Information Guide on Co-operatives

From: Innovation, Science and Economic Development Canada

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About this Guide

The guide was developed in partnership with the provinces and territories and was designed to provide Canadians with essential information on the co-operative business model.

This guide is intended to:

- introduce you to different aspects of the co-operative business model in Canada;
- present you with the key characteristics of federal, provincial and territorial co-operative legislation and regulations;
- provide you with information sources for the creation and development of co-operatives throughout Canada; and,
- provide advice to you on the process of creating a new co-operative with a description of various development stages, including a uniform format for the business plan of a new co-operative.

This guide is targeted at:

- anybody interested in learning more about co-operatives; and,
- entrepreneurs that have decided to use the co-operative business model but are not fully aware of its legal structures, specific features and the necessary steps to get started.

This guide provides information and resources only for non-financial co-operatives. Financial co-operatives such as credit unions and insurance mutuals are governed by separate legislation and regulations.

What is a Co-operative?

A co-operative is a legally incorporated corporation that is owned by an association of persons seeking to satisfy common needs such as access to products or services, sale of their products or services, or employment. While co-operatives serve a wide variety of functions, they generally fit one of the following four types:

- A **consumer co-op** provides products or services to its members (such as a retail co-op, housing, financial, health-care or child-care co-op).
- A **producer co-op** processes and markets the goods or services produced by its members, and/or supplies products or services necessary to the members' professional activities (such as independent entrepreneurs, artisans, or farmers).
- A **worker co-op** provides employment for its members. In this type of co-op, the employees are the members and the owners of the enterprise.
- A **multi-stakeholder co-op** serves the needs of different stakeholder groups—such as employees, clients, and other interested individuals and organizations. This type of co-op is usually found in health, home care and other social enterprises.

In Canada, a co-operative must incorporate under a specific co-operative *Act* at the provincial, territorial or federal level. These *Acts* govern all types of co-operatives, with the exception of financial co-operatives which are governed by separate legislation. The nature of the co-operative business model and how they operate is largely defined by these *Acts*. Whatever the governing *Act* may be, co-operatives share three common characteristics in areas of ownership, governance and distribution of profits.

Ownership: A co-operative is a business jointly owned by its members who use its products or services. In some cases, co-operatives can have members who do not use its services or products (e.g. support members, investor members).

Governance: Co-operatives are democratically controlled businesses with the governing principle “one-member, one-vote”. This right is exercised at the co-operative's annual general meeting (AGM), where members can vote directly for the board of directors. This democratic governance structure is reinforced by the co-operative's by-laws and the legislation under which the co-operative is incorporated (provincial, territorial or federal).

Distribution of Profits: Any surplus of a co-operative is owned by the member-owners who can decide how to distribute the profits at the AGM , which can include the following decisions:

- to allocate either part or all of the surplus to the general reserve for future investments; and,
- to distribute the profits to all the members in the form of patronage dividends based on the individual member's usage of the co-operative over the past fiscal year.

In addition, depending on the governing legislation, a co-operative may become a non-profit entity. These non-profit co-operatives do not provide members with a patronage dividend. All surpluses are directed eventually into the general reserve.

How is a co-operative different from other business forms?

Cooperative Corporations	Share Capital Corporations	Not-for-Profit Corporations
Ownership		
Cooperatives may issue shares in the member's name.	Shares must be issued in the name of the person who is registering the share.	Not-profits do not issue shares.
In general, a membership share may not increase in value. It can usually only be redeemed by the coop at its par value. Some legislation allows for investment shares (non-par value) to members and/or non-members.	A common share may increase in value. A shareholder may sell his or her shares to another person at an agreed upon price.	Generally, anyone can be a member on payment of a fee and in accordance with the requirements of the articles and by-laws.
A member's ownership is limited to the amount of the membership shares he or she holds.	A shareholder's ownership is limited to the value of the shares he or she holds.	Members do not have ownership in the not-for-profit organization.
Directors		
A cooperative must have at least three	A corporation shall have one or more	A not-for-profit corporation shall have

