

Organising Forestry Co-operatives in British Columbia: A Handbook

**Aaron Welch, Environmental Law
Centre**

Provided by the ELC with the assistance of

**The British Columbia Institute for
Co-operative Studies**



**BC Institute for
Co-operative
Studies**
UNIVERSITY OF VICTORIA



**Environmental
Law Centre**
UNIVERSITY OF VICTORIA

**ORGANISING FORESTRY
CO-OPERATIVES IN BRITISH COLUMBIA:
A Handbook**

Produced by the Environmental Law Centre
for the
BC Institute for Co-operative Studies

Researched and written by Aaron Welch

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Co-operatives Handbook
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Preface

The Environmental Law Centre (ELC) is a student run, non-profit society dedicated to research and education on environmental issues from a public interest perspective. Its one-of-a-kind programme provides University of Victoria law students with hands on experience working in environmental law in a clinical setting.

This handbook is a production of the ELC on behalf of the British Columbia Institute for Co-operative Studies. Dr. Ian MacPherson, a historian who is an expert on co-operatives, founded the Institute at the University of Victoria in the spring of 2000 to further the study of the co-operative movement in BC. The ELC was interested in doing this project because it recognised the very real possibilities for the co-operative structure to foster a more locally controlled and sustainable forestry industry in BC. Three case studies of forestry co-ops in BC appear to bear this out. The case studies are used as examples throughout this handbook and are printed in their entirety in an appendix.

This handbook provides a step-by-step guide to developing a forestry co-operative. Although the steps are numbered, it is not necessary, or even desirable, to follow the steps in order as many of them can be worked on concurrently. In addition, it must be remembered that there is no one recipe for developing a co-op and that the strategies you take will largely depend on the circumstances you face.

The information contained in this handbook is not legal advice, but information provided by students who are not qualified to practice law. The information contained in this handbook is current to the date of printing—Summer 2001. The sections quoted (for example, s. 8(2) refers to section 8, subsection 2) are from the new *BC Co-operative Association Act*, Bill 98, which was given third reading on 14 July, 1999, and came into force January 2001. It is expected to receive Cabinet approval sometime in Fall 2000, once all of the new Act's regulations have been written. The sections in brackets refer to the corresponding section in the previous *BC Co-operative Association Act*. It should also be noted that this information applies to co-operatives incorporating in British Columbia only, as variations in co-operative law exist among provinces.

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CO-OPERATIVES

This section provides a brief explanation of what a co-op is and what it is not; co-operative principles and values; the different types of co-ops; what it means to incorporate as a co-operative; how a co-op is different from a corporation or society; the advantages and disadvantages of incorporating as a co-operative and some statistics on the number of forestry co-ops in Canada and BC.

1.1 What is a Co-operative?

Some people hear the word “co-operative” and think of communism or hippy communes from the 1960s. This is unfortunate, because co-operatives have nothing to do with either. Others think that co-ops are government organisations. Again, this is not true. While some co-ops may receive government support, they are not part of government. Many co-operatives are highly successful business ventures, such as the Island Farms Dairies Co-op Association on Vancouver Island or Mountain Equipment Co-op, which has stores across Canada.

A co-operative is an incorporated¹ organisation that is owned and democratically controlled by its members. The purpose of a co-op is to fulfill some common need of its members. This common need may be just about anything imaginable, although commonly co-ops are founded to provide:

- goods and services to their members;²
- joint marketing or processing for their members’ products;³
- employment to their members;⁴ or,
- social necessities, such as housing, health care, or child care to their members.⁵

Co-ops operate on the core principle of “one member, one vote.” This principle gives all members an equal opportunity to have a say in how the co-op is run. It means that at the co-op’s annual general meeting you have as much a say in the operations of the co-op as the person sitting next to you. Underlying this principle is a desire to bring “fairness, justice and equity to the marketplace” (Ministry of CDCV, Website). This is what attracts many to the co-operative way of doing business. As one member of the Harrop-Procter Community forestry co-op pointed out, a co-op is one of the few

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places in society “where wealth doesn’t determine your influence or the outcome.”⁶

Co-operatives operate in almost all sectors of BC’s economy. In 1998 there were 679 registered co-ops employing more than 13,000 people (Ministry of CDCV, Website).

