

Co-operatives – Raising Equity

What is a cooperative?

It is an enterprise, or business, owned by an association of persons seeking to satisfy common needs (access to products or services, sale of their products or services, employment, etc.). This association includes one or more kinds of users or stakeholders of the enterprise:

- consumers who use the enterprise to acquire products or services (such as a retail, housing, health-care or day-care cooperatives);
- producers (such as independent entrepreneurs, artisans, or farmers) who use the enterprise to process and market the goods or services they have produced, or to buy products or services necessary to their professional activities;
- workers who use the enterprise to secure their employment and control their working conditions.

Cooperatives operate democratically (one person, one vote) through two bodies:

- general meeting of the members or delegates, and
- the board of directors composed of at least two-thirds members elected at a general meeting.

If the cooperative uses delegates, the delegate structure may reflect the size of the organization or the distance covered by the cooperative and may include more than one delegate for each organization or territory represented.

The cooperative's start-up capital usually comes from cooperative shares purchased by members. Federal cooperatives, however, can raise capital by issuing investment shares to members or non-members. Each member's liability is limited to the amount of his or her share in the capital. Each member has only one vote regardless of his or her capital contribution.

Types of Co-ops

- falls under separate legislation
- hybrid of society and corporation
- Agricultural Co-ops
- Consumer Co-ops
- Credit Unions
- Housing Co-ops
- Insurance Co-ops
- Worker Co-ops

A co-operative may be formed in accordance with:

- a provincial co-operative statute setting out its corporate form and model of operation.
- or the *Canada Cooperatives Act* when the co-operative has a place of business in at least two provinces.

Federal Coops

According to the Canada Cooperatives Act (Coop Act), the federal legislation governing cooperatives, to incorporate as a cooperative, your business must be organized and operated on a cooperative basis, as set out in section 7 of the Act. The definition of "cooperative basis" is based on principles laid out in the Statement of Cooperative Identity adopted by the International Cooperative Alliance in 1995.

A proposed federal cooperative under the Coop Act would be organized on a cooperative basis if it had the following features (for more detailed information, please refer to section 7 of the Coop Act):

- open membership
- one member, one vote
- no proxy voting for members
- limited interest on member loans
- limited dividends on membership shares
- to the extent feasible, members provide capital
- distribution of surplus funds to develop the business, improve common services, provide reserves to pay interest on member loans, dividend on membership shares and investment shares, for community welfare or distribution among members as a patronage return; and
- cooperative education

Further, a proposed federal cooperative wishing to incorporate under the federal legislation must be carrying on its business in two or more provinces and/or have a fixed place of business in more than one province. Under the Coop Act, at least 3 persons are required to incorporate a cooperative and they must be at least eighteen years of age, of sound mind and not a bankrupt. One or more federation(s) of cooperatives can also incorporate a cooperative.

Canada Cooperatives Act

Copy of the Act (Federal)

<http://laws-lois.justice.gc.ca/eng/acts/C-1.7/index.html>

Copy of the Regulations (Federal)

<http://laws-lois.justice.gc.ca/eng/regulations/SOR-99-256/index.html>

Incorporation under the Federal Legislation

A co-operative association wishing to incorporate under the federal legislation must:

- be carrying on its business in two or more provinces;
- have a fixed place of business in more than one province.

This legislation governs non-financial co-operatives only. Under the *Canada Cooperatives Act*, a co-operative cannot carry on business as a bank, insurance company, trust and loan company, co-operative credit society or association, credit union or caisse populaire.

A minimum of three persons, or one or more cooperative entities, who intend to be members can apply for incorporation. If three persons applied for incorporation, the number of members cannot fall below three.

Capital Structure of Co-operatives

The *Canada Cooperatives Act* recognizes co-operatives with different capital share structures:

- With member share capital; that is in which people must have co-op shares to qualify as members.
- Without membership share capital; that is in which people are not required to have a certain number of co-operative shares in order to qualify as members.
- With or without the power to issue investment shares; that is the co-operative can access capital from investors who expect a return on their investments and not membership status. Of course, members can also be investors.

