

Co-operative Development Toolkit

*On Co-op Annual General Meeting
Friday, June 15th, 2007*

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Ontario Co-operative Association*

Agenda

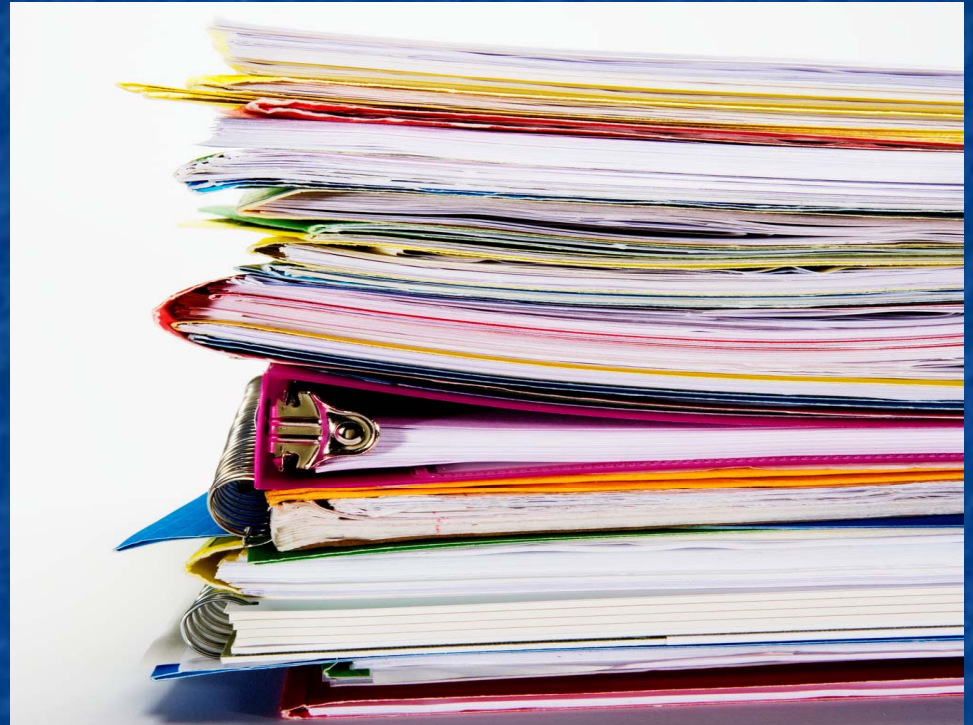
- Welcome and introductions
- Why a toolkit?
- Development of the toolkit
- Key issues and challenges in co-op development
- Question and Answer, Feedback

Introductions

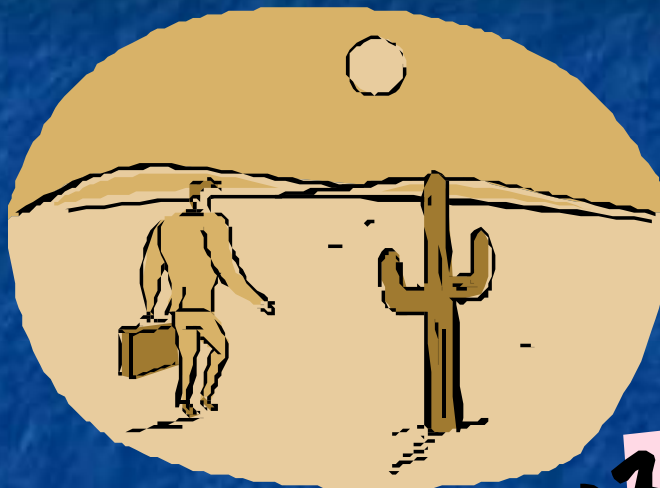


What's in the toolkit?

- Guide to the Ontario *Co-operative Corporations Act*
- General factsheets
- Sector-specific factsheets



Why a toolkit?



The Balancing Act

- Useful to staff, boards of existing co-ops
- Primary need:
 - Navigate the Act more easily
 - Get quick answers without always needing outside assistance
 - Understand their rights and obligations
- Useful to those outside the sector (CFDCs/SBECs)
- Primary need:
 - Understand co-ops
 - Provide information to others needing help
 - Have resources available



Co-op Legislation

- *Ontario Co-operative Corporations Act*
- *Ontario Credit Unions and Caisses Populaires Act*
- Unofficial co-ops
 - “Co-op-like” organizations not legally incorporated under the CC Act
 - May operate in a co-operative manner, or follow the 7 Principles
- Federal co-operatives
 - *Canada Cooperatives Act*

Early starts...