1.2 Co-operative Principles and Values

*Worldwide Co-operative Principles*⁷

Co-operatives worldwide generally operate using the same principles as those adopted in 1995 by the International Co-operative Alliance, a global organisation of co-operatives. Those principles are:

- 1. Voluntary and Open Membership.** Co-operatives are voluntary organisations, 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.
- 2. Democratic Member Control.** Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are organised in a democratic manner.
- 3. Member Economic Participation.** Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is the common property of the co-operative. 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 the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.
- 4. Autonomy and Independence.** Co-operatives are autonomous, self-help organisations controlled by their members. If they enter

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into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

- 5. Education, Training and Information.** Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of co-operation.
- 6. Co-operation among Co-operatives.** Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.
- 7. Concern for Community.** While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.

British Columbian Co-operative Principles

The principles that guide co-operatives in BC are found in section 8(2) of the provincial law called the *Cooperative Association Act (BCCAA)*. This law governs how provincially incorporated co-operatives are founded, formed, and run in BC. In starting your co-op you will probably get to know this law intimately.

Section 8(2) of the *BCCAA* lays out the various principles an organisation must follow to be legally registered as a co-op in BC. This section states that an association, which does business on a “co-operative basis”, must be substantially organised, operated, and administered on the following principles and methods:

- membership is open in a non-discriminatory manner to everyone who can use the association’s services and accepts the responsibilities of membership;
- each member or delegate has one vote;
- members contribute to the capital of the association;
- members receive limited or no return on capital provided as a condition of membership to the association;

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- surplus funds are used for any (or all) of the following purposes:
 1. developing the association;
 2. providing or improving services to members;
 3. establishing reserves;
 4. paying dividends;
 5. community welfare or the propagation of co-operative enterprises;
 6. distribution to the members as a patronage return; and,
- education is provided on the principles and techniques of co-operative enterprise.

1.3 The Different Types of Co-ops⁸

People may start a co-op for any reason or purpose. To make sense of all the different types of co-ops that are out there, people generally sort co-ops into seven different categories based on the co-op's purpose. Some co-ops may have characteristics of more than one category, as some co-ops have more than one purpose. It is hoped that this list will provide you with some insight into the flexibility of the co-op structure and maybe even provide you with some ideas for starting a co-op.

Consumer Co-op

This type of co-op sells goods and services to its members. In many cases the co-op will be able to sell its goods and services to its members at a reduced rate. For example, some local truck loggers may form a consumer co-op to purchase gas in bulk at a reduced rate. Mountain Equipment Co-op is an example of a successful consumer co-op.

Financial Co-op

This type of co-op provides banking or insurance services. Banking financial co-ops are better known as credit unions. Van City Credit Union in Vancouver, Saltspring Credit Union, and the Co-operators Insurance Agencies are all examples of financial co-ops.

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Marketing Co-op

This type of co-op allows producers to jointly sell their products. The Saskatchewan Wheat Pool and Island Farms Dairies Co-op Association on Vancouver Island are examples of marketing co-ops.

New Generation Co-op

This type of co-op allows producers to jointly process their raw materials to increase the value of their products. Members typically make substantial investments in this type of co-operative and agree to a minimum level of participation through the co-op for a specific number of years.

Service Co-op

A service co-op provides services to its members, usually at a not for profit rate. This includes housing co-ops, such as the Fernwood Housing Co-op in Victoria, childcare co-ops, car share co-ops, and health care co-ops, such as the Rainbow Community Health Co-op in the Lower Mainland.

Worker Co-op

A worker co-op is a co-operative where the workers are the owners and members. The co-op may be involved in any type of business, from selling natural foods to publishing. The Uprising Breads Bakery in Vancouver is an example of a worker co-op.

Multi-Stakeholder Co-op

A multi-stakeholder co-op is usually set up to achieve some form of community development goal. Members of the co-op are often organisations, including companies. Touch Wood Industries Co-operative in Vanderhoof and the Cowichan Lake Community Co-op on southern Vancouver Island are both examples of multi-stakeholder co-ops.

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1.4 What it Means to Incorporate as a Co-operative⁹

Co-operatives (and corporations) are created by fulfilling the formal requirements of a federal or provincial statute.¹⁰ In fulfilling these requirements, the co-operative becomes *incorporated*. Incorporating your co-operative means that you have created a separate, distinct legal entity. In many ways, this distinct entity can hold the same rights as a real person. For example, a co-operative can sue, sign a contract, and own property. It can also employ you.

