



BUILDING INDIGENOUS COOPERATIVE CAPACITY

A GUIDE TO COOPERATIVE DEVELOPMENT

AN INITIATIVE OF KA NI KANICHIHK INC.'S BUILDING INDIGENOUS COOPERATIVE CAPACITY PROJECT • WWW.KANIKANICHIHK.CA



ACKNOWLEDGMENTS

This resource guide is an initiative of Ka Ni Kanichihk Inc.'s Building Indigenous Cooperative Capacity Project.

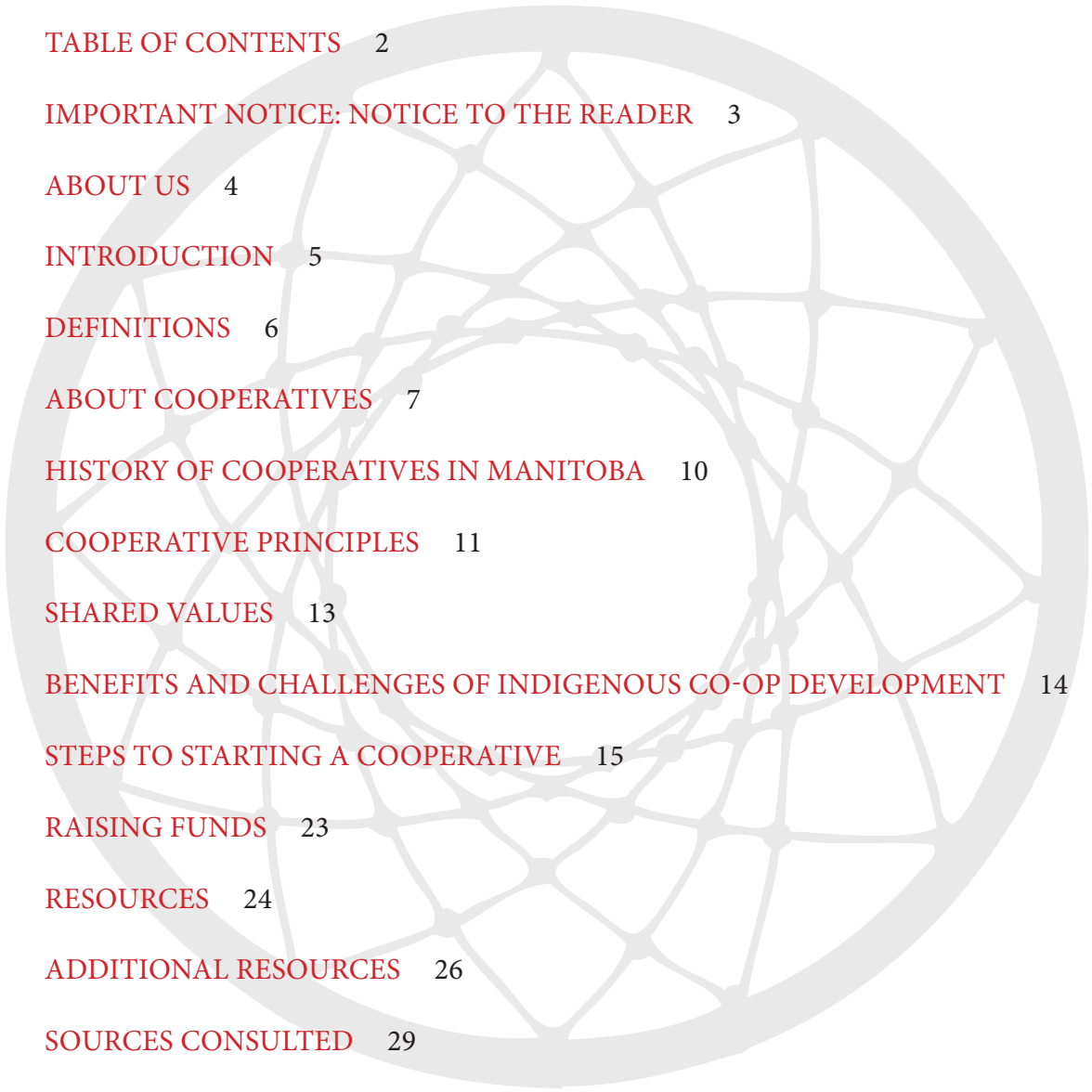
The original name of this Project, which is hosted by Ka Ni Kanichihk, is "Building Aboriginal Cooperative Capacity." To be inclusive and reflect the language used within the community in Manitoba, the title of this handbook has been changed to "*Building Indigenous Cooperative Capacity*." There are times when the word Aboriginal and Indigenous are used interchangeably, however, that does not change the intent of focusing on cooperative development for the First People of this country: First Nations, Metis and Inuit.

We would like to thank all who contributed to the development of this guide through the sharing of content, advice, guidance and resources. A special thank you to this project's advisory committee members: Leslie Spillett, Diane Redsky, Tom Simms, Kathy Mallett, Norman Meade, Gloria Spence and Terri Milne.

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IMPORTANT NOTICE: NOTICE TO THE READER

The information provided in this resource guide is not a comprehensive overview of the legal and administrative aspect of cooperative development. This content is not intended to be utilized as the primary basis of any transaction or legal opinion.

The objective of this resource is to act as a guide to Indigenous cooperative development and to foster general awareness and increase knowledge of the cooperative environment. The intent is to increase Indigenous participation in the cooperative movement by suggesting processes of development.

Users of this resource guide are advised to seek legal and professional advice prior to entering into any legal agreements or pursuing any legal transactions. The information available within this document is not meant to replace, substitute, or supersede the cooperative regulatory process, legal and/or professional advice and services.



ABOUT US

In 2008, a steering committee — including representation from the Province of Manitoba, the Manitoba Cooperative Association and Le conseil de développement économique des municipalités bilingues de Manitoba (CDEM) — led an exercise to develop a strategy to support the development of cooperatives in Manitoba. The first phase of this strategy saw significant achievements and worked to consult and engage partners throughout the cooperative community. Unfortunately, there was limited consultation with the Indigenous community.

In phase 2 of the strategic plan (2015-2020) for the Manitoba Cooperative Strategy, Indigenous participation has been identified as a key activity of the strategy. Prior to this, Neighbourhoods Alive! provided funding to Ka Ni Kanichihk in order to facilitate a process of engaging the urban Indigenous community in Winnipeg. This contributed to the creation of the Building Indigenous Cooperative Capacity Project.

THE PURPOSE OF THE “BUILDING INDIGENOUS COOPERATIVE CAPACITY PROJECT” is to develop a co-op strategy for the Indigenous community in Winnipeg, engage Indigenous and cooperative stakeholders, and identify potential co-operative business ideas for the Indigenous community. The three main objectives include:

1. To develop a co-op strategy for the urban Indigenous community
2. To liaise with community economic development groups specializing in co-ops as well as government committees
3. To compile a co-op resource manual for the Indigenous community

In order to meet the objectives, 4 (four) community consultations were conducted as a means to gather and share information with regards to cooperatives and the robust sector that exists in Manitoba with Indigenous leaders, organizational representatives and other community members.

It was determined that the best course of action was to use the opportunities to engage the community in meaningful and focused ways that will influence the Urban Indigenous Cooperative Strategy and to determine three potential cooperative business ideas. Each of the 4 (four) consultation sessions were been themed to build awareness, share information and gather perspectives and views on priorities for the Indigenous community of Winnipeg.

