary requirements have been fulfilled, will issue a Certificate of Incorporation. Three members are required to incorporate a co-op in Newfoundland and Labrador. The forms required for registration are attached in **Appendix “E”**.

Starting a co-operative can sometimes appear to be a complex task. It is similar in many ways to the establishment of any business enterprise. But the nature of co-operatives does create some unique circumstances that require special attention. For instance, a number of member-owners must come together and understand and support the formation of the co-operative before the business venture can be developed. Therefore communication between potential members to determine a consensus around co-op goals and services to be delivered are an essential part of the process.

Member education about the co-op business model and how it operates is also a unique feature of the development process. It is of critical importance that all members understand the manner in which their co-op will operate, how start up investment will be generated, what services they can expect to receive, and their roles and responsibilities as new members of the new co-operative enterprise.

There are several ways to describe or frame the steps or phases to developing a co-operative. The British Columbia Institute for Co-operative Studies (BCICS) describes an 8-step process: 1) getting started; 2) researching the potential; 3) developing a market strategy; 4) developing an operational strategy; 5) financial planning; 6) writing the business plan; 7) incorporating the co-op; and 8) getting going.

Another model describes the process in 6 distinctive phases with some detailed actions and tasks for each one. Their phases are: 1) identify an opportunity; 2) build consensus on potential for co-operative; 3) develop trust among potential members; 4) secure member commitment; 5) involve other stakeholders; and 6) start up the co-operative.

While the basic steps involved are the same for most co-op development projects, each one will have its own unique start-up issues and requirements that will need to be addressed. What works for one particular group, for one particular co-operative venture, may not work in other cases. Although the two descriptions of the development process appear somewhat different, they do have common characteristics.

Generally speaking, the co-operative development process is somewhat sequential in nature. As well, there are outcomes that need to be achieved in each phase before proceeding to a subsequent phase. What order to follow, the length of a particular phase and achievement of the outcomes will vary, depending on the type project and the complexities involved. A more detailed breakdown of the co-op development process is provided in **Appendix “F”**.

### **5.3 Keys to Success**

The following six prerequisites have been articulated as being essential for a successful co-op start-up. The group spearheading the formation of a co-operative must accomplish the following:

- 1) Agree that a compelling problem or opportunity exists warranting their attention
- 2) Agree that by forming a new co-operative they can address the identified problem
- 3) Reach an adequate level of consensus and trust amongst potential members
- 4) Secure commitment from members
- 5) Secure commitment from other key stakeholders
- 6) Assemble the staff and assets to start up the cooperative.

## 5.4 Co-op Development: Assistance and Support

Groups that may have an idea for a new co-op start-up and who wish to further explore the potential for its development can look to a number of different sources for information, initial advice and assistance with the development process. They include the following:

The NLFC and INTRD have established a **Regional Co-operative Developer's Network** in the province and its members are available to assist anyone interested in considering the formation of a co-operative enterprise in the province. They can be reached by contacting your INTRD regional office.

In addition newly developing co-operatives are also eligible to apply for financial assistance from a variety of small business support programs available through INTRD. Co-ops may also access organizational support services through the **Community Capacity Building Program** which can assist with opportunity identification, strategic planning and board training.

Agriculture and Agri-foods Canada administers the **Co-op Development Initiative** a program which provides grants to support the development of new and innovative projects at the community level. This department also houses the **Co-operatives Secretariat** which is involved in co-operative research, policy development and statistics collection. It has a variety of resource materials that are available for groups involved in the co-op development process.

The existing co-op sector is also an important source of information and advice. **Local co-ops** at can provide developing co-ops with start-up advice and share their own experiences about co-p start-up and operations. Most **provincial and national sector associations** include co-op development as part of their mandates and provide a variety of support programs and services. Information can be obtained through a number of co-op web sites, two of which are:

## **APPENDIX “A”**

### **Business Model Comparison**

# Business Model Comparison (Ontario)

(©Rhythm Communications)