directors or any greater minimum number that is set out in the articles.	directors. Corporations that report to a securities commission shall have not fewer than three directors, at least two of whom are not officers or employees of the corporation or its affiliates.	one or more directors, but a soliciting corporation shall not have fewer than three directors, at least two of whom are not officers or employees of the corporation or its affiliates.
Directors are elected by members. The articles of the cooperative may permit investment shareholders to elect directors by reason of a condition that has been fulfilled; or a fixed number or a percentage of the directors.	Directors are elected by shareholders as prescribed by the type of share that they hold.	Directors are elected by members.
Directors in exercising their powers and discharging their duties shall act honestly and in good faith with a view to the best interests of the cooperative; and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.	Every director in exercising their powers and discharging their duties shall act honestly and in good faith with a view to the best interests of the corporation; and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.	Directors in exercising their powers and discharging their duties shall act honestly and in good faith with a view to the best interests of the corporation; and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
Voting		
A member is entitled to only one vote at a general meeting, regardless of the number of shares he or she holds.	A shareholder is entitled to the number of votes based on the type of share he or she holds in the company.	Generally, a member is entitled to one vote.
Some cooperatives with a large and dispersed membership have a delegate structure for representing members (e.g., one delegate represents multiple members from a geographic district).	Legislation does not permit delegates.	Legislation does not permit delegates.
No proxy voting allowed.	A shareholder may be permitted to vote by proxy for other shareholders.	Absentee voting for example through proxy is permitted.
Holders of investment shares have restricted voting rights.	Shareholders have voting rights in accordance with the terms of the shares they hold.	Members have the right to vote at any meeting of the members.
Sharing in the Surplus		
Cooperative legislation may limit or prohibit the payment of interest on share capital.	There is no limit on share dividend.	Not-for-profit corporations cannot issue dividends or payments of capital to members.
Surpluses may be paid into the reserve and/or to members in the form of patronage returns proportional to the business done by each member with the cooperative. Dividends on any membership share are limited to the maximum percentage fixed in the articles.	Profits may be distributed in the form of dividends according to the provisions for each class of shares, or reinvested in the company. The value of shares reflects the net value of the corporation.	Surpluses do not belong to individual members but to the organization. They may, therefore, not be redistributed among the members but must be returned in full to the indivisible general reserve of the organization.
Some cooperatives, such as housing, health and day-care cooperatives are structured as non-profit entities.	N/A	N/A

Surpluses are not distributed to members.		
Some provincial legislation may stipulate that a cooperative's general reserve is indivisible, or divisible in whole or in part.	Shareholders may dispose of all of the assets of the business in accordance with certain legislative provisions.	Legislation and the articles of incorporation may specify how assets are to be disposed upon dissolution.

*This comparison table is generally based on federal corporate statutes (*Canada Cooperatives Act*, *Canada Business Corporations Act*, and *Not-For-Profit Corporations Act*) and may vary by jurisdiction. The purpose of this tool is solely for general comparison and is not intended to be used as legal advice on corporate structures. It is recommended to seek legal counsel for your specific business needs.

Values and Principles of a Co-operative

A distinguishing feature of co-operatives is that they share the same values and guiding principles that are exercised in their governance and operations. The Statement on Co-operative Identity was adopted in 1995 by the General Assembly of the International Co-operative Alliance (ICA) held in Manchester to mark its centennial. The statement is the result of a long process of consultation involving thousands of co-operatives around the world. Many of Canada's governing co-operative *Acts* refer to the Statement on Co-operative Identity to define the co-operative basis.

Definition

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

Values

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

Principles

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

1st Principle: 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.

2nd Principle: Democratic Member Control

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

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with

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.

5th Principle: 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.

6th Principle: 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.

7th Principle: Concern for Community

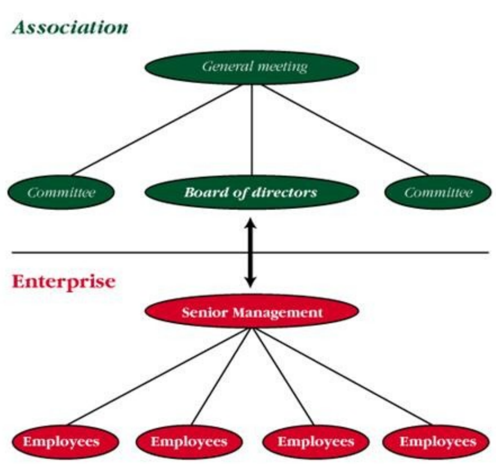
Co-operatives work for the sustainable development of their communities through policies approved by their members.

Source: International Co-operative Alliance, 2014.