- Originally envisioned as a plain language translation of the Act
 - Not sufficient for needs of the sector
- Variety of co-op development resources available
 - No consistent format or voice
 - From a number of sources, not always Ontario-specific
- Lack of comprehensive guides available online

Development process

- Started from scratch to develop guide and factsheets
- Advisory committee was struck
 - Claude Gauthier, GROWMARK
 - Ian Shewan, Lerner LLP
 - Denyse Guy, On Co-op
- Reviewed periodically over 6-8 months
- Factsheets reviewed as drafts completed
- Interpretation questions or tricky sections addressed by whole committee

Review Process

- Additional reviewers were approached to review first complete draft of guidebook
 - Brian Iler, Iler Campbell
 - Bruce Lewis, Lewis & Collyer
 - Dale Reagan, Co-op Housing Federation-Ontario
 - Larry Sadler, Ontario Natural Food Co-op
 - Cynthia Stuart, Ontario Worker Co-op Federation
- Final review and amendments currently underway

Co-op Development Challenges

- Understanding differences between co-ops and other forms of business enterprise
- Co-operative basis and the 50% rule
- Incorporation and start-up
- Maintaining a successful co-op
- Financing co-ops



Why choose a co-op?

- **Purchasing power:** Co-ops help people obtain goods and services they may not be able to afford on their own.
- **More accountable & inclusive:** co-ops open to everyone regardless of status, each member has equal vote
- **Build stronger communities:** Most co-ops are community based - investment in and surplus revenue from the co-op stays in the local community.
- **Self-determination:** Community ownership makes co-ops less vulnerable to takeovers by outside decision-makers.
- **More sustainable:** Survival rate of co-ops after 5 years is 64%, only 36% for private firms. After 10 years, survival rate of co-ops is 46%, 20% for private firms.

Co-ops vs. Business Corporations

CO-OPERATIVES

- Exist to meet needs of members
- Accountable to members
- Surplus distributed to members
- One member one vote
- Board represents members; directors must be members
- Shares generally not traded

BUSINESS CORPORATIONS

- Exist to maximize ROI
- Accountable to shareholders
- Unlimited return on shareholders' capital
- Vote based on number of shares held
- Board represents shareholders; director may not be shareholder
- Shares may be traded

Co-ops vs. Non-Profits

CO-OPERATIVES

- Always member controlled
 - One member one vote
- Mandated to meet the needs of members
- Board of Directors elected from membership
- Operate under CC Act or CU&CP Act; with or w/out share capital
- Surplus & patronage may be distributed to members

NON-PROFITS

- Usually member controlled
 - Membership voting classes
- Broader mandate to the community
- Board of Directors elected from membership
- Operate without share capital under Ontario Corp. Act
- Surplus kept to further goals and objectives of organization

The 7 International Principles of Co-operation

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Co-operation Among Co-operatives
- Concern for Community

Co-operative basis/50% rule

- What does it really mean to be a co-op?
 - Adherence to the 7 international principles are part of the wider sector responsibility and connection
- Not just about philosophy....
-also defined by the Act:
 - 'business with members'
 - Minimum # of members
- Research and consultation on 50% rule
 - Application to CDI to cover costs
 - Work with all sectors to identify issues and make recommendation about future of 50% rule

50% Rule

- Co-operative Corporations Act requires that a majority (+50%) of its business be done with members
 - Exceptions for worker and NFP housing co-ops
- Special rules for co-ops where members or the co-op have to deal with a marketing board
 - Dairy industry
- 50% rule has impacts for many co-ops
- Impacts for the renewable energy sector

Starting-up a co-op

- 5 people to start a co-op (3 for worker co-op)
- Articles of Incorporation go to a different agency than other corporations
- Regulating body: Financial Services Commission of Ontario (FSCO)
- Required details are different:
 - Share structure
 - Member investment

Maintaining a co-op



- Yearly filing of information
- Running member meetings and AGMs
- Good member-board relations
- Appendices in Guide cover more practical issues

Financing Co-ops

- Co-ops can raise money through traditional channels
- Can also raise funds from members and community investors
- Offering Statement (analogous to prospectus)
 - Must be prepared in certain cases
 - Receipt from FSCO required
 - Can sometimes be challenging process

Process moving forward...

- Review and updates will continue into July
 - Creation of outstanding and new material
- Launching regional education sessions – Fall 2007
- Working with provincial government to get material represented alongside other business information
 - Tied into ongoing government relations work
- Developing an interactive online component

Questions for You

- Other practical information in the appendices?
- Web based vs. CD vs. hardcopy?
- Presentation on these materials in fall 2007?

Questions for Us

- Thank you!



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