Considerations	Co-operative	Corporation	Partnership	Sole Proprietor
<b>Values</b>	Democratic equality, sharing, community focus, needs based	Hierarchical, profit-focused, maximize shareholders' wealth	Depends on partners' value system	Personal values of owner
Application	Applies to any kind of business or need, no limit in size	Applies to any kind of business, no limit in size	Small businesses & professionals	Usually small businesses
Business Viability	Feasibility Study & Business Plan	Feasibility Study & Business Plan	Feasibility Study & Business Plan	Feasibility Study & Business Plan
Ownership	Worker – 3 people or more Other – 5 people or more	Individual or more people	Two or more people	Individual
<b>Decision-making</b>	Democratic – consensual or one member one vote	Majority rules – Based on number of common shares held	No formal process	Individual – no formal process
Legal Set-up - Legislation - Cost	Simple to Complex -Co-operative Corporations Act -\$1,000 plus	Simple to Complex - Business Corporations Act -\$1,000 plus	Simple to Complex -Business Registration - \$150 plus	Simple -Business Registration - \$150
Profit & Non-profit	Both are possible	Both are possible	Both are possible	Profit-oriented
Capitalization (for profit)	Flexible -member (voting) shares -preference shares (various classes) -bonds, debentures, loans More than 25 owners – Must issue Offering Statement	Flexible -common (voting) shares -preference shares (various classes) -bonds, debentures, loans More than 35 owners – Must issue Prospectus (\$100,000 plus)	Usually limited to partners, family, friends & bank loans	Usually limited to owner, family, friends & bank loans
Ease of Start-up	Depends on size, complexity, capital required, teamwork	Depends on size, complexity, capital required, teamwork	Requires team work to be simple & quick	Usually simple & quick
Return on Investment (ROI) (if profitable)	Patronage rebates and unlimited return on preferred shares, no capital gains as shares are par value	Unlimited return on investment, including capital gains on the sale of assets or shares traded on stock exchanges	Unlimited return	Unlimited return
Financial Losses	Shared, & deductible only from co-operative income	Shared, & deductible only from corporate taxable income	Shared, & deductible from partners' income	Deductible from owner's income
<b>Financial Liability</b>	Limited to member investment	Limited to shareholder investment	All partners' personal assets, can be limited	All personal assets
<b>Tax Implications</b>	Non-profit with social objectives is tax exempt. For-profit is taxable.	Non-profit with social objectives is tax exempt. For-profit is taxable.	Taxable as self-partnership income.	Taxable as self-employment income.
Income Tax	Patronage rebates expensed before taxes (decreases corporate tax), corporate rate usually lower than personal; No income tax on patronage rebates (agricultural co-ops)	Dividends deducted on after-tax income (are not expensed before tax to decrease income), corporate rate usually lower than personal	Income is taxable at personal rate in hands of partners	Income is taxable at personal rate in hands of owner
GST & PST	Both must be collected and paid if applicable	Both must be collected and paid if applicable	Exempt if Status Indian on reserve	Exempt if Status Indian on reserve
<b>Productivity</b>	Powerful combination of shared ownership & decision-making	Depends on management ability & employee relations	Strong internal motivation	Strong internal motivation
Team Work	Built into structure through shared ownership & power	Depends on management, but often superficial	Depends on management style	Depends on management style
<b>Survival</b>	<b>Twice as high:</b> 40%+ over ten years	20% over ten years	20% over ten years	20% over ten years

<b>Rates</b>				
Conflict Potential	Values & structure support diversity of views & conflict management	Depends on management, but competitive culture leads to conflict	Depends on partners' temperament & management style	Depends on owner's temperament & management style
Agility	Democracy takes longer, but usually results in better decisions & more commitment	Depending on size & management style, can be extremely agile	Depends on partners' relationship & management style	Depends on owner's decision-making style
Entrepreneurship (risk taking & innovation)	Depends on size, members' temperament & organizational culture, often innovative	Depends on size, owner temperament & organizational culture, often innovative	Depends on owners' temperaments, may be less innovative	Depends on owner temperament, often very innovative
Cultural Barriers	Competitive culture & values lead to negative stereotypes about co-operatives	Well suited to the dominant culture's values of global competition & wealth disparity	Competitive culture & values often lead to conflict	Well suited to individualistic society
<b>Local Economy</b>	Money & jobs stay in local economy	Money goes to shareholders, jobs to cheapest area	Money & jobs usually stay local	Money & jobs usually stay local

**APPENDIX “B”**

**Statement on the Co-operative Identity**

# International Co-operative Alliance (ICA)

## Statement on the Co-**{PRIVATE}**operative Identity

### **{PRIVATE}**Definition:

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

### **{PRIVATE}**Values:

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

### **{PRIVATE}**Principles

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

<b>1st Principle: Voluntary and Open Membership</b>
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.
<b>2nd Principle: Democratic Member Control</b>
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.
<b>3rd Principle: Member Economic Participation</b>
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.