Structure of a Co-operative

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

- the association of people requires a democratic structure (general meeting, board of directors, other boards and committees) in which members or their representatives can participate directly or as delegates of groups or members; and,
- the enterprise structure may be simple or complex, depending on the scale and nature of the economic activities, but it will likely be similar to that of other private enterprises.



▶ Description of image

Source: Alain Bridault, *Gérer la vie démocratique d'une coopérative dans la collection Gestion d'une coopérative*, Sillery, Québec, ORION Research and Consulting Co-operative, Mars 1998, p. 36.

Articles of Incorporation

A co-operative's articles of incorporation may vary according to federal or provincial/territorial legislation. For example, under the *Canada Cooperatives Act*, your articles of incorporation determine the name of the co-operative, the municipality and province where the co-operative's registered office is, any restrictions of the business or membership classes of the co-operative, membership share capital or member rights, among other provisions. You must submit articles of amendment for any proposed changes regarding your articles of incorporation, continuance, amalgamation or revival.

By-laws

A co-operative's by-laws are like a government's constitution. They define the rights and obligations of each member of the co-operative, and they constitute a legal document. In many cases, they may only be amended by a majority (two-thirds) of the members at a general meeting.

Depending on the legislation, the by-laws must include provisions such as:

- the co-operative's mission and its fields of activity;
- requirements for becoming a member (including the number of co-op shares) and for terminating membership (withdrawal or expulsion);
- the procedure for calling the annual general meeting, special general meetings, and meetings of the board of directors;
- the powers and responsibilities of the board of directors, the executive committee, and other committees and boards; and
- the powers and responsibilities of the chief executive officer/executive director.

Under the federal *Act*, by-laws are strictly internal to the co-operative. They can be amended internally, according to the procedure set out by the co-operative. For example, at the federal level, neither by-laws nor by-law amendments have to be filed with the government.

The Democratic Structure

A co-operative works according to rules inspired by the rules of parliamentary democracy.

Annual General Meeting

The board of directors must call and organize an annual general meeting. The by-laws may provide for a quorum (number of members or percentage of total members), without which a general meeting may not be held. One member may not vote on behalf of another member (no proxy voting).

In particular, the members at the annual meeting have exclusive authority to (this can vary by jurisdiction):

- amend the by-laws;
- elect members of the board of directors and of other committees as required;
- set the amount of daily allowances of the board of directors;
- appoint the external auditor (they are obligated in Quebec);
- decide to wind up the co-operative or amalgamate it with another co-operative; and
- decide to apply for membership in a federation or another inter-co-operative organization (in Quebec).

Board of Directors

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

- hire and fire the person holding the position of director general;
- approve salary and human resource management policies;
- define the co-operative's strategic and operational objectives;
- approve production (type and quality) and sales (price) policies for the co-operative's products and services;
- dispose of the co-operative's assets;
- propose at the annual meeting the amount and method of payment for patronage dividends; and
- prepare and submit the annual report of activities at the general meeting.

Director General

The Director General has the same responsibilities and powers as in a private company, i.e. planning, organizing, directing and controlling the enterprise on a day-to-day basis.

The person in this position must report directly to the board of directors and keep them informed on the activities of the enterprise.

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

The Seven Steps in Forming a Co-operative

Phase I - Develop the Co-operative Business Idea

Step 1: Assemble a group of interested people

- Identify the needs to be met:
  - availability or stability of employment
  - availability of certain products or services
  - quality of certain products or services
  - products or services at a better price
  - market development
- Identify professional assistance needed to launch the business:
  - legal consultant
  - co-operative development consultant
  - feasibility study, business plan and financial consultant
  - accounting consultant
  - others

Step 2: Conduct a pre-feasibility study

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

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

Phase II - Co-ordinate the Pre-Co-operative's Activities

Step 3: Hold an organizing meeting

- Choose the corporate name of the co-operative and location of its head office.
- Define the co-operative's mission (objectives, purpose).
- Elect a temporary board of directors and secretary to the board.
- Officially submit an application for incorporation as a co-operative to the provincial ministry responsible for co-operatives or to Innovation, Science and Economic Development Canada, if you are incorporating federally.

Step 4: Conduct a viability study

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

If this study concludes that the co-operative's business idea is not financially viable, the group should consider terminating the project. If the study shows that the new co-operative will be financially viable, the group can proceed to the third phase.