Non-Profit Housing Co-operatives and Worker Co-operatives

The *Canada Cooperatives Act* includes provisions for non-profit housing co-operatives and worker co-operatives:

- Non-profit housing co-operatives are co-operatives whose business is restricted to that of primarily providing housing to its members. The business must be carried on without the purpose of gain for its members.
- Worker co-operatives are co-operatives whose prime objective is to provide employment to its members and to operate an enterprise in which control rests with the members.

How to Incorporate

To apply for incorporation, at least three persons, or one or more federation, must send to the Director, appointed under the *Canada Cooperatives Act*, the following:

- Articles of Incorporation, Form 3001.
- Notice of Registered Office, Form 3003.
- Notice of Directors, Form 3006.
- A declaration signed by all the applicants that after incorporation the co-operative will be organized and operated and will carry on business on a co-operative basis and that the information contained in forms 3003 and 3006 filed with the articles of incorporation must meet the requirements of the Act.
- If the proposed co-operative is a non-profit housing co-operative or a worker co-operative, a declaration signed by all the applicants that the co-operative will be in

compliance with either Part 20 or 21 of the *Canada Cooperatives Act*. Part 20 includes specific provisions applicable to non-profit housing co-operatives and Part 21 includes specific provisions applicable to worker co-operatives.

- A name search report, specifically a Canada-biased NUANS report. The name must not be confusing with other names, including corporate names, and it must include the word "co-operative," "cooperative," "co-op," "coop," "cooperative," "united," or "pool" or another grammatical form of any of those words.
- The required incorporation fee.

Under the *Canada Cooperatives Act*, by-laws are not required to be sent to the Director.

Articles of Incorporation, Form 3001

Articles must be set out in accordance with Form 3001, 3003 and 3006. Specifically, the articles must contain the following:

- The name of the co-operative (see below for requirements for non-profit housing co-operatives and worker co-operatives).
- The place in Canada where the registered office will be located.
- The name and residence address of each of the incorporators.
- The number of directors or the minimum and maximum number of directors.
- (Optional) Any restriction on the businesses that the co-operative may carry on (see below for restrictions for non-profit housing co-operatives).
- Any restriction on membership in the co-operative.
- A statement that the co-operative will be organized and operated and will carry on business on a co-operative basis.
- A statement that the co-operative will carry on its undertaking in two or more provinces and will have a fixed place of business in more than one province.
- Whether the co-operative is to be incorporated with or without membership share capital
- If there is membership **share capital**:
 - Whether the number of membership shares to be issued is unlimited or limited. If limited, the maximum number of shares that may be issued must be stated.
 - If membership shares are to have a par value, their par value must be stated. If membership shares are not to have par value, an indication as to whether the membership shares are to be issued, purchased, redeemed or otherwise acquired at a fixed price or at a price determined in accordance with a formula. The formula must be set out. Non-profit housing co-operatives can only issue shares on a par value basis. (See below for restrictions for worker co-operatives.)
- If there is **no share capital**:
 - A statement that each member has the same rights and responsibilities as each other member.
- (Optional) Any provision for the maximum rate of return that may be paid on member loans or membership shares.
- (Optional) Whether there is to be investment share capital and, if so, the particulars of it. Non-profit housing co-operatives cannot issue investment shares.
- (Optional) Any provisions for the distribution of the property of the co-operative on its dissolution. For non-profit housing co-operatives, any remaining property on dissolution must be transferred or distributed among one or more non-profit housing

co-operatives, co-operatives that have similar objectives and limitations, or charitable organizations.

- (Optional) Any provision by which members, other than by unanimous agreement, may restrict the powers of the directors to manage the business of the co-operative.
- (Optional) Any provision that the members consider necessary or desirable, including any provision that could be set out in the by-laws.

Additional Articles for Non-profit Housing Co-operatives

- The name of the co-operative must include the words "non-profit", "not-for-profit", "not for profit" and "housing cooperative", "housing co-operative" or "housing co-op" or the French equivalent.
- The business of the co-operative is restricted to that of primarily providing housing to its members.