THE WORK OF THE BUILDING INDIGENOUS COOPERATIVE CAPACITY PROJECT IS GUIDED BY THE ADVISORY COMMITTEE comprised of community leaders with strong skills and abilities in a variety of areas in order to support the project and its objectives. The purpose of the Advisory Committee was to provide advice and guidance on the implementation and delivery of the Project. Members of the Committee include:

Leslie Spillett – Executive Director, Ka Ni Kanichihk
Gloria Spence – Executive Director, Aboriginal Chamber of Commerce
Terri Milne – Co-op Developer, Province of Manitoba
Norman Mead – Elder, former Co-op Developer, Province of Manitoba
Kathy Mallett – Community Member, instrumental in the development of an Aboriginal Housing Co-op
Tom Simms – Community Education Development Association (CEDA)
Diane Redsky – Executive Director, Ma Mawi Wi Chi Itata Centre Inc.
Crystal Laborero – Community Service Delivery Organizer (Project Lead)

INTRODUCTION

Indigenous people play an integral role in the prosperity of Canada's economy. The relatively young and expanding population is vital to fulfilling Canada's future demand for labour. There is a growing recognition of the importance of Indigenous participation in Canada's economic development, which has been affirmed by recent court decisions and the growing alignment of economic interests between Indigenous people and the non-Indigenous business community. Indigenous prosperity is increasingly linked to Canada's overall prosperity — reflecting the vital role the Indigenous population has in ensuring the long-term collective success of the Canadian economy. It is widely held that economic prosperity is a prerequisite to social development, and that socioeconomic successes and opportunities must continue to be supported to enhance the quality of life for Indigenous people.

**IN 2006, 10%
OF WINNIPEG'S
TOTAL POPULATION
IDENTIFIED AS
INDIGENOUS**



The Indigenous population is both younger and growing more rapidly than the non-Indigenous population, representing a wealth of future labour resources. The overall Indigenous population grew at an average rate of 3.6% per year from 2006 to 2011, four times faster than the non-Indigenous population. Differences in the age structure between the Indigenous and non-Indigenous population can explain differences in some of the aggregate outcomes between the two groups.

The median age of the Indigenous population was 27.7 years in 2011, up from 26.5 years in 2006. On reserves, First Nations had the lowest median age at 23.9 years. The median age of the non-Indigenous population was 40.6 years in 2011, up from 39.7 in 2006. Almost half (46.2%) of Indigenous people were less than 25 years old, compared with 29.5% of non-Indigenous people. Over a quarter (28.0%) of Indigenous people were children (aged 0-14) compared with 16.5% of non-Indigenous people.

A cooperative is one approach that Indigenous communities and people can come together collectively to meet communities' economic, social, political and developmental needs. Cooperatives are not a new form of organization within Canadian Indigenous communities. Co-ops exist in many sectors of the Canadian economy, such as fishing, energy, forestry, housing, financial services, consumer goods and arts & crafts. Co-ops fill an important role in economic capacity-building, skills development, business development, mentoring and employment.

The purpose of this guide is to increase the understanding of cooperatives, cooperative development and to determine whether a cooperative is a good option for pursuing economic development. There are different kinds of businesses and business structures that can address need or opportunity.

Remember that a cooperative or credit union is still a business, but it is a unique type of business. It requires the dedication of its members to an on-going process that is democratic and serves the needs of its membership. Starting a co-op takes time and dedication, but has tremendous paybacks.

DEFINITIONS

ANNUAL GENERAL MEETING: a meeting of the general membership of an organization. These meetings are required by law or by the constitution, charter or by-laws governing the body. The meetings are held to conduct business on behalf of the organization with the members of the cooperative.

BOARD OF DIRECTORS: a body of individuals elected by the members who jointly oversee the activities of the cooperative.

BUSINESS PLAN: a formal statement of business goals, reasons they are attainable and plans for reaching them. It may also contain background information about the cooperative and/or team attempting to reach those goals.

CAPITAL: wealth in the form of money or assets, taken as a sign of the financial strength of an individual, organization or nation; money invested in a business to generate income.

BY-LAWS: are internal to a cooperative and are the rules established by the cooperative to regulate itself. This is an important document that lays out how the cooperative is to be operated; any changes to the bylaws must be approved by the membership.

CONSTITUTION: a document that contains all the rules of how a cooperative should be structured and managed. This is similar to the by-laws.

COOPERATIVE GOVERNANCE: is the act of steering cooperatively owned enterprises toward economic, social, and cultural success. It consists of answering key questions, defining roles and responsibilities and establishing processes for setting expectations and ensuring accountability — this, as usually performed by the Board of Directors.

ECONOMIC DEVELOPMENT: from a policy perspective, economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes.

EQUITY: the value of an ownership interest in property, including shareholders' equity in a business. Equity or shareholders' equity is part of the total capital of a business.

FEASIBILITY STUDY: is an assessment to determine if the proposed cooperative is a good idea or not.

MEMBERS: a person who belongs to a social group or an entity such as a company or nation. Members belong to a cooperative.

POLICIES: are created by the Board of Directors and management team to provide the guidelines and directions of the organizations on issues such as human resources, finances and other issues. They are generally approved by the Board of Directors and reviewed on a regular basis. Policies can be modified at the board level.

REGISTRAR: an official recorder or keeper of records. There is a registrar in Manitoba for cooperatives.

SHARES: co-ops have an open membership, so anyone can become a member. Being a co-op member means that you own a share of a business in your community. Members purchase a share to become a shareholder (member) of the cooperative.

SOCIAL VALUE: a way of thinking about how resources are allocated and used. It involves looking beyond the individual and looking at what the collective benefit is to a community.



ABOUT COOPERATIVES

WHAT IS A COOPERATIVE?

Cooperatives (or “co-ops”) are legally incorporated organizations owned by their members who use their services or purchase their products. Co-ops can provide virtually any product or service, and can be either non-profit or for-profit enterprises.

A cooperative is essentially people working together to meet a common need. The cooperative business enterprise model is inherently ethical in its treatment of its members, employees, suppliers and the environment. Co-ops serve a range of sectors, including: housing, food, worker, agriculture, service, financial, youth and Indigenous communities.

BENEFITS OF A COOPERATIVE

Cooperatives combine economic and social objectives in their business pursuits. By providing a model for community economic development, they generate community investment and facilitates local control of resource development.

As businesses driven by values (not just profits), co-ops are democratic, member-owned organizations. They are responsible to their members. The members determine how the co-op will be run, elect the Board of Directors and allocate the profits of the cooperative among its member-owners.

- There are approximately 9,000 cooperatives and credit unions in Canada, providing products and services to 18 million members.
- The survival rate of co-ops is higher than that of traditional businesses. A 2008 study in Quebec found that 62 per cent of new co-ops are still operating after five years, compared with 35 per cent for other new businesses. After 10 years, the figures are 44 per cent and 20 per cent, respectively.
- Manitoba has over 400 cooperatives representing nearly every sector of the economy.
- Manitoba co-ops have more than \$16 billion in assets, 6,500 employees and \$1.9 billion in revenue.
- In 2007, Manitoba cooperatives returned over \$135 million back to members in the form of patronage.
- In Manitoba, there are 68 rural communities where a credit union is the only financial institution.
- There are approximately 16 Indigenous cooperatives in Manitoba.

BENEFITS OF A COOPERATIVE OWNERSHIP MODEL

- Allows like-minded people to provide themselves with desired goods and services at a reasonable cost.
- The traditional democratic control model of “1 Member, 1 Vote” means decisions are made by all members, and prevents one person or a small group of people from gaining control.
- Income generated by the co-op remains in the community.
- Profits not reinvested in the co-op are allocated proportionally and paid back to members based on the volume of business.
- Limited liability of members. Members /owners liability is limited to the amount of the value of their shares plus any shares that have been purchased but are unpaid.
- Sustainability — a co-op enterprise continues even if members /owners leave.
- The co-op movement provides educational and networking opportunities at a local, regional and international level.

A COOPERATIVE	A BUSINESS
1. Its main purpose is to provide service and savings to members.	1. Its main purpose is to make profit for investors.
2. It is essentially a union of persons.	2. It is essentially a union of capital.
3. Its control is democratic; each member has one share and therefore one vote regardless of their patronage level.	3. Control is not equal; it is based on the number of voting shares held. As the volume of shares purchased is generally unlimited, individual investors can acquire substantial or complete control.
4. Ownership is in the hands of its members in the community who use the service.	4. Ownership is in the hands of investors who may be located in another community, province or country.
5. Surplus (“profits”) refunded to members in proportion to patronage.	5. Surplus allocated in proportion to voting shares owned.
6. Shares are held in name of members only and are not traded for speculation.	6. Shares may be freely traded and fluctuate in value.