<b>4th Principle: Autonomy and Independence</b>
Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to 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.
<b>5<sup>th</sup> Principle: Education, Training and Information</b>
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.
<b>6<sup>th</sup> Principle: Co-operation among Co-operatives</b>
Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.
<b>7th Principle: Concern for Community</b>
Co-operatives work for the sustainable development of their communities through policies approved by their members.

Source: ICA News, No. 5/6, 1995.

## **APPENDIX C**

### **Standard By-Laws for a Co-operative Society**

**STANDARD BY-LAWS**  
**- FOR -**  
**CO-OPERATIVES SOCIETIES**

**By-Laws relating to the rights and obligations of the  
Co-operative and its members**  
**1. CORPORATE DATA**

- 1.1\_ NAME  
The name of the Co-operative:  
\_\_\_\_\_  
\_\_\_\_\_
- 1.2 REGISTERED OFFICE  
The registered address of the Co-operative:  
\_\_\_\_\_  
\_\_\_\_\_
- 1.3 OBJECTIVES OF THE CO-OPERATIVE ARE:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 1.4 FINANCIAL YEAR  
The financial year of the Co-operative shall end on \_\_\_\_\_  
of each year.

**2. MEMBERSHIP**

**2.1 MEMBERSHIP REQUIREMENTS**

To be admitted as a member in the co-operative by the board of directors, a person must:

- (1) Support the objectives of the Co-operative, as set forth in the articles of incorporation;
- (b) Promote the economic interest of its members, by using their united funds and efforts for the procuring, processing and marketing of economic goods.

**3. SHARES AND MEMBERS LOANS**

- 3.1 The par value of shares is \$\_\_\_\_\_ each. Interest paid on shares shall be determined by the membership recommended by the board of directors but shall not exceed \_\_\_\_\_% above the prime lending rate.

The Co-operative shall have a lien on the shares and/or members loans of any member for any debt owed by that member to the co-operative and may set off a sum credited to that member in the form of shares or toward the payment of the debt.

**3.2 WITHDRAWALS OF MEMBERSHIP**

Members' application to withdraw their membership shall be made in writing to the board.

**3.3 EXCLUSION FROM MEMBERSHIP**

Members may be excluded from membership according to Section 84 of the Co-operative Act.

**4. ALLOCATION OF SURPLUS**

4.1 Where a Co-operative has a surplus in a fiscal year and before it allocates among or credits that surplus to members, the directors

- (a) shall apply the surplus
  - (i) first to pay income tax
  - (ii) second to retire all or part of a deficit it has previously incurred, and
  - (iii) third to maintain a reserve that the Co-operative is required to maintain under the Act.

**5. ANNUAL MEETING**

5.1 The annual meeting of the members shall be held within four months of the fiscal year end. The date, time and location of the annual meeting shall be fixed by the board of directors.

5.2 At all meetings \_\_\_\_\_% of the members shall constitute a quorum.

5.3 No member shall have more than one vote at any meeting of the Co-operative.

5.4 Only members who have satisfied the condition of membership shall be entitled to vote. Voting shall be by show of hands but a second ballot shall be taken when directed by the Chairperson, or when demanded by any five members entitled to voted.

**5.5 REGULAR MEETING**

Regular meetings of the members may be held at such places and at such times as the board of directors may from time to time determine.

**5.6 SPECIAL MEETING**

Special meetings of the members may be called by the Secretary/Treasurer under the direction of the board at any time or by a written application of the members specifying the purpose of the meetings as required by Section 70 of the Co-operative Act.

**5.7 NOTICE OF MEETING**

Notice of meeting shall be given to the Secretary, who shall, at least seven days before the date of the meeting, post a Notice of the meeting in a conspicuous place at the registered address of the Society, and at all places of business of the Society. Notice

calling special meetings shall state clearly the nature of the business to be transacted and only business specified in each Notice shall be transacted at a special meeting.

5.8 VOTING AND PROXIES

Each member of record at the time of the meeting shall be entitled to one and only one vote on any matter requiring membership voting. Voting by proxy shall not be permitted.

5.9 ACTION AT A MEETING

The president, or other designate, as determined by the board of directors, shall preside at membership meetings. When a quorum is present at a membership meeting, a majority of the members present and entitled to vote is required by law, by the articles, or by these by-laws.

## 6. BOARD OF DIRECTORS

6.1 QUALIFICATIONS

Each member of the board of directors shall be a member of the co-operative and support the objectives of the co-operative.