Phase III - Organize and Start-up the Co-operative

Step 5: Organize the association

- Decide on the association's structure and define the various categories of members, if necessary (e.g., consumers, suppliers, workers).
- Determine the roles and responsibilities of the various democratic bodies (general meeting, board of directors, committees).
- Establish the articles and by-laws.
- Recruit members.
- Organize and offer a program to train members in the administration and management of a co-operative, the chairing and running of annual meetings (e.g., parliamentary procedure), and the operation of a committee or board.
- Set up ad hoc committees to distribute the workload among the members of the temporary board of directors. For example:
  - planning committee
  - training committee
  - committee to draft by-laws

Step 6: Organize the enterprise

Step 6.A: Plan the operation of the enterprise

- Draw up an organization chart of the enterprise.
- Do the operational planning for the first year of activities.
- Negotiate contracts for the supply of necessary products and services (inputs) and, as required, sales or marketing

contracts (depending on the kind of co-operative and the nature of the enterprise).

- Devise and implement an accounting system.
- Define the duties and responsibilities of each position.
- Develop a salary policy.
- Select and/or recruit the person who will occupy the position of chief executive officer/general manager.

Step 6.B: Plan and organize the enterprise's start-up financing

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

Step 6.C: Recruiting and training the enterprise's staff

- Select and recruit employees (responsibility of the director general, except in the case of a worker co-operative where recruitment decisions are sometimes made collectively).
- Organize and offer a staff training program.
- Organize and offer a co-operative training program.

Step 6.D: Ensure the legality of the enterprise's operations

- Take care of the legal formalities and obtain the legal authorization necessary to start up the enterprise's activities:
  - federal: employer numbers for government discounts, for GST/HST, for the Canada Revenue Agency.
  - provincial: numbers for the provincial revenue department, for provincial tax.
  - legislation may also require co-operatives to register with, or be licensed by other federal or provincial departments.
  - municipal: municipal permits, employer number, etc.

Step 7: Hold the initial general meeting

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

Additional Resources

If you are a young entrepreneur looking for advice and guidance, Futureprenuer Canada may be of interest.

Developing the Business Plan of a New Co-operative

Developing the Business Plan of a New Co-operative

A Working Tool

A business plan is a document that provides a complete description of the co-operative enterprise you wish to form. It describes in detail the products or services that will be produced or sold; the organization of work and management approach; results of the market study and marketing plan; characteristics of the paid and unpaid human resources (the members); equipment and material needed; financing requirements and plan.

The business plan is a working tool that serves two purposes:

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

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

Content of a Business Plan

1. Summary of the business plan (2 pages maximum)
2. Brief description of the co-operative (1 page)
    - Name, address of the head office, date formed.
    - Type of co-operative, objectives, number of members.
3. Analysis of the co-operative's market
    - Brief description of the characteristics of the products or services offered with respect to comparable products and services available on the market.
    - Characteristics of the market: size, parts of the market held by competing enterprises, market segments, market trends.
    - Characteristics of your sales strategy (direct, through third party, shipping costs, etc.).
    - Characteristics of the clientele (members or non-members), age groups, gender, occupation, family income, location, buying habits, etc.
    - The price of your products or services.
4. Description of products and services
    - Originality of the products and services compared to what is available from the competition, their distinguishing characteristics (include photographs or sketches if necessary).
    - Description of any research and development activities required before these products or services can be marketed (with associated costs and timetable).
    - Description of new products and services development plan.
    - List of legislation that must be complied with and legal authorizations that must be obtained before the products and services can be introduced on the market.
5. Marketing plan
    - Estimate of sales for the first three years and the market share sought (refer to your detailed market study on which you based your sales objectives; include it as an appendix).
    - List of buyer-members or potential buyers who have already expressed an interest in buying.

- Description of market segments targeted (size, location, and other characteristics).
- Description of your strategic market penetration plan and its cost (how you will advertise your products and services, promotion campaign, media publicity, discounted membership prices, etc.).