A COOPERATIVE IS DIFFERENT FROM OTHER BUSINESS IN SOME VERY IMPORTANT AREAS:

- PURPOSE - service and savings to members.
- CONTROL - one member - one vote.
- OWNERSHIP - members who use the services.
- SURPLUS - is proportionally distributed to members according to patronage.

(Source: An Introduction to Co-operatives, L. E. Gossen, Copyright 1975)

TYPES OF COOPERATIVES

Co-ops in Canada are as varied and versatile as the people and communities they serve. While they have a shared philosophy, there are many different ways co-ops are organized and managed.

PRODUCER AND MARKETING CO-OPS

These are most often found in the agriculture sector. Members generally cooperate to meet a common need. These needs include common services such as a poultry processing plants, commodities marketing boards or shared transportation and marketing for similar products.

CONSUMER AND RETAIL CO-OPS

These are commonly formed by consumers who want affordable services or goods. They fill gaps in available products and services, especially in rural communities, while offering urban centres with local, value-added alternatives.

WORKER AND EMPLOYMENT CO-OPS

These are owned by the people who work in the co-op business. These co-ops give workers a voice in how the business is run. These workers-owners control the management and administration of their enterprise. Second only to Quebec, Manitoba has the highest number of worker co-ops in Canada.

COMMUNITY SERVICES CO-OPS

These are non-profit co-ops and can take the form of worker, consumer or producer co-ops without profit sharing. Many child care centres incorporate as community service co-ops and members can be either the children's parents (like a consumer co-op) or the day care providers/staff (like a worker co-op). There are gardening co-ops that operate as producers and consumers. They provide land for members to grow food and also have a food buying club.

HOUSING CO-OPS

There are different types of housing co-ops. All of them allow members a say in how the building is run with members contributing to landscaping, painting or building repairs. In non-profit housing co-ops, when the members leave they only receive their share price back. In equity housing co-ops, when members leave they get back their share price plus market value for their share of the co-operative.

FINANCIAL CO-OPS

These are caisses populaires and credit unions. They provide members with financial services. The profits these co-ops make go back to the shareholders or members. Other co-op organizations will often become members in these co-ops and use their banking services for their co-op organizations.

NEW GENERATION CO-OPS

New generation co-ops have been in Manitoba since 1999. They are commonly found in agricultural production. Producers can capture a greater portion of the value chain that exists between the production of raw goods and retail sale. For example, rather than producing raw food for food producers, a new generation co-op may produce the raw food and then process it into a retail or wholesale product themselves.

MULTI-STAKEHOLDER CO-OPS

Provincial legislation was passed in Manitoba in 2011 to support the creation of these types of co-ops. The legislation allows more than one class of membership within one incorporated co-op. It allows the co-op to provide a wider variety of services to members and people who use or support the business of the co-op. For example, a producer class co-op can be combined with a worker class co-op.

HISTORY OF COOPERATIVES IN MANITOBA

Historically, Indigenous communities and societies prospered based on a collective way of living. Healthy and vibrant communities were dependent on collaborative economic and social systems.

In Manitoba, cooperatives were particularly important in the agriculture sector as farmers began to engage in economic activities and collaborative marketing practices. The earliest of these cooperatives included agricultural societies beginning circa 1872, with a cooperative store opening in Winnipeg as early as 1883 (MacPherson, 2010). Marketing cooperatives were established in the early 1900s to ensure fair prices for commodities, while later cooperatives helped farmers access farm equipment through the establishment of Canadian Co-operative Implements Limited (MacPherson, 1987).

Today, over 400 cooperatives can be found in a host of different sectors across the province. These cooperatives range from car share cooperatives, such as the Peg City Car Co-op, to fitness co-ops like Physique Plus Fitness Co-op, and retailers such as the Natural Cycle Co-op. The province is also home to approximately 40 housing cooperatives, including the first Aboriginal Housing Cooperative in Manitoba.

Federated co-ops also employ about 4,500 Manitobans and provide economic benefits to their communities by both preventing market failures and distributing millions of dollars yearly in member dividends and by investing in facilities and infrastructure.

The first credit union in Manitoba was established in 1937 in the French community of St. Malo (Credit Union Central of Manitoba). Credit unions expanded rapidly in Manitoba and, by 1939, there were 19 credit unions established in the province.

Long before the establishment of formal cooperative enterprises, cooperative approaches formed a great part of Manitoba's cultural and business landscape. The spirit of cooperation in this region began with Indigenous peoples who used collaborative practices to hunt, fish and trade (MacPherson, 2010). These collective ideals can be seen in the presence of Indigenous co-ops today, such as the Neechi Foods Co-op and Arctic Co-operatives Ltd. (MacPherson, 2010).

Co-ops throughout the province have been recognized for their ability to meet both social and economic goals. Indeed, Manitoba's co-ops are sustainable, long term businesses. They create meaningful employment; promote social inclusion and social responsibility; increase communities' economic stability; develop leadership; and create a stronger sense of community.

The co-op sector in Manitoba continues to contribute steadily to the economy. Our co-ops have more than \$16 billion in assets and \$1.9 billion in revenue. More than 400 co-ops provide products and services, including hardware, groceries, gas, child care, housing and agriculture. In 2009, eight Manitoba cooperatives made the Top 50 Non-Financial Co-operatives across Canada.



COOPERATIVE PRINCIPLES

Cooperative principles are guidelines by which cooperatives put their values into practice. The majority of successful cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Their members follow 7 (seven) internationally recognized principles:

1ST PRINCIPLE: VOLUNTARY AND OPEN MEMBERSHIP

Cooperatives 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

Cooperatives 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 cooperatives, members have equal voting rights (one member, one vote), while cooperatives at other levels are also organized in a democratic manner.

3RD PRINCIPLE: MEMBER ECONOMIC PARTICIPATION

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

4TH PRINCIPLE: AUTONOMY AND INDEPENDENCE

Cooperatives 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 cooperative autonomy.

5TH PRINCIPLE: EDUCATION, TRAINING AND INFORMATION

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of co-op.

6TH PRINCIPLE: COOPERATION AMONG COOPERATIVES

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7TH PRINCIPLE: CONCERN FOR COMMUNITY

Cooperatives work for the sustainable development of their communities through policies approved by their members.



Arctic Co-Operatives Ltd. patrons.

SHARED VALUES

Cooperatives reflect many of the same values and beliefs found among the Indigenous peoples of Canada. Given the collaborative and cooperative basis on which Indigenous and non-Indigenous peoples worked together for years, it should come as no surprise that co-ops reflect many of the same values and beliefs found among Indigenous people.

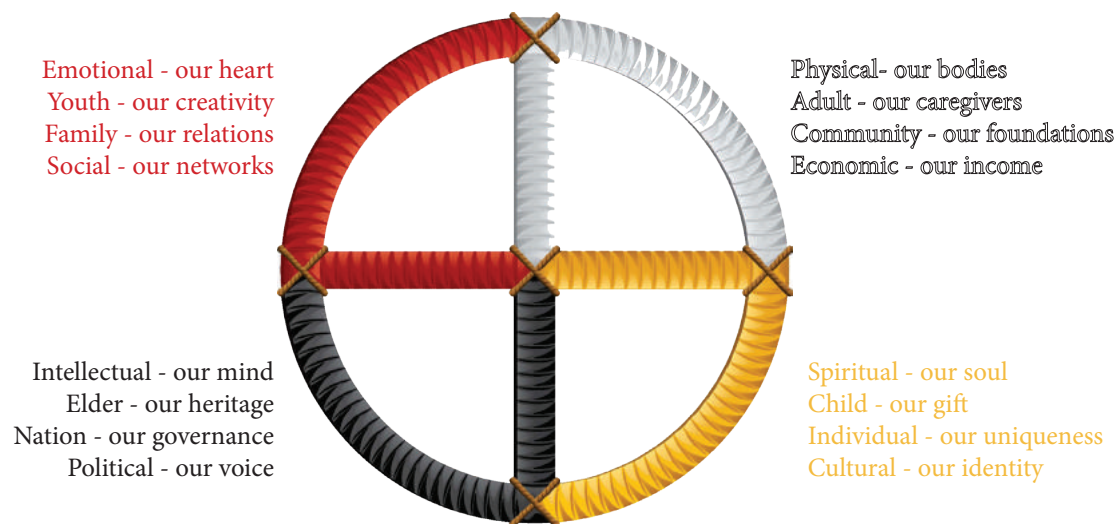


Source: Local People, Local Solutions. A guide to First Nation Cooperative Development in Saskatchewan, Saskatchewan First Nations Economic Development Network and Saskatchewan Cooperative Association, 2015

BENEFITS AND CHALLENGES OF INDIGENOUS CO-OP DEVELOPMENT

The idea of a cooperative is nothing new to Indigenous people who exercised entrepreneurship and cooperative development long before the cooperative business structure became popular in Canada and elsewhere. In many ways, Indigenous people were the first cooperators. Indigenous people have worked together in achieving common goals to sustain livelihoods and develop communities. They have worked collaboratively and resiliently toward economic prosperity with self-sustainability always being the end goal.