6.2 POWERS

The board of directors may exercise all the powers of the co-operative, including the power to issue shares, except as otherwise provided by law, by the Articles, or by these by-laws. In the event of a vacancy on the board of directors, the remaining directors may exercise the powers of the full board until the vacancy is filled except as otherwise provided by law.

The directors of the co-operative are responsible for hiring the co-operative's manager.

The directors of the co-operative shall not, either on behalf of the co-operative or on behalf of any subsidiary companies, authorize or approve capital borrowings or the guarantee of capital borrowings in excess of a total of \$\_\_\_\_\_ in a single fiscal year without having first obtained formal approval from a meeting of the members of the co-operative as required by Section 47 of the Co-operative Societies Act.

6.3 ELECTION AND SIZE

The board of directors shall consist of \_\_\_ directors, who shall be elected for a term of \_\_\_ Years arranged so that \_\_\_ Directors are elected each year. The maximum number of terms a director may serve is \_\_\_\_\_. (In the event that the number of member is less than the number of directors called for above, the board shall consist of the full membership, and the length of the term shall be unlimited).

Nomination for all elections of directors may be made either by a nominating committee appointed by the President or in writing by at least two other members and deposited with the secretary/treasurer prior to the election. All elections or directors shall be by secret ballot.

6.4 VACANCIES

If a vacancy occurs in the board of directors, the directors may appoint a member to fill that vacancy until the next annual meeting when the members shall hold an election to complete the term of the vacancy.

6.5 TENURE

Except as otherwise provided by law, by the Articles, or by these by-laws, directors shall hold office until their successors are elected. Any director may resign by delivering his or her written resignation to a meeting of the board of directors, effective upon receipt or at some later time specified.

6.6 REMOVAL

A director may at any time be removed from office by a vote of two-thirds of the members at a special or annual meeting according to the Co-operative Societies Act, Section 49.

6.7 MEETINGS

The directors shall meet as often as the business of the co-operative may require but not less than \_\_\_\_\_.

Notice of the time, place, and purposes of any meeting of the board shall be given to each director by the secretary/treasurer. Notice shall be given to each director in person or by telephone not less than 24 hours before the meeting or by written notice mailed to the director's last known address at least 72 hours before the meeting.

6.8 QUORUM

At any meeting of the board of directors, at least \_\_\_\_\_ per cent of the directors then in office shall constitute a quorum.

If a quorum is present, a majority of the directors present may take any action on behalf of the board of directors, unless a larger number is required by law, by the Articles, or by these by-laws.

6.9 COMMITTEES

The directors may appoint committees and may designate thereto some or all of their powers except those which they are prohibited from delegating law, by the Articles or by these by-laws. Unless the directors otherwise determine, any such committee may make rules for the conduct of its business.