Additional Articles for Worker Co-operatives

- The articles of a worker cooperative must provide that the name of the worker cooperative include the words "worker cooperative", "worker co-operative", "worker co-op", "coopérative de travailleurs", "coop de travailleurs", "co-op de travailleurs", "coopérative de travail", "coop de travail" or "co-op de travail."
- No person may be admitted as a member unless the person is an individual and an employee of the co-operative.
- The maximum membership investment payable by a member may not be more than 50% of their expected annual salary during the first year of their membership, unless a higher amount is paid by all members.

Main Features of By-laws

As noted above, by-laws are not to be filed with the Director. However, by-laws are generally required for a co-operative to operate. The by-laws address:

- The qualifications and procedures for acceptance of members.
- The rights and obligations of members and auxiliary members and conditions for their acceptance.
- Transfer or assignment of member's interest.
- The selection, qualifications, term of office and removal of directors and members of committees of directors.
- The distribution of any surplus earnings.
- The definition of the agent relationship if the co-operative can act as an agent for its members.
- The conditions on which membership is terminated, whether voluntary or involuntary.
- The way in which votes must be held if the co-operative wishes to hold electronic meetings.
- (Optional) The representation of members by delegates, including classes of members, if any, who may be represented; the procedure for altering classes of members; and powers, duties, selection, voting rights and procedures for the removal of delegates.
- (Optional) The division of members into classes, including the qualification, conditions precedent, manner of withdrawing and the conditions on which membership in a class ends.

- (Optional) The referral of disputes between a member and the co-operative to a process of dispute resolution.
- Any other matter that the members consider necessary or desirable.

For Further Information

Enforcement of the federal co-operative legislation is the responsibility of Industry Canada. You may obtain additional information to assist you in applying for incorporation and drawing up by-laws by contacting the Co-operatives Secretariat. Applications for incorporation are to be forwarded to Industry Canada, Corporations Directorate, 9th floor, Jean Edmonds Towers South, 365 Laurier West, Ottawa, Ontario, K1A 0C8, Tel. (613) 941-9042, Fax (613) 941-5781.

Provincial Coops

- Cooperative Association Act of BC (July 1999) - provincially registered and regulated
- minimum 3 members
- Credit Unions a sub-set category (under Cooperative Credit Associations Act - Federal legislation)
- non-profit cooperative associations can be either:
 - Housing Co-ops a sub-set category (more of an administrative category)
 - Community services Co-ops (only since 2006) - non-profit co-op (must have charitable purpose in Memorandum of Assoc)
- Up to 1997 only one type
 - in 97 there was a change
 - in 2006 non-profit co-ops allowed (community services co-ops)
- multi-stakeholder co-op
 - differentiated share requirements
 - Board composition
 - regional representation
 - small members
 - mid-sized members
 - large members
- reporting association
 - a designation by the registrar of cooperative associations for community service co-ops which may have significant size, membership, gov't funding, or activities which warrant

Benefits

- symbiotic relationship between large and small members

Co-operative Principles

- open to all
- one member - one vote
- members contribute capital
 - no direct financial return on capital
 - surplus used for co-op development, reserves, dividends, patronage return
- teach co-operative principles
- autonomy and independence
- concern for community
- cooperation amongst cooperatives

Or, more formally:

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

Required Constituting Documents

1. Memorandum of Association
 - a. list the members
 - b. define the class of membership shares and the class(es) of investment shares authorized
 - c. identify membership shares and investment shares taken by each member
 - d. state the purpose (must be a charitable purpose for community service (non-profit) cooperatives)
 - e. identify if a community service coop, or a housing coop, or if neither, whether a restriction exists on distribution of the assets of the coop on wind-up
 - f. par value of shares (or without par value) in each share class
 - g. state max number of shares (or unlimited) for each share class
2. Rules of Association
 - a. define joint member arrangements
 - b. state a class of shares as membership shares
 - c. can require for certain decisions a minimum portion of all share classes need to vote in favour
 - d. define the rights and restrictions for each share class
 - e. define whether investment shares can be issued to non-members

What documents must I submit?

An application for incorporation must include:

1. Form 3001: Articles of Incorporation
2. Statutory Declaration (See [Annex A](#))
3. A Canada-biased NUANS name search report not more than 90 days old, of the proposed name. If you requested prior approval of your name, attach a copy of the letter from Corporations Canada approving your name with the copy of the NUANS report
4. Form 3003: Notice of Registered Office
5. Form 3006: Notice of Directors
6. Fee of \$250

Note that you do not need to use these pre-printed forms but that the documents used must conform closely to the forms.