The cooperative model aligns with Indigenous values, social expectations and fits into the perspective of how Indigenous peoples view the world: an understanding of connectedness and interdependence of all elements of being.



*Source: Eagle's Eye View, 1st Edition - United Way of Winnipeg

Developing a business as a cooperative has both benefits and challenges for any group or community. For the Indigenous community, there are additional considerations when deciding if a cooperative will meet members' needs.

BENEFITS

- Shared values between the cooperative model and Indigenous people
- Cooperatives can enhance and empower economic participation in Manitoba and beyond
- Cooperatives are a proven, sustainable business model with social and community impact
- Can foster Indigenous-led-and-driven cooperatives (building capacity in our community)

CHALLENGES

- Perceptions and stereotypes
- Lack of awareness and understanding of cooperative structures, models and opportunities
- Limited cooperative expertise among Indigenous leadership
- Access to resources (human, financial, knowledge, time, information)

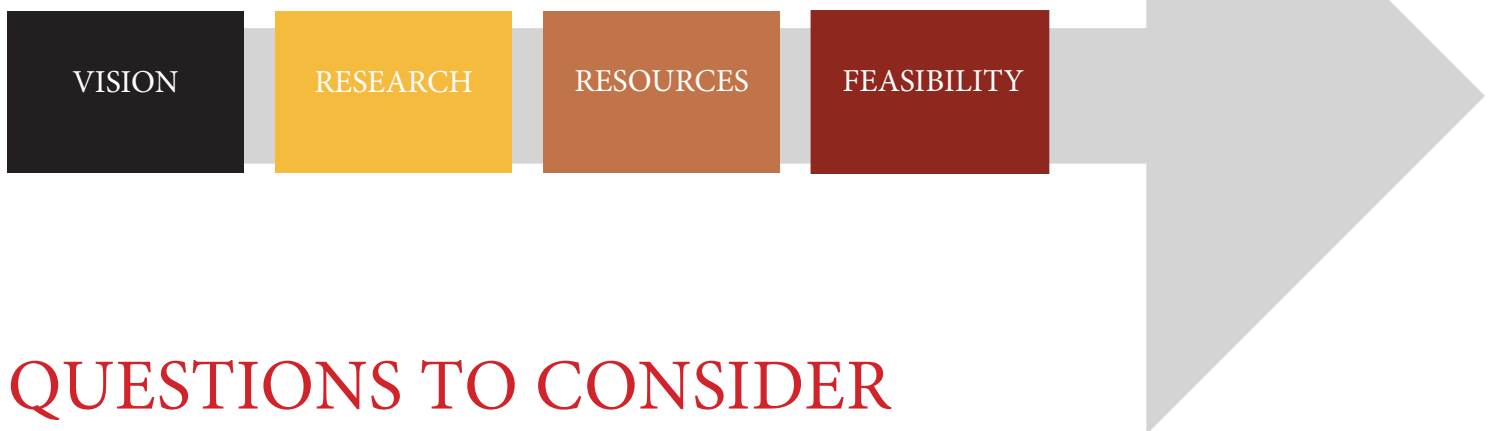
STEPS TO STARTING A COOPERATIVE

Successful development of a cooperative business requires the combination of four critical factors: a well-defined and unmet need; business know-how; a willingness to work together; and knowledge of the cooperative model that can be used in innovative ways to address a community's needs.

Starting any business takes business planning, financing, marketing, hiring the right people and so forth. All businesses, including co-ops, need business know-how to plan and get the business off to a good start.

Starting a co-op requires another important dimension: a willingness to work together. The group dynamic part of the cooperative business model defines the vision, the strategy and the goals for the co-op. It includes a clear idea of the end-user of the co-op: its member-owners. It's highly possible that such front-end work of bringing people together might be why co-ops have a higher success rate. It takes energy and thought to create a strong member base for a co-op to grow.

Unlike a traditional investor-owned business, a co-op needs both a solid business case and solid group dynamics from its initial founding. When co-op members share the same vision for the business, can work together well, and can solve problems together, the co-operative enterprise has a solid foundation.



QUESTIONS TO CONSIDER

1. Do you want a business that is owned and controlled by the Indigenous people who use it?
2. Do you want a business that benefits the members and members have a say in making decisions?
3. Do you want a business that is a model for community development and job creation?
4. Do you want to be a part of something that attracts like-minded individuals who share similar values?
5. Do you want to create self-sustainability through a shared vision?
6. Do you want to work with others to achieve business success?



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DEVELOPING A VISION

Identifying a local need that people are willing to work together to address is an integral start to developing a co-op's vision. Begin by gathering a group of like-minded people who are willing to work together over the long term. Decide how the issue might best be addressed. A co-op model is one option in meeting the needs the group has identified.

DO YOUR RESEARCH

When considering if a co-op model is the best way to achieve prospective co-op members' goals, talk to other, nearby co-ops to acquire expert and experienced advice. Visit other cooperatives in person, talk to their members and invite them to speak and share information.

PRE-FEASIBILITY

This step builds confidence among potential members who are interested in participating in the cooperative. This stage informs whether a more in-depth study is needed, and identifies the areas of research which require focus. The flexibility of the cooperative structure encourages adaptability and can be tailored to provide any type of product or service — as long as the community itself values it as an opportunity for improvement. Some things to consider include:

- Preliminary market
- Available technical and financial assistance
- Does the local community want/support a cooperative business?
- Profit or non-profit co-op
- Intended benefits to members, (e.g. quality, price)
- Type of co-op
- Can the minimum number of members be attracted?

CO-OP DEVELOPMENT MEETING

This meeting includes an invitation to all prospective members before the meeting. The agenda is of a general nature, and includes room for all members to speak and be heard equally. Some of the possible agenda items could include:

- Establish organization's name, the organization's mission statement, purpose, elect a board of directors, a secretary and a treasurer. These are temporary positions, and an official election will take place at the organization's first meeting after becoming incorporated.
- Prepare and submit an application for incorporation as a cooperative.

FIND THE RESOURCES TO START THE PROJECT

Once a decision is made to form a co-op, finding the right resources to make it happen is essential. Check out the resources listed in this manual, and look for other great community resources like the Manitoba Cooperative Association, SEED Winnipeg or CDEM: Conseil de développement économique des municipalités bilingues du Manitoba.