6. Operations
    - Advantages of the location of your place of business.
    - Characteristics and costs of the building and equipment already owned, or to be bought or leased (attach a plan if necessary and refer to detailed descriptions in an attachment).
    - Description of the process and methods of producing the products and services.
    - Description of the characteristics of the manpower required (professional qualifications, number, salary costs, etc.).
7. Management and organization
    - Characteristics of the association's structure and method of operation (division of powers and responsibilities of the various bodies, names of the directors and a brief description of their expertise).
    - Characteristics of the structure (organization chart) and of the enterprise's method of operation (management philosophy, methods of participatory management that will be introduced, names of managers, their qualifications, a description of their duties, their responsibilities and reporting relationships, etc.).
    - Identification of external professional resources with whom you plan to deal (organization specializing in start-up assistance, accounting firm, marketing consultant, trainer, etc.).
8. Timetable of activities
    - A graph of the timetable for the first three years, with monthly or semi-monthly columns and thick horizontal lines to indicate the beginning, duration and end of the enterprise's major series of operations. Each activity should be coded and a brief description given in a column to the left.
9. Projected financial statements to include
    - Statement of assets and liabilities for the first three years.
    - Statement of earnings for the first three years.
    - Projected cash budget for the first year, estimate of working capital for the following two years.
    - Break-even point (level of revenue beyond which the co-operative will generate a surplus, after fixed and variable costs are subtracted).
10. Financing plan
    - Total investment needed for start-up.
    - Short and medium-term investment plan.
    - Source of funds (share capital, external investors, medium-term loans, etc.).
    - Amounts by source, conditions of acquisition (interest, share of surplus, etc.), repayment schedule, security given.
11. Attachments
    - Articles of Incorporation of the co-operative.
    - By-laws.
    - Data from the market study.
    - Summary of expertise of the main people in charge and a list of members.
    - Letters of support, intention to buy or sell, etc.
    - Any other relevant information that may shed more light on the nature of your operations, equipment needed, manufacturing methods and procedures, etc.

Additional Resources

Find out more information on business plans at Canada Business and Industry.

Frequently asked questions about co-operatives

What does it mean to incorporate as a co-operative?

The act of incorporating means that the co-operative becomes a legal entity. This means that the co-operative has the same rights as a natural person: it can acquire assets, go into debt, enter into contracts, etc. The act of incorporation limits the liability of a co-operative's members. As a general rule, members are not liable for a co-operative's debts. Finally, raising capital is easier for incorporated entities than for others.

How do I incorporate as a co-operative?

In Canada, you can incorporate your co-operative at the federal or provincial/territorial level. Contact information for federal, provincial and territorial incorporation can be found in this Guide.

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

The number of people you need to incorporate a co-operative varies according to the legislation governing your co-operative.

For example, federal legislation requires at least three persons to incorporate a co-operative and they must be at least eighteen years of age, of sound mind and not bankrupt. One or more federation(s) of co-operatives can also incorporate a co-operative. Under some provincial and territorial legislation you are obligated to have a minimum of six founding members.

Who owns and controls a co-operative?

A co-operative is both an association of members and an enterprise. The enterprise is essentially owned by the association of members who, based on the principle of "one member, one vote," have only one vote. Members can vote for the board of directors or delegates from the membership and other important business decisions.

What does it mean to be a member of a co-operative?

Membership in a federally incorporated co-operative is governed by its by-laws. When you become a member of a co-operative it generally means you have access to the co-operative's products or services and you can actively participate in the organization's decision making process such as the right to vote for the board of directors or delegates. In general, members can voluntarily withdraw from a co-operative and be redeemed for membership shares or amounts owed to the members. You can have a membership in more than one co-operative.

Can a co-operative be a non-profit?

Depending on the governing legislation, a co-operative may decide not to distribute surpluses, and in some situations will meet the definition of a non-profit organization, except in Quebec where this possibility does not exist for co-operatives. This is often the case when co-ops aim to address social needs, such as housing, day care, and health care co-operatives. Co-operatives can also obtain registered charitable status should they meet all the necessary requirements.

How does a co-operative distribute its profits?

Instead of generating a profit for investors, co-operatives try to provide services to their members at the lowest possible cost. In general, the surplus (gross income less expenses) generated through business operations is either reinvested in the organization or is redistributed to the members in the form of patronage refunds. Patronage refunds are calculated in proportion to a member's use of the services provided by the co-operative, not the amount they have invested in the co-operative.

Typically, a co-operative operating on a non-profit basis must clearly state in its Articles of Incorporation that it will not distribute surplus to its members. In this case, the surplus is usually allocated to the general reserve in order to complete its stated objective and in order to qualify for income tax exempt status.