Once approved by the Director, Corporations Canada issues a certificate of incorporation and the cooperative is entered on the corporate register.

By-laws

The by-laws do not need to be submitted when submitting a request for incorporation. The by-laws are nevertheless very important to the cooperative as they are the internal governance rules adopted for the cooperative.

The Act requires the by-laws to cover at least the following areas (section 15):

- qualifications and procedures for acceptance of members;
- rights of joint members, if any;
- rights and obligations of members and, if any, auxiliary members;
- transfer or assignment of members' interest;
- selection, qualifications and term of office of directors;
- distribution of any surplus earnings;
- definition of any agency relationship the cooperative has with its members;
- conditions of termination of membership; and
- electronic voting at members' meetings, if permitted.

The by-laws may also address:

- representation by delegates;
- classes of membership;
- dispute resolution process; and
- any other matter that the members consider necessary or desirable.

In addition to the above, the by-laws of non-profit housing cooperatives and worker cooperatives must include certain provisions. Refer to section 355 of the Act for non-profit housing cooperatives and section 360 for worker cooperatives.

Member Classifications

- owner members
 - terms of Co-op ownership are defined in the Mem of Assoc and in the Rules
 - can be an individual, government, corporation, first nation
 - right to vote derives from membership, not from # of membership shares
- investor members (only with a for profit Co-op)
 - investor mbrs are not beneficiaries
 - investor shares - simply investment capital to the Co-op
 - can have more than one class of investor shares

Investment in the Co-op

Securing financing for your co-op is a key step. Of course members are a key source of capital, however rarely do members have all the financial resources required. This means that securing additional capital from others is usually a necessary part of all co-op start-ups.

There are many different types and sources of financing and each source will require specific information about your co-op to determine whether or not they will provide the co-op any money. The co-op will also have to agree to specific requirements and conditions to receive the money. The following are some key resources that provide financing to co-operatives:

- [Canadian Alternative Investment Co-operative](#)
- [Tenacity Works Fund](#) (Canadian Worker Co-op Federation)
- Capital Guide for Worker Co-ops (CWCF): <http://www.coopzone.coop/en/node/516>

- purchase of membership shares
 - only one class of membership shares allowed
 - par value stated in the MoA document
 - minimum # shares required for membership stated in MoA document
 - more than required # of membership shares can be taken
 - consideration (payment) for shares must be equal to or greater than their par value
 - payment for without par value shares must be set by the association
- Co-op can establish that membership shares can be paid “on call” if they are without par value (for later investment)
- no liability to shareholders beyond the value of the share purchase
- purchase of investment shares
 - more than one class of investment shares allowed
 - par value of inv shares stated in MoA document
 - can have multiple classes - each with a different par value
 - with par value and without par value must be in different share classes
 - can be made available to non-members

- consideration (payment) for shares must be equal to or greater than their par value
- typically no voting rights
- can have the right to vote for selection of a portion of the directors (not more than 20%)

Distributions to Members

- community service co-ops
 - patronage rebates are allowed
 - dividends allowed on membership shares (max 8% pa)
 - no distributions of property to members
 - repayment of membership share purchase monies allowed
 - any funds borrowed from the member can be repaid
 - assets on dissolution must be given to one or more registered charity or Comm Serv. Co-op
 - cannot have investor members
- for profit co-ops
 - dividends allowed on membership shares (max 8% pa)
 - dividends allowed on investment shares (no restrictions)
 - patronage rebates allowed
 - on dissolution assets go to owner members
- members loans
 - can pay interest on shares up to 8% return

How is a cooperative different from other businesses?

Cooperative business	Investor-owned business	Non-profit organization
Ownership		
The share is listed in the member's name.	Generally, a share carries no name. Unless registered, it belongs to the bearer.	There is no ownership. Members are taken on (or membership accepted) when they agree to pay annual dues conferring member status, or a one-time membership fee.
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.	Anyone may become a member, whether or not they use or benefit from the services provided by the organization, as long as they support the purpose of the organization.