CONDUCT A FEASIBILITY STUDY

This step is an in-depth look at whether an organization is economically possible or viable in the proposed community. Some of the considerations could include:

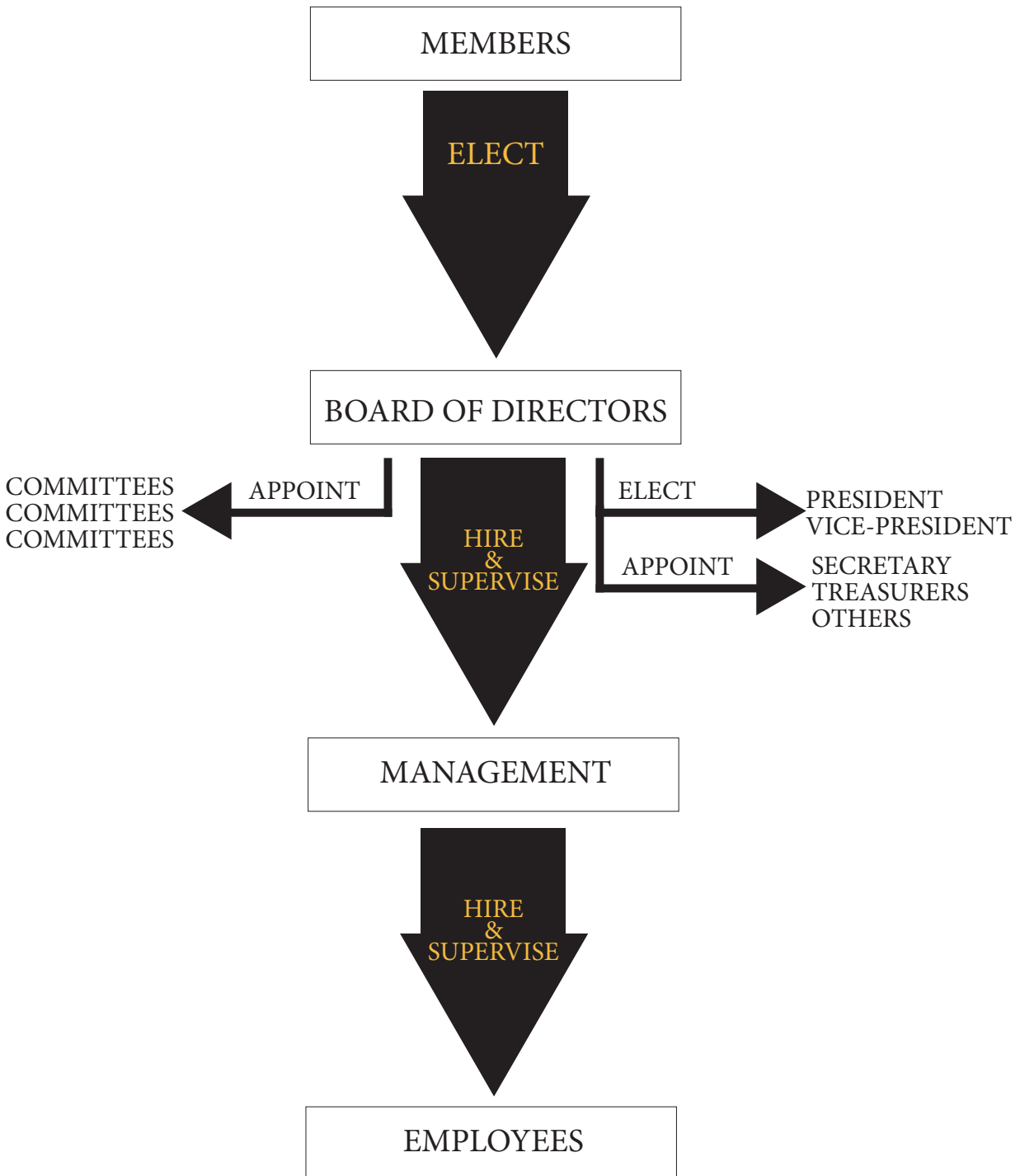
- Defining the organization's objectives
- Consideration of costs, such as wages, materials, production costs and any other financial resources necessary
- Estimate the potential sources of revenue, such as membership fees, fundraising, grants, credit union or bank loans and other partners
- Location – space
- Economic assessment
- Social impact
- Risk assessment

DEVELOP THE FRAMEWORK

Discuss and determine the organization's structure and define the various roles for members' involvement. Discuss and determine what the governing bodies will be and what respective roles they should assume within the organization. For example, clarify how the co-op's Board of Directors will work together. In addition, various other committees can be formed, such as a committee to draft by-laws, which provides parameters for the cooperative organization and are a requirement of incorporation. (See "SAMPLE CO-OP BY-LAWS" on pages 21 & 22 .)

THE GOVERNANCE STRUCTURE OF A COOPERATIVE

A cooperative has members and those members have a direct say in how their cooperative develops, the products and services the co-op sells and the prices that are charged. They do this by way of voting power and control over the co-op's Board of Directors. Page 18 of this guide shows the basic structure of a cooperative, however variations on this model are common. For instance, a co-op may be so small that all of its members are on the Board of Directors or, in the case of a small workers' co-op, there may be no need for a management level.



The members are the “hub” of the cooperative. Meetings with members are held a minimum of once a year. At that meeting, the Board of Directors is elected, annual financial statements are reviewed and approved and other business relating to the cooperative is discussed. The membership, as a whole, makes decisions about broad-based issues, such as co-op policy and changes to the rules or by-laws. A Board of Directors is elected by the membership to take care of more detailed issues.

The Board is accountable to the members of the co-op. In larger co-ops that have staff, the staff will report to the Board of Directors. The Board of Directors, and in particular the Board Executive, is responsible for familiarizing themselves with and following the procedures outlined in their co-op’s rules or by-laws. If the members are not satisfied with the performance of the Board, they may call a special meeting to remove a single director, multiple directors or the entire Board.

HOW TO INCORPORATE

A cooperative can be formed under the federal Canada Cooperatives Act or under provincial statute, such as the Cooperatives Act of Manitoba. Cooperatives that incorporate under federal legislation must carry on business in two or more provinces and have a fixed place of business in more than one province. Most cooperatives choose to incorporate under provincial legislation.

A cooperative incorporated under Manitoba legislation can conduct business in Manitoba and areas outside of Manitoba to the extent that is permitted by legislation in those areas. Even if a cooperative qualifies for federal incorporation, there may be reasons to incorporate provincially, instead. For instance, there may be certain financial or legal advantages to choosing one jurisdiction over another.

Incorporating a co-op first requires reserving the co-op's name. This is a two-step process. To ensure the co-op's name complies with the requirements of the Cooperatives Act, first contact the Financial Institutions Regulations Branch (FIRB) and provide them with information about the co-op's proposed name.

In order to do this, the type of co-op intended for incorporation must be determined — this, alongside whether the co-op is to be a share or non-share capital enterprise. Once FIRB approves the name, the name can then be reserved through the Companies Office in person (1010-405 Broadway, Winnipeg, MB R3C 3L6) or online at <http://companiesoffice.gov.mb.ca>. Please note that the Companies Office will also have all current and applicable fee information.

Once the co-op's name is reserved, the co-op's Articles of Incorporation must be filed within ninety (90) days. In order to prepare the co-op's Articles, the following questions must be considered:

- What type of cooperative is to be established?
- Will the co-op be share or non-share capital enterprise?
- Will the co-op be for-profit or non-profit?
- How will the co-op raise capital?

ARTICLES OF INCORPORATION

A co-op developer can help prepare Articles of Incorporation. Sample Articles of Incorporation are available online with general instructions. In Manitoba, an application to incorporate a co-op must come from either:

- three or more individuals who are 18 years of age or older and who are not bankrupt; or
- two or more corporations; or
- one or more cooperatives

Once the Articles are complete, they must be submitted in duplicate along with the following:

1. The required fee;
2. A copy of the co-op's Name Reservation;
3. Notice of Registered Office; and
4. Consent form (if any directors do not wish to be incorporators)

Because the Articles of Incorporation are a fundamental document to the co-op, if a future amendment is required, a special meeting of members for the purpose of amendment is required. At that meeting, quorum must be met with two-thirds (2/3) of the members present entitled to vote to approve the amendment. A resolution with FIRB, together with Amended (or Restated) Articles of Incorporation, must be filed alongside the required fee.

INCORPORATORS MEETING

Once incorporated, the cooperative will need to hold an incorporators meeting. The Board, as set out in the Articles of Incorporation, is technically an interim board until the members meet to elect their Board. At the incorporators meeting, it is necessary to adopt all work done before incorporation took place, approve the co-op's registered office, admit people to membership, appoint officers or dispense with the auditor and identify a credit union with whom the co-op will bank.

BY-LAWS

Now that membership has been established and an interim Board in place, corporate by-laws must be developed — a task which the co-op often carries out through the appointment of a committee. In general, the by-laws indicate the rules and procedures under which the cooperative will operate and must include several mandatory provisions.