The Advantages of Incorporating

When you incorporate your co-operative you gain the following benefits:

Separate Legal Entity

In general, a co-operative or corporation has the legal ability to do anything that a natural person can do.

Limited Liability

One of the benefits of the co-operative structure is limited liability. This means that the members or investment shareholders are only liable for the debts and obligations of the co-op up to the amount that they paid for their shares—s. 55(1).¹¹ If the co-operative goes bankrupt, the creditors cannot get at the personal assets of the shareholders or members, beyond what they paid for their shares (unless a shareholder or member has signed a personal guarantee of some sort).

Immortality

Unlike a natural person, a co-operative or corporation can “live” forever. This occurs because members and directors who leave the company or co-op may be replaced by new ones. For example, a grocery co-op in Sointula on Malcolm Island was formed in 1909 and continues to exist today, while the corporation, the Hudson’s Bay Company, is over 300 years old.

Taxed as a Separate Entity

A corporation or co-operative is taxed separately from its members, which may allow for some tax advantage.

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Disadvantages of Incorporating

Higher Start-up Costs

Incorporating as a co-operative may create higher start up costs for the members because of the possible increased need for professionals to handle the legal and accounting issues. However, the current provincial government is quite eager to promote the co-operative model and attempts to provide information on incorporating a co-operative that is easy to understand, so it may not be necessary to seek legal advice.

1.5 The Differences Among a Co-operative, Corporation, and Society

Now that we have some idea what a co-operative is, it is useful to compare and contrast the co-operative model with the corporate and society¹² structures to gain a clearer understanding of how a co-operative works.

When thinking of the differences among a co-op, corporation, and society, it is best to think of a co-op as a legal entity that has some of the attributes of a corporation and some of the attributes of a society—a “mishmash” of the two organisations.

Three different statutes govern corporations, co-ops, and societies in BC: the *Company Act*, the *Cooperative Association Act*, and the *Society Act*, respectively. Each of these statutes outlines how the entity is incorporated.

Co-operatives vs. Corporations

The central difference between a co-op and a corporation is the principle of “one member, one vote.” In the traditional corporate structure the number of votes you have usually depends on the number of shares you hold. Thus, control of a company could be obtained by purchasing 51% of the company’s shares. In a co-op, this cannot occur because no matter how many shares you own, you are still limited to one vote. This means that no one from outside the co-op can assume control of it by purchasing 51% of the shares, and no one within the co-op can dominate the co-op without the support of a majority of the co-op’s members (OWCF, n.d.).¹¹

Another difference between a co-operative and a corporation is what a co-

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operative does with its surplus or profits. In a corporation, the primary goal is to make a profit for the shareholders. In a co-op, the primary goal may be to make a surplus to distribute to members, but oftentimes there will be other goals, too, such as providing employment, jointly marketing and processing the members' products, providing goods and services at cost, or providing essential services, such as housing or health care, to the members.

If a co-op distributes part or all of its surplus to its members, it usually does so in the form of a *patronage refund*, which is quite different from how a corporation distributes its profits. A patronage refund has this name because the amount of the refund is determined by how much the member has been a patron of the co-op. In other words, the more you have used the co-op, the more of the surplus you will receive. This is different from a corporation where, generally, the more shares you have, the more profit you will receive.

Co-operatives vs. Societies

Section 2(1) of the *Society Act*¹³ states that a society may be incorporated for “any lawful purpose” such as “national, patriotic, religious, philanthropic, charitable, provident, scientific, fraternal, benevolent, artistic, educational, social, professional, agricultural, sporting or other useful purposes...”

Section 2(1)(f) of the *Society Act* specifically prevents an organisation from incorporating as a society if it has the purpose of carrying on a business for profit or gain.

Co-operatives and societies are similar in that each person is entitled to only one vote. However, the big difference is that a member of a society has no ownership in the organisation. Thus, any profit generated by the society cannot be distributed to the members in the form of a patronage refund (in the case of a co-op) or a dividend (in the case of a corporation), but must be returned in full to the society.