Member's responsibility is limited to the amount of the shares he or she holds.	Shareholder's responsibility is limited to the value of the shares he or she holds.	
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 a number of votes, equivalent to the number of shares he or she holds in the company.	Generally, one person, one vote. Delegates or proxies may be used depending on the governing legislation.
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).		
No proxy voting allowed.	A shareholder may obtain a proxy to vote for other shareholders.	
Holders of investment shares have restricted voting rights.		
Sharing in the Surplus		
Cooperative legislation may limit or prohibit the payment of interest on share capital.	There is no limit on share dividend.	
Surpluses may be paid into the reserve or to members in the form of patronage returns proportional to the business done by each member with the cooperative.	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 legislation allows cooperatives that issue investment shares to allocate part of their surpluses as dividends on those shares.		
Some provincial legislation may stipulate that a cooperative's	Shareholders may dispose of all of the assets of the business in	

general reserve is indivisible, or divisible in whole or in part.	accordance with certain legislative provisions.	
Some cooperatives, such as housing, health and day-care cooperatives are structured as non-profit entities. Surpluses are not distributed to members.		

****IMPORTANT UPDATE re: RRSP program, March 2012:** as a result of changes recently made to the rules governing RRSPs, it is possible to use this program only where the individual planholder holds less than 10% of the value of each class of shares in a co-operative. Investments in co-operatives and business corporations for an amount of 10% or more of shares were previously allowed, but have been declared "prohibited investments" in order to make it more challenging for individuals to engage in tax avoidance. All of the RRSP information below should be read in light of the fact that this applies only where investors will each own less than 10% of each class of shares.**

Appendix I

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:
 - unavailability or instability of work,
 - unavailability of certain products and services,
 - poor quality of certain products and services,
 - products and services that are overpriced,
 - market development.

- * Identify professional assistance needed to launch the business:
 - co-operative developer,
 - feasibility study, business plan and financial consultant,
 - accounting consultant, legal 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 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, (eg. quality, price) and characteristics:
 - products and services offered (consumers' co-operative)
 - or products and services marketed (producers' co-operative)
 - or salaries and working conditions (workers' co-operative)
- * Evaluate the project's potential to attract the minimum number of members required.

If this 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 the 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 from the provincial ministry responsible for co-operatives or from Industry 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, although the planned co-operative looks feasible it would not be 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

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 5: Organize the association

- * Decide on the association's structure and define the various categories of members, if necessary (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 (eg. "parliamentary procedure"), the operation of a committee or board.

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 recruit the person to 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); venture capital corporations, private funds or credit union investment programs
- * Apply for a government start-up grant (if they are available and if required)
- * Negotiate medium term credit union or bank loans and a line of credit

Step 6.C: Recruit and train the enterprise's staff

- * Select and recruit employees (responsibility of chief executive officer, except in the case of a worker co-operative where recruitment decisions are usually 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, Canada Revenue Agency
- * provincial: numbers for the provincial revenue department, for provincial tax
- * co-operatives may also have to register with, or be licenced by, other legislation or federal or provincial departments
- * municipal: municipal permit, 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 intersectoral interco-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)

Appendix II

How to fill out Form 3001: Articles of Incorporation

Item 1. Name of the Cooperative

- The name must include one of the following words: "cooperative", "coop"; "coopérative"; "co-operative"; "united"; "pool" or "co-op". The same word must be used in both the English and the French forms of the name.
- If the cooperative is a non-profit housing cooperative, paragraph 353(a) of the Act stipulates that its name must include the words: "non-profit," "not-for-profit," "not for profit," "sans but lucratif" or "à but non lucratif"; and "housing cooperative," "housing co-operative," "housing co-op," "coopérative d'habitation," "coop d'habitation," "co-op d'habitation," "coopérative de logement," "coop de logement" or "co-op de logement."
- If the cooperative is a worker cooperative, section 361 of the Act stipulates that its name must include one of the following terms: "worker cooperative," "worker co-operative," "worker co-op," "coopérative de travailleurs," "coop de travailleurs," "co-op de travailleurs," "coopérative de travail," "coop de travail" or "co-op de travail."
- If the business of the cooperative is restricted by its articles or by a resolution of its members to a specific business purpose, the cooperative must have as part of its name one or more words that suggest the nature of the restriction.