Why would I choose to form a co-operative business?

If you are attempting to meet an economic or social need that cannot be met by individuals acting alone and would prefer to address collectively, the co-operative option could prove to be the best legal choice because it is an organizational tool designed to meet the needs, and facilitate the operations, of both small and large groups of people. For example, you might be looking for a way to obtain affordable quality housing, or access to high-speed internet, or any other product or service unavailable in your region.

The co-operative model may also be suitable for your business needs if you are considering keeping a local business open or trying to achieve greater sustainability and corporate social responsibility goals.

It is always recommended to seek the advice of your legal counsel in order to meet your specific business needs.

Is there data on co-operatives in Canada?

Yes. The Government of Canada publishes data on the Research data about co-operatives webpage.

Are there federal programs or services available to co-operatives?

Yes. There are a variety of programs and services available to start or develop your co-operative. You can find some of these resources by visiting Canada Business and industry.

Is there sector support for co-operatives in Canada?

Yes. There is sector support at the national and provincial level throughout Canada. Co-operatives and Mutuals Canada is the national, bilingual organization that represents all co-operatives and mutuals in Canada. Find more resources, information, and provincial associations by visiting the Co-operatives and Mutuals Canada website. You can find provincial co-operative sector support organizations in the resource and support section of this guide.

How do co-operatives capitalize their operations?

Member shares are typically the first source of capital in a co-operative. Some provincial legislation may determine the dollar value of a co-op share (e.g. 10 dollars), but the co-op's by-laws will then determine the minimum number of $10 shares each member must purchase, so as to meet the capital requirements for start-up. Member shares establish co-ownership of the enterprise and grant one vote per member.

Preferred shares are sometimes issued by co-operatives—both to members and/or non-members—although this type of share does not offer title of co-ownership or voting privilege as does a member share.

Investment shares are now allowed by most co-operative legislation, and they can be issued to members and non-members, sometimes only made available to members. The co-operative can then allocate a portion of its surplus as dividends on those shares. Investment shares generally do not confer voting privilege, and the legislation may place a limit on the percentage of share capital that can be held by non-members.

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

Co-operatives have been competing successfully in the Canadian marketplace for almost a century, many of them leaders in their industries. As in all businesses, however, co-op performance depends on good management and the ability to adapt and innovate in a changing economy.

Resources and Support – Federal, Provincial and Territorial Government Contacts

Federal Government

Innovation, Science and Economic Development Canada is responsible for applying the *Canada Cooperatives Act* and incorporating cooperatives at the federal level.

The Act establishes the rules for the incorporation of cooperatives, content and adoption of by-laws, composition of capital (member shares, investment shares, loan capital), holding of meetings (annual, special or meetings of investment shareholders), composition and operation of the board of directors, and form and content of records to be kept (articles, by-laws, list of members, investment shareholders, etc). The Act sets out requirements for the audit and filing of financial statements. It also defines the terms and conditions governing the amalgamation, liquidation and dissolution of a cooperative.

Corporations Canada is the agency that regulates federal corporations in Canada, including non-financial cooperatives. Information and forms are available on its website.

Contact information for support with incorporation is as follows:

Corporations Canada
Telephone: (toll-free) 1-866-333-5556
Telephone: (National Capital Region and outside Canada) 613-941-9042
Email: ic.corporationscanada.ic@canada.ca

Government of Yukon

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

Corporate Affairs
Telephone: 867-667-5314
Telephone: (toll-free in the Yukon) 1-800-661-0408, extension 5314
Email: corporateaffairs@yukon.ca

Government of Northwest Territories

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

Corporate Registries
Legal Registries Department of Justice Government of the Northwest Territories
Telephone: 1-867-767-9304
Telephone: (toll free) 1-877-743-3302
Email: corporateregistries@gov.nt.ca

Government of Nunavut

Contact information for support with incorporation is as follows:

Department of Justice, Legal Registries Division
Telephone: 867-975-6590
Email: corporate.registries@gov.nu.ca

Government of British Columbia

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

BC Registry Services
Telephone: (toll Free) 1-877-526-1526
Email: BCRegistries@gov.bc.ca

Government of Alberta

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

Corporate Registry
Service Alberta and Red Tape Reduction
Telephone: 780-427-7013
Email: sa.cooperatives@gov.ab.ca