The following table is a modified version of two tables (one from the federal government's co-operatives secretariat website,¹⁴ and one from the BC provincial government's website¹⁵) that outline the central differences between a corporation, co-op, and society:

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Co-operative Business	Investor-Owned Business (Corporation)	Non-Profit Organisation (Society)
	Objectives	
For profit service, economic or social gain for members.	Profit for shareholders on investment of time or money.	Activities for purposes other than personal or financial gain.
	Ownership	
By members: the share is listed in the member's name.	By shareholders: generally, a share carries no name. Unless registered, it belongs to the bearer.	By members: 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 share may not increase in value. It can usually only be redeemed by the co-operative at its par value.	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 organisation, as long as they support the purpose of the organisation.
	Liability	
Member's responsibility is limited to share subscription.	Shareholder's responsibility is limited to share subscription.	Member's responsibility limited to the investment.

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Co-operative Business	Investor-Owned Business (Corporation)	Non-Profit Organisation (Society)
Voting		
A member is entitled to only one vote at a general meeting, regardless of the number of shares he or she holds.	The number of votes a shareholder is entitled to at a general meeting is equivalent to the number of shares held in the company.	As specified in the society's bylaws, but generally, one person, one vote.
Certain co-operatives with a large and dispersed membership may introduce a delegate structure for representing members (eg. delegates representing multiple members from a geographic district).		
Proxy voting allowed only in certain circumstances.	A shareholder may obtain a proxy to vote for other shareholders.	Delegates or proxies may be used depending on the governing legislation.
Sharing in the surplus		
Co-operative legislation in B.C. limits the payment of interest on share capital.	There is no limit on share capital.	
Surpluses may be paid into the form of patronage returns proportional to the business done by each member with the co-operative.	Profits may be distributed in the form of dividends according to the provisions for each class of shares, or reinvested in the company.	Surpluses do not belong to the individual members but to the society. They may, therefore, not be redistributed among the members but must be returned in full to the organisation.
Some co-operatives, such as housing health, and daycare co-operatives, are structured as non-profit co-ops. Surpluses are not distributed to members.		

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1.6 The Co-op Advantage

Co-ops have several advantages over a traditional business venture.

Harnessing Community Skills and Resources

The key advantage of a co-op is the ability of members to pool their resources and expertise. Unlike a business, a co-op will potentially have several members, many of whom will have different skills, knowledge, and resources. A co-op is an excellent tool to harness these resources. For example, in the Harrop-Procter Community Co-op, the members were divided into different working groups based on their expertise. Members with human resources backgrounds were involved in the hiring process, while members with accounting backgrounds were involved in organising the finances of the organisation.

Reduced Risk

Another advantage of the co-op model is that there is less risk for those that become involved. Because a co-op generally involves many people, the risk to any one member is reduced.

More Flexibility

Another advantage of the co-op model over the corporate structure is that a co-op is a more flexible organisation. Generally, the primary goal of a business will be to make money. However, as revealed by the list of the different types of co-ops in section 1.3, a co-op can have wide and varied goals, including everything from better purchasing power by buying supplies in bulk to providing jobs for unemployed saw mill workers.

Local Control: Meeting Community Needs and Keeping Money in the Community

A co-op's flexibility allows it to meet any number of community needs, which ties in to another advantage of the co-op model: local control. Generally, a co-op's members will be from the local community. This is different from a large forestry company, whose shareholders could live anywhere in the world. Because a co-op's members are usually from the local community and it is the members that control the co-op, a co-op is more likely to act in the best interests of the community than a large shareholder controlled company. This in-

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creases the community's control over its economic future.

The best interests of a community will often include sustainable harvests of the resource. A forestry company, whose sole goal is profit maximisation, has an incentive to log the local area without any thought to the sustainability of the yield because, once the local area is logged, the company can move on to another part of the province or the world.

On the other hand, members of a forestry co-op will be from the local community and be committed to harvesting in a manner, that sustains the economic future of the community and the resource that is being harvested. An example of this is the Harrop-Procter Community Co-op, which used eco-system based forestry when harvesting from its community forest tenure. This means that instead of clearcutting its tenure area, the co-op uses selective logging, which provides more jobs to people in the area.

Another example of how a co-op can make more sustainable use of a community's resources is the Quesnel Hardwood Co-op. Members of this co-op identified hardwood trees as a community resource that was not being used by the major forest companies in the area. Major forest companies in the area generally discarded and burned hardwoods when logging. Because large forestry companies have high overhead and labour costs, it is not profitable for them to process hardwoods because it is a very labour intensive process. The Quesnel Hardwood co-op plans to use these former "waste trees" to manufacture various wood products.