Certain provisions are mandatory and are set out in the Province's model bylaws. In addition to these, however, the by-laws of the cooperative may also include other provisions that the members feel are necessary or desirable. For instance, the by-laws may provide for the referral of disputes between the cooperative and a member to a process of dispute resolution.

By-laws need to be approved within 18 months of incorporation, and the cooperative needs to send two copies of the by-laws to the Registrar within 30 days after they have been adopted by the members. The Registrar may order changes to the by-laws if the by-laws are not consistent with the Cooperatives Act and Regulations.

By-laws are also fundamental to the co-op and, like the Articles of Incorporation, must be approved by two-thirds (2/3) of the members entitled to vote at a meeting called for the purpose of approving them. Any amendments to the by-laws must also be approved by two-thirds (2/3) of the membership at a special meeting and must be sent to FIRB within 30 days of the amendment.





SAMPLE CO-OP BY-LAWS

BY-LAWS OF (name of co-op) • (date)

1. DEFINITIONS

In these and all other by-laws of the Cooperative, unless the context otherwise requires or specifies:

- (a) “**Act**” means the Co-operative Act (1996) as amended or replaced from time to time, and in the case of such amendment, any references in the by-laws of the Cooperative shall be read as referring to the amended provisions;
- (b) “**the Cooperative**” means the body corporate that has established these by-laws;
- (c) “**the Directors**”, “**Board**” and “**Board of Directors**” means the Directors of the Cooperative for the time being;
- (d) “**in writing**” and “**written**” include words printed, painted, engraved, lithographed, photographed, represented or reproduced by any mode of representing or reproducing works in visible form;
- (e) the headings used in the by-laws are inserted for reference only and are not to be considered in constructing the terms thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms;
- (f) all terms contained in the by-laws and which are defined in the Act shall have the meanings given to such terms in the Act;
- (g) words importing the masculine gender shall include the feminine, and words importing the singular shall include the plural and vice versa.

2. FISCAL YEAR

The fiscal year of the Cooperative shall end on the ____ day of ____ in each year.

3. CONDITIONS OF MEMBERSHIP

- (a) Membership in the Cooperative shall be open to anyone who can use the services of the Cooperative.
- (b) To become a member of the Cooperative, a person must submit a written application in a form prescribed by the Board of Directors and the said application must be approved by the Board and recorded in the minutes.
- (c) Each application for membership must be accompanied by a payment of ____ for the purchase of ____ shares in the Cooperative.
- (d) Transfer of membership in the Cooperative must be approved by the Board of Directors.

4. JOINT MEMBERSHIP

There shall be no joint membership.

5. SURPLUSES

Any surplus resulting from the yearly operations of the Cooperative, after allocating appropriate reserves, shall be divided among the members in the form of shares or cash in proportion to the volume of business of each member at a rate determined by the Board of Directors.

6. WITHDRAWAL OF MEMBERSHIP

- (a) A member may withdraw from the Cooperative by giving to the Secretary of the Cooperative notice of intention to withdraw.
- (b) The Board, by resolution, may accept any application to withdraw upon shorter notice.
- (c) The Cooperative shall pay all amounts held to the credit of a member within the time period of ____ of the Board's acceptance of the member's application to withdraw.

7. TERMINATION OF MEMBERSHIP BY DIRECTORS

- (a) The Directors may, with a two-thirds vote at a meeting duly called, order the retirement of a member from the Cooperative.
- (b) The Secretary of the Cooperative shall, within ten days from the date on which the order is made, notify the member in writing of the order.
- (c) The member may appeal from the order to the next general membership meeting of the Cooperative by giving written notice of their intention to appeal to the Secretary within thirty days from the date the Secretary received notice.
- (d) Where the member makes the appeal, a two-thirds majority shall be required to rescind the order.
- (e) The retirement of a member is ordered in accordance with the provisions of this by-law, the Cooperative shall pay to the member all amounts held to his credit within one year of the members retirement.

8. TERMINATION OF MEMBERSHIP BY MEMBERS

- (a) Members may terminate a membership of a member where 10 days notice of a the general meeting at which his or her membership is to be considered; and
- (b) The termination is approved by a majority of at least two-thirds of the members who are present and cast votes at the meeting.

9. NOTICE OF MEETINGS

The Cooperative shall give not less than 10 and not more than 50 days notice of any annual or special meeting to its members to attend the meeting:

- (a) by sending the notice by mail to the members: or
- (b) by inserting the notice in not less than two issues of newspaper circulated in the area served by the Cooperative and posting the notice in a place that, in the opinion of the Directors, is prominent and accessible to members. The notice of any special meeting must specify the purpose for which the meeting is called.

10. QUORUM

The quorum at any annual or special meeting of the members will be the lesser of 15 members and 10% of the membership, but in no case shall the number be less than the number of directors plus one.

11. VOTING

- (a) Members shall vote:
 - i) by a show of hands; or
 - ii) where three members entitled to vote at a meeting so demand, by secret ballot.
- (b) There shall be no voting by mail or other electronic means and no voting by proxy.
- (c) No member is entitled to more than one vote on any question.
- (d) The Chairperson of the meeting has the right to vote but is not entitled to a second vote in the event of a tie.
- (e)
 - i) subject to other provisions of the Act and these by-laws, a majority of members who are present and cast votes at a meeting shall decide all questions.
 - ii) where there is an equality of votes, the motion is to be declared lost.

12. BY-LAWS

Members of the Cooperative may, at any annual meeting or any special meeting called for the purpose, enact, amend, repeal, replace or confirm any by-laws where written notice of the proposed enactment, amendment, repeal, replacement or confirmation is:

- (a) Forwarded to each member of the Cooperative with the notice of the meeting at which the enactment, amendment, repeal, replacement or confirmation is to be considered, by a majority of the votes cast at the meeting.
- (b) Not forwarded to each member of the Cooperative with the notice described in clause a), by a two-thirds majority of the votes cast at the meeting.

13. DIRECTORS

- (a) Directors shall be elected at the annual meeting.
- (b)
 - i) At each annual meeting the members shall determine by ordinary resolution the number of Directors to be elected.
 - ii) If the members fail to specify the number of directors at the annual meeting, the number of directors shall be equal to the number set the previous year.
 - iii) Directors hold office until the conclusion of the meeting at which their successors are elected and are eligible for re-election
- (c) Directors shall be elected for a _____ year term.
- (d) The members of a Cooperative may, by a resolution approved by two-thirds of votes cast at a general meeting, remove any director from office.
- (e) Where there is a vacancy on the Board of Directors and where there is a quorum of Directors, the remaining Directors;
 - i) may exercise all the powers of the Directors; or
 - ii) may fill the vacancy until the next annual meeting.
- (f) Where there is not a quorum of Directors, the remaining Directors shall call a general meeting for the purpose of electing members to fill any vacancies.
- (g) Unless these by-laws provide otherwise, the Board of Directors shall:
 - i) exercise the powers of the Cooperative directly or indirectly through the employees and agents of the Cooperative; and
 - ii) direct the management of the business and affairs of the Cooperative.
- (h) Any remuneration paid to the Directors must be approved by the Annual General Meeting.
- (i) The quorum at Board meetings shall be a majority of the Board.

14. OFFICERS

The Board of Directors shall:

- (a) Elect a President and a Vice-President from among the membership;
- (b) Appoint a Secretary or Secretary-Treasurer who may, but need not be, a Director; and
- (c) Designate the offices of the Cooperative, appoint persons as officers, specify the duties and delegate powers to manage the business affairs of the Cooperative to them.

15. DISSOLUTION

Upon the dissolution of the Cooperative, assets shall be converted to cash and allocated first, to repay any debts of the co-operative and second, to repurchase at par any common shares held by members. Unallocated surpluses shall be donated to a non-profit organization according to the Special Resolution to Dissolve the Cooperative.

NOTE: THESE SAMPLE CO-OP BY-LAWS ARE TO BE USED FOR SAMPLE PURPOSES ONLY. THESE BYLAWS ARE INCOMPLETE AND NEED TO BE TAILORED TO INDIVIDUAL CO-OPS' NEEDS.