6.10 CORPORATE INDEMNIFICATION

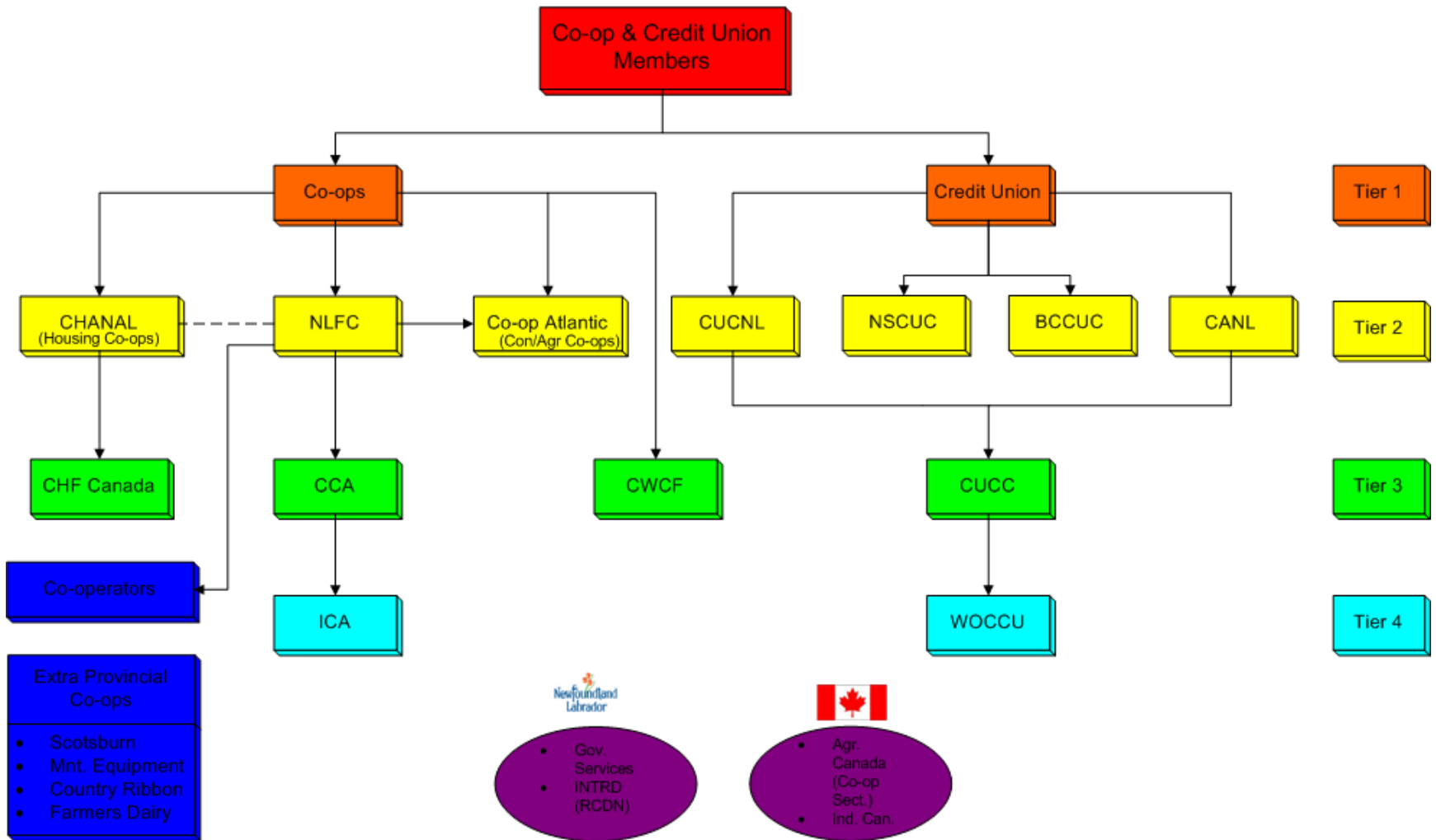
Subject to the provisions of the Co-operative Societies Act, every director and senior officer or his/her heirs, executors and administrators, and estate and effects, respectively, shall at all times be indemnified and saved harmless out of the funds of the co-operative, from and against:

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

## **APPENDIX “D”**

### **The NL Co-operative Community**

# NL CO-OPERATIVE COMMUNITY



## **Appendix “E”**

### **Co-operative System: Organizational Tiers**

## Co-op System: Organizational Tiers

<b>TYPE</b>	<b>DESCRIPTION</b>	<b>EXAMPLES</b>
First-Tier (Primary/Local)	Formed in a local community/region to do business or provide service to individual members.	Gander Consumers Co-op, Fogo Island Fishery Co-op, NIFCO, Northeast Sealers Co-op, Future Housing Co-op, Tweedlebug Nursey Co-op, Eastern Farmers Co-op
Second-Tier (Regional/sectorial)	Federated or central organizations formed by primary co-ops to provide them with goods or services. They are organized on a modified co-op basis and individual co-ops appoint delegates to represent them.	NLFC, Co-op Atlantic, ON Co-op, Artic Co-operatives, Ns Co-op Council, CHANAL.
Third-Tier (National)	A co-operative organization made up of a number of co-op federations or associations. Sometimes referred to as an apex organization.	Canadian Co-operative Association (CCA), Credit Union Central of Canada (CUCC), Co-operative Housing Foundation of Canada (CHF), Conseil Canadian de la Cooperation CCC).
Fourth-Tier (Global)	Global co-operative organizations made up national unions, federations, associations or other apex organizations, other national co-op business organizations, and other large educational or research institutions that promote co-operatives.	International Co-operative Alliance (ICA) and the World Council of Credit Unions (WOCCU).