A further advantage of a co-operative's local nature is that it keeps money in the community: surplus from the co-op will be reinvested in the community. One study states that "every dollar invested in a local co-op has a multiplier effect of five dollars for the community" (CCA, Website).

1.7 Disadvantages of Working Co-operatively

Unfamiliarity with Working Co-operatively

A consultant involved with the founding of the Quesnel Hardwood co-op observed, "The biggest problem with co-operatives is you have to co-operate." For entrepreneurs or loggers who are used to being their own bosses, there can be a significant adjustment to working in a co-operative, where decisions are made jointly and democratically. Listening, communication, and conflict reso-

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lution skills are key. Fortunately, these skills may be taught. For more information on these skills see section 4.4.

Difficulty Obtaining Financing

Many banks, and even some credit unions, are hesitant to finance co-operatives because they are unfamiliar with the model. For more information on obtaining financing, see section 3.4.

1.8 Forestry Co-ops in Canada and BC

Canada has 92 forestry co-operatives, most of which are involved in cutting wood. Most forestry co-ops are in Quebec, which has over 70% of all forestry co-ops in Canada. Seventy-four of the 92 forestry co-operatives are worker co-ops. Total co-operative business volume for 1996 totaled \$387.4 million and employment was provided for 9,276 co-op members (Co-operatives Secretariat, 1998).

Summary of Forestry Co-operative Reporting in Canada, 1996

	West	Ontario	Quebec	Atlantic	Canada
Number of Co-operatives	7.0	-	63	22	92
Membership (thousands)	412.0	-	5,968	2,896	9,276
Full-Time Employees	303.0	-	4,256	112	4,671
Part-Time Employees	13.0	-	55	125	193
Salaries & Wages (\$M)	6.7	-	94.8	2.8	104.3
Volume of Business (\$M)	8.1	-	347.2	32.0	387.3
Assets (\$M)	1.5	-	195.0	4.4	200.9
Members' Equity (\$M)	0.9	-	71.5	2.3	74.7

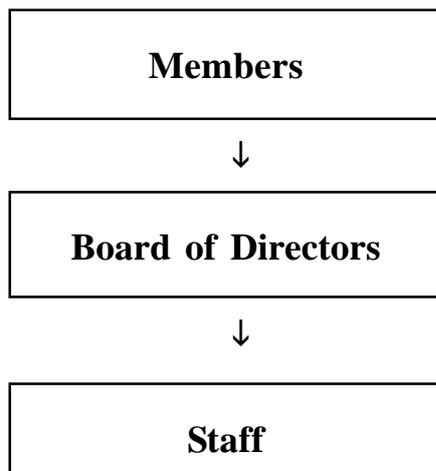
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HOW DOES A CO-OP WORK?

This section provides some brief information on the structure of a co-op, who can be a member of a co-op, the first board of directors of a co-op, and the types of meetings held by co-ops.

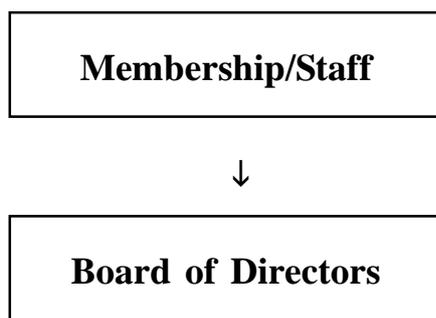
2.1 The Structure of a Co-operative

In most co-ops, the co-op is made up of its members, a board of directors, and, in some cases, its staff. The following diagram shows the organisational structure of a typical co-op.



The members vote to choose the board and the board hires the staff.

In a worker co-operative there is no bottom box, as the staff are also the members.



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2.2 Members

The key to a co-op is its members. The members of a co-op are those persons and eligible organisations admitted to membership according to the rules of the co-operative—s. 29.

Who Can Be a Member?

Anyone at least 16 years old may be admitted as a member, if this is provided for in the rules of the association. In addition, a member does not have to be a person, but may also be a corporation, the government, a municipality, a First Nation, or another association or co-operative—s. 32. Under the former *BCCAA* (1996), a First Nation, municipality, or government could not join a co-operative.