Item 2 Municipality and Province of the Registered Office

- The articles should specify (i) a city or a municipality and (ii) a province within Canada. (Do not specify a street address.)
- The information provided here must be the same as the one provided in item 3 of Form 3003: Notice of Registered Office.

Item 3 Number of Directors

- The number can be fixed or a minimum and a maximum can be stated.
- The minimum number of directors is 3. At least 25 percent of the directors must be resident in Canada. However, where the cooperative will only have 3 directors, at least one must be resident in Canada. [Subsection 76(1)].

Item 4 Restrictions on the Business of the Cooperative

- **Mandatory for Housing Cooperatives:** The articles state that the business of the Housing Cooperative is restricted to that of primarily providing housing to its members[Section 353(b)].
- **Other Cooperatives:** Set out any restrictions on the business you want the cooperative to have. If there are no restrictions, mark "none".

Item 5 Restrictions on the Classes of Membership

- **Mandatory for worker cooperatives:** Ensure that the articles state the following:
- No person may be admitted to membership unless the person is an individual and an employee of the cooperative [Subsection 359 (2)(a)].

- The maximum membership investment payable by a person to be a member should not exceed more than fifty per cent of their expected annual salary during the first year of their membership, unless an amount in excess of that amount is also paid equally by all persons who are members [Subsection 359 (2)(b)].
- Other cooperatives: Set out any restrictions on membership you may want the cooperative to have. If there are no restrictions, mark "none".

Item 6 Membership Share Capital and Member Rights

A cooperative may be incorporated with or without membership shares [Section 9].

Incorporated without membership share capital

Incorporated without membership share capital	
For cooperatives:	The articles must state that:
where every member has only one vote (i.e., not federations or with members that are cooperative entities, where some members may have more than one vote)	There is to be no membership share capital and the interest of each member as a member is the same as that of every other member.
that are federations where members or delegates have more than one vote, or if the cooperative was a former Act cooperative and prior to its continuance permitted members or delegates to have more than one vote.	There is to be no membership share capital and, subject to the voting rights set out below for members or delegates, the interest of each member is the same as that of every other member. (Set out the voting rights on the form or in an attachment.)
that would include cooperative entities as members, and such members have more than one vote	There is to be no membership share capital and, subject to the voting rights of a cooperative entity, the interest of each member as a member is the same as that of every other member. (Set out the voting rights for members that are cooperative entities on the form or in an attachment.)

Incorporated with membership share capital

Incorporated with membership share capital		
	Value of shares	Number of shares
Non-profit housing cooperatives	The cooperative may only issue membership shares on a par value basis [paragraph 354(b)]	The articles must state whether the number of membership shares to be issued is limited or unlimited. If limited, the articles must include the maximum number of membership shares to be issued.
All other cooperatives	<p>The articles must state whether the shares are set at:</p> <ul style="list-style-type: none"> • par value (the stated value of each share) or • no par value. <p>For cooperatives that do not use par value shares, the articles must state whether the membership shares are to be issued, purchased, redeemed or otherwise acquired at a fixed price or in accordance with a formula. The articles must describe any formulas used.</p>	

Item 7 Maximum Rate of Return(Optional)

The articles may state the maximum rate of return that may be paid on member loans or membership shares and may provide for the amount and payment schedule of the loans (with or without interest).

Item 8 Distribution of Property in case of Dissolution (Optional)

- Housing Cooperatives

Restriction: Housing cooperatives must distribute their assets among one or more non-profit housing cooperatives, cooperatives incorporated in a province that have similar objectives and limitations, or a specific charitable organization. [section 354(e)].

- Worker Cooperatives

Note: Unless otherwise provided in the articles, at least 20 percent of the surplus must be distributed to another cooperative, a non-profit entity or a charitable entity after payment of its liabilities but before any distribution is made to a member or shareholder.

