

## Cooperative Planning Team Friday January 8, 2010

### Present

- Jan Burnikell
- Sharon Deane
- David Parkinson
- Giovanni Spezzacatena
- Julie Thorne

### Regrets

- Pam Brown (Brownie)
- Heather Wheating

### 1. Whether to incorporate as a for-profit or as a not-for-profit cooperative

We had a conversation about whether or not to incorporate as a Community Service Cooperative (CSC), which is the name that the BC Cooperative Association Act (BCCAA) gives to a not-for-profit cooperative.

The main distinction between a for-profit and a CSC is that the latter can issue neither investment shares nor dividends on shares nor patronage returns. N.B. a dividend is money paid out to members on the basis of share ownership alone; a patronage return is money paid out to members on the basis of the amount of business they have transacted with the cooperative in some defined period of time (usually a year). The main upshot is that only members of a for-profit cooperative can profit from their membership in the form of money returned on shares or activity.

Some of the pros and cons of the choice to be made are given in this table:

	Pros	Cons
For-profit cooperative	Members can get money back on money invested	Might have to worry about members & investors skewing the agenda
Not-for-profit cooperative (AKA Community Service Cooperative)	Can promote charitable purposes Steer clear of profit motive Less financial reporting (?)	(Are we constrained to carrying out certain projects only?)

We couldn't determine whether or not a CSC could provide benefits to members in the form of surplus produce or processed food, etc. The law states that "... no part of the property of a community service cooperative is to be paid or distributed to the members..." (BC Cooperative Association Act, §178.1 (5)). How can we handle situations that will come up as a result of our anticipated activities? E.g., the cooperative organizes a fruit-picking party followed by a canning bee, which ends up producing a surplus. Can we not distribute that surplus among the membership? Since our main purpose is to bring people together in order to create a surplus of food, we need to understand the boundary between distributing a surplus of goods created through members' labour, in contrast with the cases that the law is intended to rule out (i.e., dividends, patronage returns, & interest). Would all the benefits have to be 'donated' to non-members? We will ask the consultant about this (see §6, p. 4).

As a non-profit, there is much less reporting re: taxes, etc.

We discussed whether it would be better (e.g., in the case of a cooperative food store project) for the cooperative to be for-profit. A for-profit cooperative would encourage larger investors and that would change the nature or feel of the cooperative, such that those who invest more money into the cooperative would still have one vote but might extract a larger chunk of the 'profits' (through dividends, etc.). This situation seemed to some of us to run counter to the model as we see it: members put up what they can in terms of money, resources, and time into a 'pot', and then the results are shared; the idea being that by themselves these people could not accomplish the task, but together we can.

We talked about the way that a for-profit cooperative would have profit-making as a motivation, which might end up subverting our hopes of producing maximum value for all in the community.

If it came down to it, we could get the benefits of both models by developing a 'social enterprise' (which is a for-profit business whose profits flow into a controlling not-for-profit (CSC)). For example, one or more projects could develop into profit-generating businesses and spun off as for-profit cooperatives under the control of the board of the CSC. This is something that we can keep in mind as a possible future development. (It's probably less likely for a for-profit cooperative to spin off a controlling CSC.)

The general conclusion was that a CSC is probably the right model, but we absolutely need to clear up the question about not having the distribution of 'bounty' interpreted as dividends or patronage returns (see above).

## 2. The pros and cons of charitable tax status

We talked a bit about the advantages and disadvantages of incorporating as a charitable or a non-charitable CSC. Of course, this is an issue only if we choose to incorporate as a CSC in the first place, as there can be no 'for-profit' charitable status.

The pros of being a charity were discussed as :

	Pros	Cons
Non-charitable CSC	Independence; not beholden to funders and their agendas	No tax deductions for donors Less choice in grants and funding opportunities
Charitable CSC	Donors could get a tax deduction for donations to the cooperative More grants available to charities	No political advocacy Time-consuming to file paperwork More paperwork in reporting and giving out receipts Reliance on tax-deductible donations might detract from spirit of the cooperative Must dispose of profits in each business year (?)

All agreed that being prevented from engaging in political advocacy would be a big concern. For example, working to affect the law (e.g., the meat inspection regulations) would be difficult or impossible, as would be advocacy to change residential livestock bylaws, and so on. There was a common understanding that this sort of public engagement could be a significant part of the work of the cooperative.

We were also concerned that having to rely on grants might cause us to be more by funders' priorities than by what the community needs or wants. If we're going to succeed, we'll be able to do so with resources coming from within the region.

Another aspect of a charitable organization is that it must dispense with all profits by the end of its business year. Since cooperatives are by law expected to amass reserve funds, we're not sure how this would work out. We'll ask the consultant (see §6, p. 4).

Similar to the social enterprise case above, we could use two separate but allied cooperatives to accomplish charitable aims while also being free to engage in political advocacy. Also, a non-charitable organization can partner with a charitable one on a specific project.