RAISING FUNDS

There are five ways to finance (capitalize) a co-op:

- selling shares
- accepting loans from members
- collecting fees from members
- loans/grants/equity from other sources (venture capital, financial institutions, co-op funders, credit unions, friends, family)
- government and non-government programs

There are a number of ways to finance the cooperative depending on the nature of the service and whether it is a non-profit or for-profit co-op enterprise. For example, to be eligible for some government programs, certain criteria must be met, such as being a non-profit co-op.

When acquiring the money needed to start up and run the co-op, it is essential to establish short, medium and long term funding. Consider:

- How much money is needed to start up?
- How much money is needed to run the business?
- From where will financing be acquired?
- How will the cooperative pay back the loans?



RESOURCES

ONGOING LEGAL REQUIREMENTS

The Province of Manitoba Financial Institutions Regulations Branch (FIRB) regulates financial institutions and cooperatives in Manitoba. It is their responsibility to review and approve the corporate legal documents for credit unions, caisses populaires and cooperatives, and to maintain a legal registry for credit unions, caisses populaires, cooperatives and insurance companies. Additionally, FIRB mediates member disputes with their credit union, caisse populaire or cooperative.

The co-op is required to notify FIRB of any changes to the by-laws, Articles of Incorporation, address changes to the cooperative or changes to the Board of Directors.

Ensure that the cooperative is following the process for calling meetings outlined in the co-op's by-laws as adopted by the membership and approved by FIRB. At a minimum, the co-op must have one Annual General Meeting at which time the Board of Directors will report on the financial well-being of cooperative, and the members will elect individuals to fill any vacancies on the Board of Directors.

ONGOING MAINTENANCE

While the task of starting the cooperative may be over, surviving and thriving through challenges will invariably remain an ongoing consideration. The cooperative will have to maintain quality services and products and grow financially. Continuous learning about cooperatives and co-operation will be required if the cooperative is to flourish.

Sector federations and local organizations often provide education and training services to their members through conferences, workshops, publications and sometimes with visits to cooperatives. Organizations, such as the Manitoba Cooperative Association, invite co-ops to come together to network, share, discuss and learn. Take advantage of those opportunities! Remember: co-ops are strengthened by working together. Other co-op and credit union sector organizations may be able to offer support, financing or services through possible joint ventures or as a market for the co-op's own services and products. In turn, the co-op may be able to provide the same for other cooperatives.

This guide encourages the ongoing seeking of advice from a cooperative developer to help make decisions that will create a sustainable cooperative. For more information, please contact:

MANITOBA COOPERATIVE ASSOCIATION

400 – 317 Donald Street

Winnipeg, Manitoba, R3K 0W4

Phone: (204) 989-0096 • www.manitoba.coop



SUSTAINABILITY

There are a number of activities that assist the strengthening of cooperatives. Consider these options:

- Board of Director training and education
- Member training and education
- Cooperative education of staff, members and the community
- Increasing or strengthening cooperative services or products
- Finding ways to grow financially
- Possible joint projects or activities with other co-ops locally, provincially, nationally and internationally
- Networking with other co-op organizations
- Government relations

TIPS FOR SUCCESS



- Meet a real need for the members
- Recruit and maintain a strong, experienced, well-rounded Board of Directors
- Recruit and maintain competent, experienced management and employees
- Define clear lines of responsibility and matching accountability
- Ensure timely and accurate financial accounting and information systems
- Conserve cash and build member equity
- Commit resources to member & employee education; social & environmental objectives

ADDITIONAL RESOURCES

THE COOPERATIVE DEVELOPMENT TAX CREDIT FUND is administered through the Manitoba Cooperative Association. It provides strategic investments, grants and technical support for emerging and expanding Manitoba co-ops and the sector as a whole. The tax credit legislation allows co-ops to contribute up to \$50,000 to the fund. In return, the co-ops receive tax credits for their contributions:

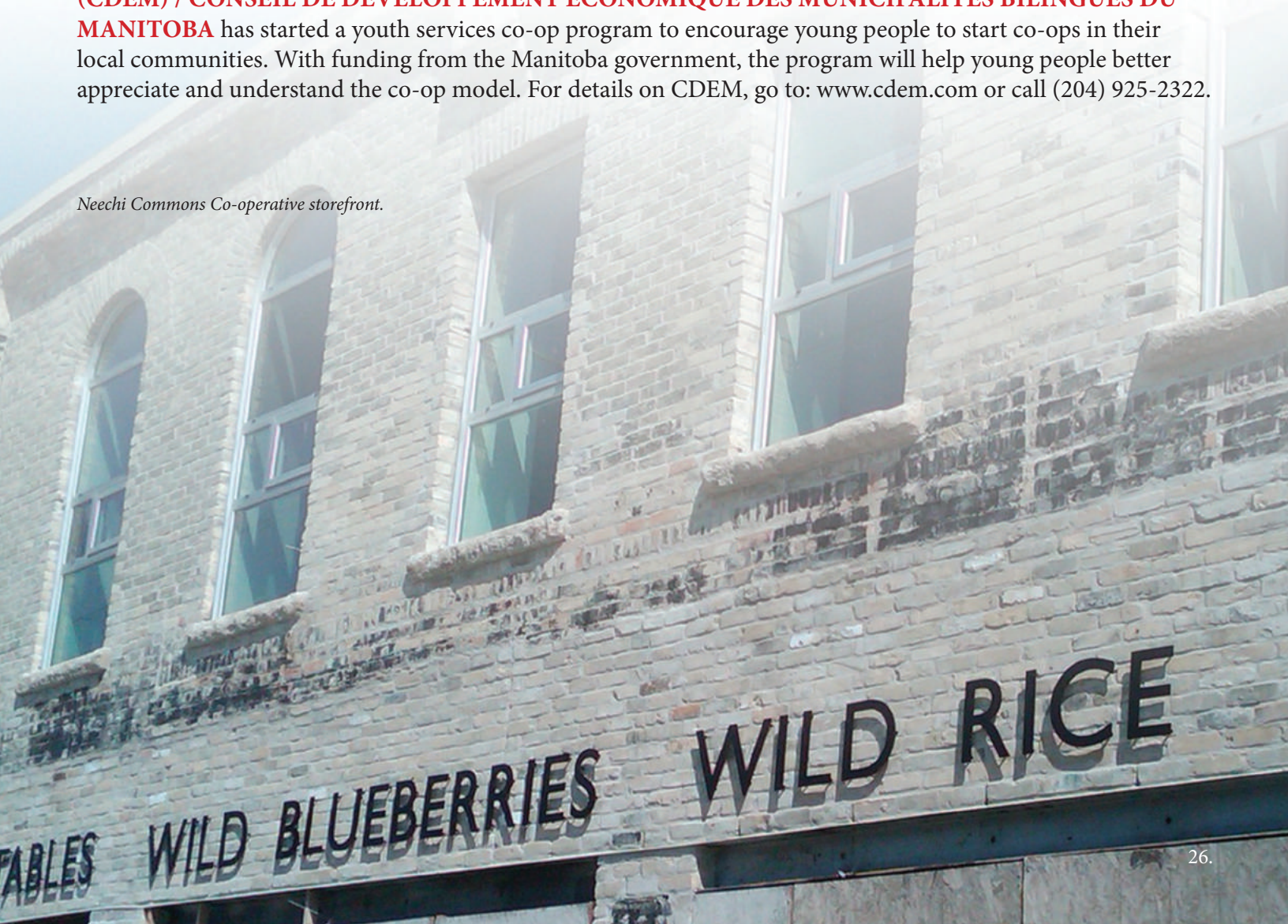
- up to \$1,000: 75 per cent refundable tax credit
- \$1,000 to \$10,000: 75 per cent non-refundable tax credit
- \$10,000 to \$30,000: 50 per cent non-refundable tax credit
- \$30,000 to \$50,000: 33.3 per cent non-refundable tax credit

For more information on the Manitoba Cooperative Development Tax Credit Fund, go to: www.gov.mb.ca/jec/coop/ or www.manitoba.coop or call (204) 989-5930.

COOPERATIVE DEVELOPMENT TRAINING was created to increase public awareness about the benefits of setting up co-operatives. The curriculum is available online at www.gov.mb.ca/jec/coop/.