**APPENDIX “F”**

**Registry of Co-operatives Forms**

*The Co-Operatives Act (Form 1)*  
**Articles of Incorporation (Section 8)**

---

1. The name of the Co-operative \_\_\_\_\_

---

2. The place of business of the Co-operative \_\_\_\_\_

---

3. Where there is share capital

- a. the par value of the shares \$ \_\_\_\_\_
- b. the maximum number of shares where shares are limited # \_\_\_\_\_
- c. a statement that the shares are limited \_\_\_\_\_ or unlimited \_\_\_\_\_ and
- d. where there are common and preferred shares, the par value of each share and special preferences, rights, conditions or restrictions attaching to each class of shares)

---

4. A statement of the minimum \_\_\_\_\_ and maximum \_\_\_\_\_ number of Directors.

5. The fiscal year of the Co-operative \_\_\_\_\_

6. Any restrictions to be applied to the business or businesses of the Co-operative

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7. A Co-operative may, in its articles, set out provisions to be contained in its by-laws.

---

8. The objects or purposes of the Co-operative are (Use separate sheet if required):

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9. Incorporators:

Name	Signature	Address	Date
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>

Attach a list of additional incorporators if required.

Reminder:

- Form 1 must be accompanied by:
  - Form 3 (Notice of Registered Office);
  - Form 7 (Notice of Directors);
  - By-laws of the co-operative;
  - Business plan; and
  - Applicable fee

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(OFFICE USE ONLY)

Registration Number: \_\_\_\_\_

Receipt Number: \_\_\_\_\_

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GOVERNMENT OF  
NEWFOUNDLAND AND LABRADOR  
**Department of Government Services and Lands**

*The Co-Operatives Act (Form 3)*  
**Notice of Registered Office  
or Notice of Change of Registered Office (Section 29)**

1. Name of Co-operative	2. Registration No.
3. Address of the Registered Office (include mailing address if different)	

4. Effective Date of Change

5. Previous Address of the Registered Office

Date	Signature	Description of Office



GOVERNMENT OF  
NEWFOUNDLAND AND LABRADOR  
**Department of Government Services and Lands**  
Commercial Registrations Division

*The Co-Operatives Act ( Form 7 )*  
**Notice of Directors ( Section 39 )**

**1. Name of Co-Operative**

**2. Registration Number**

\_\_\_\_\_

**3. The following persons became directors of this co-operative : ( Effective Date ) \_\_\_\_\_**

Name:	Residential Address:	Position on Board:
_____	_____	_____
_____	_____	_____
_____	_____	_____

**4. The following persons ceased to be Directors of this co-operative: ( Effective Date ) \_\_\_\_\_**

Name:	Residential Address:	Position on Board:
_____	_____	_____
_____	_____	_____
_____	_____	_____

**5. The Directors of this co-operative now are:**

Name:	Residential Address:	Position on Board:
_____	_____	_____
_____	_____	_____
_____	_____	_____

( Additional directors can provide for on a separate sheet )

Date:	Signature:	Description of Office:
_____	_____	_____

## **APPENDIX “G”**

### **A Co-operative Development Framework**

# Co-operative Development Framework

- Phase 1: Opportunity Identification
  - Confirm and Clarify the Business Opportunity
  - Confirm Initial Applicability of Co-op Model
  - Establish Initial Project Steering Committee
  
- Phase 2: Development of the Business Idea
  - Develop the Initial Concept & Conduct Market Assessment
  - Develop Initial Consensus on Co-op Model & Objectives
  - Develop a Concept Paper
  - Confirm Initial Potential for Project Financing and Feasibility
  - Develop Initial Estimates – Start Up Costs
  
- Phase 3: Building the Co-op Group
  - Confirmation of Co-op Model/Structure & Membership
  - Establishment of Steering Committee
  - Agreement On and Assign Tasks
  - Agreement on Time Lines
  - Development of Draft By-laws
  
- Phase 4: Confirming Business Feasibility
  - Agreement on Potential Feasibility
  - Development of Business Plan\*
  - Recruitment of Members Initiated
  - Agreement on Member Equity Contributions
  - Potential Financing Sources Confirmed
  
- Phase 5: Co-op Incorporation
  - By-laws and Business Plan Finalized
  - Articles of Incorporation Completed
  - Documents and Fee Payment Submitted
  - Incorporation Confirmed
  - Provisional Board of Directors Confirmed
  
- Phase 6: Organizing the Business & Launch
  - Assignment of Roles/Responsibilities
  - Banking/Accounting Procedures in Place

- Member Equity and Business Financing in Place
- Other Operational Policies/Procedures Developed
- Staff Hired (if required)
- Operational Plan Implemented
- First AGM Held
- First Board Elected and Committees Appointed

- Phase 7: Ongoing Operations

- Monitoring of Operations
- Regular Board Meetings
- Ongoing Policy Development
- Development of Business/Community Networks

\*Includes the marketing & operational strategies & financing requirements.