We agreed tentatively that, for now, we will not pursue charitable status, but we try to leave our options open and see what happens as we go along. We can amend our statement of purposes later, in case we decide to become a charitable CSC (although the Canada Revenue Agency will scrutinize any advocacy we engage in before applying for charitable status).

### 3. Our statement of purpose (for the Memorandum of Association)

Sharon, Gianni, and David had written proposed statements of purposes. David's statement was the most general and included most or all of the more specific, detailed purposes mentioned by Sharon and Gianni. We discussed some changes or additions; e.g.:

- adding something about "related agricultural products" (which would include products like soap, wax, and wool);
- accentuating the local;
- possibly adding a reference to non-GMO or "organic" methods;
- clarifying "in sufficient quantities" in regard to food;
- including a more direct reference to First Nations and foraging/native food plants;
- mentioning education explicitly;
- mentioning reduced packaging and processing of food.

We decided that David will take one more look at his statement of purposes, make sure that it incorporates everything mentioned in the two other statements of purpose, and try to make sure that the language is as plain and simple as possible. He will circulate this 'pre-final' version before the next meeting for discussion at that meeting, where we hope to be able to agree on a final version.

On a related note, David discussed a meeting he had with Barry Bookout, who is associated with Transition Town Powell River. Barry was asking whether we shouldn't define our purposes as broad enough to include eventual projects dealing with energy, transportation, etc. as well as food. (In other words, to incorporate with an eye to becoming a 'Transition cooperative', although maybe with a strong emphasis on food in the early stages). This would avoid having to create more cooperatives later on, as all of these activities could be pulled into one central cooperative. We felt that food was already a large enough area without risking the confusion of having a very broad mandate; also, food is less mixed up with political controversy than are some other aspects of Transition work (e.g., small-scale energy-production). That should be room for more cooperatives later on, and we can help them to form.

### 4. Projects and membership

We discussed some potential projects: Julie had us imagine a cooperative with three projects:

- tool-sharing/rental;
- potato patch;
- fruit tree project.

Members would subscribe to a membership share (costing, e.g., \$25) and then \$10 to become part of a potato project. This \$10 gathered from all member participants in the 'potato patch project' would go to seed potatoes, tools, coordination time, and so on. All members would be expected to show up for some number of work parties. In return, all participating members would get a share in the harvest. The idea is that the cooperative would engage people in the production, gathering, cultivation, preparing, processing of food on a project-by-project basis, educating and exchanging skills among people in the community. Members could choose to participate in those projects which interest them.

We talked about whether we should allow joint memberships or have a 'family' rate. We also talked about engaging children and youth younger than 16 years old (those who are too young to be members in their own right). Perhaps a youth club?

We talked about allowing organizations to be members, with special membership rights and responsibilities. The group preferred the one-person/one-vote model and worried that organizational members with more than one vote and possibly unbalanced board representation might hijack the agenda of the cooperative.

Questions of joint membership and proxy voting will be put to the consultant (see §6, p. 4).

### 5. Rules

David and Jan have reviewed the standard rules in the BC Cooperative Act Regulation, and they have begun to identify rules and text to be eliminated or amended for our specific purposes. Jan and David are

producing an annotated version of the rules flagging questions and concerns. After we discuss some of these with the consultant and hopefully begin to resolve some open questions, Jan and David will circulate this annotated version and we will meet to go through it and settle outstanding questions.

## 6. Memorandum of Association

David discussed the parts of the Memorandum of Association (MoA) that constitutes the main part of the incorporation documentation (see [§12 of the BCCAA](#)). The parts we need to concern ourselves with are:

- Statement of purpose;
- Restrictions (if any) on the business of the cooperative;
- Share structure;
- Winding up & dissolution;
- (If we incorporate as a CSC) a statement of compliance with [§178.1 \(1\)](#) of the BCCAA, which states:
  - that we cannot issue investment shares;
  - that our purposes are charitable ones;
  - that we are not a housing cooperative.

The MoA is filed along with the rules.

## 7. Teleconference with consultant

David has contacted Richard Marcuse, the BCCA's Director of Co-op Development, to see what kind of help we might get from them in preparing our incorporation materials. The BCCA has a program that matches new cooperatives with consultants to help sort out some of the basics. We'll get 1 1/2 hours of this consultant's time for free. We worked through David's preliminary answers to the basic questions on the form to be returned to Richard. David will send this out for one more go-round and then we'll send in our responses and set up an appointment with the consultant. We agreed that it would be good to have more than one person in on this conversation; Julie and Jan are both interested, and we'll

David will be in touch as to when this happens, and it would be necessary to have at least 2 members there for this.

## 8. Next meeting date

We decided to meet again in two weeks from today: Friday January 22, 2010 at 5:30 pm at Gianni and David's house on Invermere.