Members have one vote, regardless of who or what they are or how many shares that member owns. The government or a First Nation is represented by an authorised individual for meetings. This authorised individual has the power to vote on behalf of the government or First Nation s/he is representing.

The *BCCAA* allows for joint members, i.e., two or more persons who jointly hold one membership in the co-operative (for example, a “family membership”). Joint members are jointly and separately liable for any debts to the co-op. In addition, unless the rules of the co-op state otherwise, only one of the joint members can vote and only one can be a director.

Membership Classes

The *BCCAA* also allows co-ops to change their rules to divide their membership into classes. Each class may have different rights, obligations, and limitations.

Register of Members

A co-op must keep a register of members at its registered office. The register must set out the names and addresses¹⁶ of the members and the number and class of shares held by each member as well as the amount paid on those shares. It must also show the date that the member was registered and the date that the member ceased to be a member—s. 124.

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2.3 Directors

A Board of Directors governs a co-operative. The Board is elected by the membership and is a co-operative's policy making and administrative body.

The Board acts on behalf of the membership and is accountable to its members. Board directors have the collective right to make decisions and to operate the co-operative, and they are legally responsible for their decisions: the buck stops here, so to speak.

A Board may choose to delegate some of their administrative authority to committees, or, in large co-operatives with paid employees, boards may make policy and delegate the administration of those policies to management.

For more information on running a Board of Directors, please see section 4, "The Co-operative Board."

The First Board of Directors

The first directors are determined in writing by a majority of the members who have signed the *memorandum of association*.¹⁷ These first directors hold office until the first general meeting. After that, the directors must be appointed or elected according to the rules of the co-operative.

A co-operative must have at least three directors. Under the former *BCCAA*, every director was required to be a member of the co-operative. Under the current *Act* (1999), up to 1/5 of the directors may be non-members—s. 72(4).

2.4 Meetings

The First Meeting

The first meeting of the co-operative must be held within three months of the date of incorporation. The date, place, and time of the general meeting should be set out in the co-operative's rules. After that, a general meeting must be held at least once every calendar year and within four months of the end of the co-operative's fiscal year—s. 143.

Every member must receive at least fourteen days notice of every annual gen-

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eral meeting and seven days notice of every general meeting (unless a special resolution is to be proposed at the general meeting, in which case fourteen days notice is required). The notices should specify the place, day, and hour of the meeting and the nature of any special business—s. 146.

Quorum

The rules of an association should set out the quorum for meetings. Quorum is the number of members who must be present in order to conduct any business at a meeting of the association.

Meetings by Telephone

The current *BCCAA* has modernised how meetings may take place. For example, the *Act* allows for meetings by telephone or other communications media—s. 149(1)(b). In addition, the *Act* allows an association to choose in its rules how it wishes to give notice of a meeting, whether it is by e-mail, advertisements, or other means—s. 147. The *Act* also allows a membership meeting to be held outside BC, so long as the Registrar pre-approves it in writing—s. 148.

Voting

As for voting, the *BCCAA* permits co-ops, if they specify it in their rules, to allow members the choice of voting in person or by mail. *Proxy voting*¹⁸ is prohibited unless the member lives a certain distance from the nearest meeting place. The co-op may set this distance in its rules

Special General Meetings

Directors must call, subject to certain exemptions, a special general meeting if requested to do so by a certain number of members in writing. The required number of members who must make this request before the directors are legally required to call the special general meeting depends on the size of the co-op. Please see s. 150 of the *BCCAA* for more information.

Even if the correct number of members make a written request for a special

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general meeting, the directors may refuse the request on one of the grounds outlined in s. 151 of the *Act*.

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ORGANISING A FORESTRY CO-OPERATIVE

There are many resources available to assist those interested in starting a co-operative in British Columbia. The following list of steps to take in forming a co-op is a summary of information found in those resources. For a list of some of those resources, please see section 7, “Resources.”

It must be remembered that there is no set recipe for developing a co-op and that the strategies taken will largely depend on individual circumstances. In addition, it is not necessary, or even desirable, to follow the steps in order, as many of the steps should or may be worked on currently. Regardless, several general steps are important.

3.1 Step One: Identify a Common Economic Goal and Assemble a Group of Interested People

“Visioning”

Interested people should identify their common need or problem and how a co-op would address it. Through this, the members can identify a common goal. This identification of a common goal is often described as “visioning.” It is worth taking the time to obtain a shared vision, as it is highly important to the success of the co-op. Identifying a common goal will reduce conflict later in the project. This is because incompatible goals can create conflict, while a common goal can build commitment.