- All Cooperatives

Subject to the above restrictions respecting non-profit housing and worker cooperatives, the articles of a cooperative may provide for distribution or disposal of a cooperative's property on dissolution of the cooperative, including distribution:

1. among the members at the time of dissolution, in any manner, including equally among the members irrespective of the number of membership shares or amount of member loans, if any, held or made by a member;
2. among the members at the time of dissolution on the basis of patronage returns accrued to those members during a stated period before dissolution; or
3. to charitable organizations or cooperative entities.

The value of such property is determined after the payment of all debts and liabilities, including any declared and unpaid dividends, the amount to be paid to the holders of any investment shares and the amount to be paid on the redemption of membership shares. These distribution schemes are suggestions only; the decision rests with the cooperative. If there is no distribution scheme, mark "none." If no provisions are indicated in the articles, the remaining property of the cooperative is distributed among the members and shareholders, if any, according to their respective rights.

Item 9 Investment Share Capital

A cooperative may be incorporated with or without the power to issue investment shares [Section 9].

- Housing Cooperatives

Restriction: Housing cooperatives may not issue investment shares [Section 354(a)].

- Other Cooperatives (Optional)

If the cooperative wants to have an investment share structure, the articles must state it and provide particulars:

1. whether the investment shares may be issued to non-members;
2. whether the number of investment shares is to be unlimited and, if not, the maximum number of investment shares that may be issued;
3. the number of classes of investment shares; and
4. the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the investment shares and, if there is to be more than one class, the designation of each class and the special

preferences, rights, conditions, restrictions, limitations and prohibitions attaching to each class.

The Coop Act allows investment shares to be issued to members and non-members alike at the discretion of the cooperative. Investment shareholders have no right to vote at a meeting of a cooperative unless the articles specifically give them the right to vote and only in the following limited circumstances set out in the Act [subsections 124(2) to 124(4)]: the articles can give non-member investment shareholders the right to elect up to 20 percent of board members; that when the cooperative wants to change its structure in a way that affects investment shareholders, the Act gives shareholders the right to vote on those proposed changes.

These provisions are designed to provide more flexibility in the way cooperatives may raise capital and provide safeguards for investment shareholders, while keeping the control of the cooperative in the hands of the members.

Statutory Declaration

Your application must include a statutory declaration signed by the incorporators stating that, after incorporation, the cooperative will be organized and operated and will carry on business as a cooperative. The declaration must also state that the information contained in Form 3003 and Form 3006 filed with Form 3001: Articles of Incorporation must meet the requirements of the Act.

Non-profit housing cooperatives must also submit a declaration signed by the incorporators stating that, after incorporation, the cooperative will comply with Part 20 of the Act

Worker cooperatives must also submit a declaration signed by the incorporators stating that, after incorporation, the cooperative will comply with Part 21 of the Act.

Annex A – In the matter of the *Canada Cooperatives Act* and in the matter of an application

(Name of Applicant Cooperative)

Statutory Declaration

We, the undersigned, Do Solemnly Declare that:

1. We are the incorporators of _____ (the "Cooperative") and we have personal knowledge of the matters herein deposed to.
2. The information contained in forms 3003 and 3006 filed with the articles of incorporation meets the requirements of the Act.
3. Choose one of the following statements:

- After incorporation, the Cooperative will be organized and operated and will carry on business on a cooperative basis.

- (For non-profit housing cooperatives)

After incorporation, the Cooperative will be organized and operated and will carry on business on a cooperative basis and the Cooperative will comply with Part 20 of the Canada Cooperatives Act.

- (For worker cooperatives)

After incorporation, the Cooperative will be organized and operated and will carry on business on a cooperative basis and the Cooperative will comply with Part 21 of the Canada Cooperatives Act.

And we make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of the Canada Evidence Act.

(This declaration must be signed by all the incorporators of the Cooperative.)

Declared before me at the City of _____, in the Province of _____, this _____ day of _____, 20_____.

(signature of incorporator)

A Commissioner, etc.

Declared before me at the City of _____, in the Province of _____, this _____ day of _____, 20_____.

(signature of incorporator)

A Commissioner, etc.

Declared before me at the City of _____, in the Province of _____, this _____ day of _____, 20_____.

(signature of incorporator)

A Commissioner, etc.