Government of Saskatchewan

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

Information Services Corporation

(manages and operates the Corporate Registry)
Corporate Registry
Telephone: 1-866-275-4721
Email: corporateregistry@isc.ca

Government of Manitoba

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

Companies Office – Manitoba Finance
Telephone: 204-945-2500
Telephone: (toll free in Manitoba) 1-888-246-8353
Email: companies@gov.mb.ca

Government of Ontario

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

Ministry of Public and Business Service Delivery
Email: ca-ccafilings@ontario.ca

Government of Quebec

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

Le ministère de l'Économie, de l'Innovation et de l'Énergie
Email: dir.coop@economie.gouv.qc.ca

Government of New Brunswick

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

Financial and Consumer Services Commission
Telephone: 1-866-933-2222
Email: info@fcnb.ca

Government of Nova Scotia

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

Service Nova Scotia and Internal Services
Registry of Joint Stock Companies

Telephone: 902-424-7770
Telephone: (toll-free within Canada): 1-800-225-8227
Email: (Co-operative enquiries): rjsc.coop@novascotia.ca

Government of Prince Edward Island

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

Department of Justice and Public Safety
Corporate and Business Names Registry
Consumer, Corporate and Financial Services Division

Telephone: 902-368-4550
Email: askcorporateregistry@gov.pe.ca

Government of Newfoundland and Labrador

Please visit for more information on co-operatives.

Contact information for support with incorporation is as follows:

Digital Government and Service NL
Registry of Co-operatives
Commercial Registrations Division
Telephone: 709-729-3317

Resources and Support – National, Provincial, Territorial Co-operative Sector Support

In addition to government support, most provinces and territories have co-operative associations and/or conseils who provide information about starting up and growing your co-operative as well as general information on incorporating as a co-operative specific to each province.

National Organizations

Co-operatives and Mutuals Canada (CMC)
Telephone: 613-238-6712
Email: info@canada.coop

CoopZone Developers' Network Co-operative
Telephone: 403-276-8250
Email: info@coopzone.coop

Provincial & Territorial Organizations

Arctic Co-operatives Ltd.
Telephone: 204-697-1625
Email: info@ArcticCo-op.com

BC Co-op Association
Telephone: 604-662-3906
Email: connect@bcca.coop

Alberta Community and Co-operative Association
Telephone: 780-963-3766
Email: info@acca.coop

Le Conseil de développement économique de l'Alberta (French website)
Telephone: 780-414-6125 (Edmonton)
Telephone: 403-802-0880 (Calgary)

Saskatchewan Co-operative Association
Telephone: 306-244-3702
Email: sca@sask.coop

le Conseil de la Coopération de la Saskatchewan
Telephone: 306-566-6000
Email: info@ccs-sk.ca

Conseil de développement économique des municipalités bilingues du Manitoba (CDEM)
Telephone: 204-925-2320
Telephone: (toll-free) 1-800-990-2332
Email: cdem@cdem.com

Manitoba Co-operative Association Inc (MCA)

Manitoba Co-operative Association Inc (MCA)
Telephone: 204-989-5930
Email: info@manitoba.coop

Conseil de la coopération de l'Ontario (French website)
Telephone: 613-745-8619
Telephone: (toll-free) 1-866-290-1168
Email: info@cco.coop

Ontario Co-operative Association
Telephone: 519-763-8271
Telephone: (toll-free) 888-745-5521
Email: info@ontario.coop

Conseil de la coopération et de la mutualité du Québec (CQCM) (French only)
Telephone: 418-835-3710
Email: info@cqcm.coop

Coopératives de développement régional du Québec
Telephone: 1-800-601-6954
Email: info@cdrq.coop

Coopérative de développement régional-Acadie
Telephone: 506-727-6377
Email: info@cdracadie.ca

Co-operative Enterprise Council of New Brunswick (CECNB)
Telephone: 506-227-9607
Email: admin@cecnb.ca

Conseil Coopératif Acadien de la N.-É.
Telephone: 902-224-2205
Email: coopacadien@ns.sympatico.ca

Nova Scotia Co-operative Council
Telephone: 902-893-8966
Email: info@novascotia.coop

Prince Edward Island Co-operative Council
Telephone: 902-569-7322

Newfoundland-Labrador Federation of Co-operatives
Telephone: 709-726-9431
Telephone: (toll-free) 1-877-726-9431
Email: info@nlfc.coop

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