THE ECONOMIC DEVELOPMENT COUNCIL FOR MANITOBA BILINGUAL MUNICIPALITIES (CDEM) / CONSEIL DE DÉVELOPPEMENT ÉCONOMIQUE DES MUNICIPALITÉS BILINGUES DU MANITOBA has started a youth services co-op program to encourage young people to start co-ops in their local communities. With funding from the Manitoba government, the program will help young people better appreciate and understand the co-op model. For details on CDEM, go to: www.cdem.com or call (204) 925-2322.

Neechi Commons Co-operative storefront.



THE UNIVERSITY OF WINNIPEG (UW) offers an undergraduate Management of Cooperatives course (Business and Administration Department). The course provides the preparation, skills and information that are needed to advance and support the tradition of co-ops in Manitoba and to create a new generation of co-op leaders. For details on UW's Management of Cooperatives course, go to:
<http://www.uwinnipeg.ca/chair-in-cooperative-enterprises/courses-description.html>

COOPERATIVE DEVELOPMENT SERVICES: A broad, comprehensive range of support services is provided to new and existing co-ops, including development, expansion, policy, structure, financing and development of articles of incorporation and by-laws. For details on Cooperative Development Services, go to:
www.gov.mb.ca/jec/coop/ or call (204) 945-6433 in Winnipeg; toll free 1-866-479-6155.

THE COOPERATIVE LOANS AND LOANS GUARANTEE BOARD provides loans and loan guarantees for existing and emerging co-ops. For more information on the Cooperative Loans and Guarantee Board, go to:
www.gov.mb.ca/jec/coop/ or call (204) 945-6433 in Winnipeg; toll free: 1-866 479-6155.

THE CO-OP PROMOTION BOARD has funds available for grants, generally up to \$5,000, to develop co-op research, information and education, to develop new co-ops and to promote the general welfare of rural Manitobans. For more information on the Cooperative Promotion Board, go to:
www.gov.mb.ca/jec/coop/ or call (204) 945-6433 in Winnipeg; toll free 1-866 479-6155.

JUBILEE FUND INC. provides loan guarantees and/or equity to individuals and organizations looking to develop economic initiatives that promote self-reliance, human dignity, and a better quality of life for the individual and the community. Go to www.jubileefund.ca or call (204) 975-2650.





FIRST PEOPLES ECONOMIC GROWTH FUND is an organization with the mandate to provide financing to support Manitoba First Nation business proposals that are economically viable. The unique aspect of the FPEGF is that it can provide a variety of support for First Nation owned businesses through a diverse portfolio of programs. FPEGF can support for-profit cooperatives:

102 - 1075 Portage Avenue
 Winnipeg, Manitoba R3G 0R8
 Phone: (204) 942-6026
 Toll Free: 1-888-942-6026
 Fax: (204) 942-6441
 E-mail: info@firstpeoplesfund.ca
 Website: www.firstpeoplesfund.ca

LOUIS RIEL CAPITAL CORPORATION is a Manitoba Metis owned lending institution created to finance start up, acquisition, and/or expansion of viable Metis and non-Status Indian controlled small business in Manitoba. LRCC can consider funding Metis controlled cooperatives.

340-150 Henry Avenue
 Winnipeg, Manitoba R3B 0J7
 Phone: 204-589-0772
 Toll Free: 1-800-387-6004
 E-mail: info@lrcc.mb.ca
 Website: www.lrcc.mb.ca

SOURCES CONSULTED

Cooperatives in Manitoba: Building Strong Businesses - Building Stronger Communities! – Province of Manitoba, January 2012

Local People, Local Solutions: A Guide to First Nation Cooperative Development in Saskatchewan, 2015

Eagle's Eye View: An Environmental Scan of the Aboriginal Community of Winnipeg, 2004

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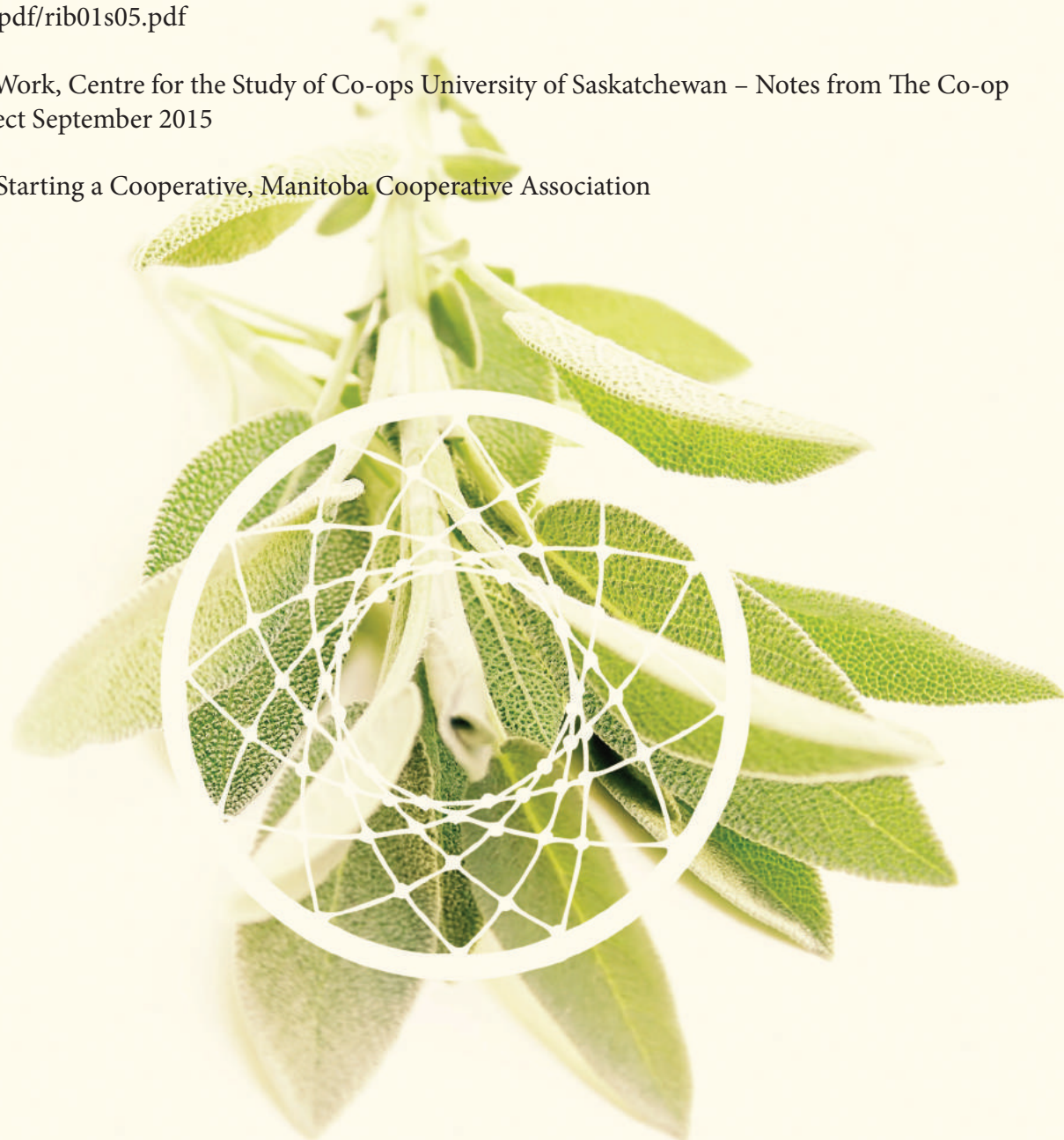
Economic Impact of the Co-operative Sector in Manitoba (2010) Fiona Duguid, George Karaphillis and Alicia Lake Cooperative Development – Starting a Coop: Guide, Province of Ontario

The National Economic Development Board, The Aboriginal Economic Progress Report 2015

Benefits of Cooperative Ownership Model document, Government of Manitoba – Website <http://www.gov.mb.ca/jec/coop/pdf/rib01s05.pdf>

Why do Coop's Work, Centre for the Study of Co-ops University of Saskatchewan – Notes from The Co-op Innovation Project September 2015

Information on Starting a Cooperative, Manitoba Cooperative Association





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