Develop a Core Group

Members should next attempt to develop a core group of people to support and work with the co-op. One way of doing this is to make a list of potential members, including organisations, to invite to join the co-op. In developing a list of potential members, organisers should aim for a mix of skills and not overlook the abilities of retired people. Organisations that could join the co-op include:

- other co-ops or credit unions;
- the local chamber of commerce;
- local businesses;
- unions and labour groups;

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- the provincial, federal, or municipal government;
- recreation clubs and sport leagues;
- school boards or parent-teacher associations;
- service clubs;
- special interest or advocacy groups;
- the local YM/YWCA, and,
- volunteer, non profit, or charitable organisations.

Organisers of the co-op should personally contact each prospective member of the co-op identified in the list and set up a face-to-face interview to discuss the idea and ask for their support. Before the interview, it is helpful to send the person some general information on co-ops and any research on the needs or problems identified by the organisers of the co-op that the co-op will address.

Hold an Organising Meeting

After building a core group of supporters, members should hold an organising meeting in the local community to further build community support. The primary purpose of this meeting is to explain the identified need or problem and how the co-op will address it. Organisers should prepare handouts to distribute at this meeting, explaining what a co-op is and how it could address the identified problem or need. If possible, invite people from other successful co-operatives to speak at the meeting about their experiences with the co-op model. As it is important that community members have an opportunity to fully participate and speak during this meeting, it is a good idea to allow plenty of time for questions and answers.

The ultimate goal of this meeting is to build community support and organise a steering committee to guide the activities of the group. Other sub-committees may also be struck to address other issues, such as developing the business plan, incorporating, developing bylaws and policies, and obtaining financing (UWCC & CDS, 1998).

Goals of Step One: To have identified a common goal, developed a core group of supporters, and organised a steering committee to build the co-op.

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3.2 Step Two: Conduct a Feasibility Study

Don't Reinvent the Wheel

The next couple of steps (conducting a feasibility study and writing a business plan) are steps that everyone starting a small business has to go through. As a result, there are numerous models, books, and college courses that can assist you in completing these steps. In addition, both the provincial and federal governments have numerous programmes and services to assist people starting up small businesses. So don't reinvent the wheel, but make use of all of these resources: check the public library for books on writing a feasibility study or business plan, surf the web for government information, take a college night course. But most importantly of all, check to see if any members of your steering committee, or any other members of the community who are sympathetic to your cause, have business expertise and can assist you in completing these steps (or, even better, can take on the task themselves). (For a list of some government resources available to you, please see section 7, "Resources.")

Hire a Consultant or a College Student

Alternatively, if you do not feel the members of the steering committee have the skills to complete the feasibility study themselves, you may wish to hire a consultant to complete it or, if there is a nearby university or community college, organisers may be able to enlist business students to aid in completing the study. If organisers do not have the expertise to complete a feasibility study, but cannot afford to pay a consultant to complete one, it may be possible to obtain government funding to hire a consultant (see section 3.4 for more information on obtaining financing).

The Contents of a Feasibility Study

A feasibility study will analyse the co-op's critical issues, including the number and interest of potential members, market issues, operating costs, start-up costs, and financing. Such a study may include the following steps:

- 1. Clarify the business.** Define the intended benefits of the co-op for members and the proposed services and/or products.
- 2. Industry research.** Research the industry you plan to enter, if it is

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new to you. Check the Internet, business databases, trade organisations, and similar businesses. Be a customer in your competitor's business.

3. **Market research.** Define your potential markets and conduct market surveys for each market. Perform a competition analysis and speak with potential customers.
4. **Operational needs.** Identify the required licenses, paperwork, and other legal requirements that must be completed to operate the co-op. In addition, identify staffing and other resource needs. A key operational need of most forestry co-operatives is a timber supply. For more information on obtaining a timber supply, see below.
5. **Financial tests.** Analyse the co-op's start-up costs, operating costs, revenue projections, sources of financing, and profitability.
6. **Organisational analysis.** Determine if a federally or provincially incorporated co-op is the best way to deal with the need or problem the co-op is trying to address. For assistance in trying to determine this, it may be helpful to analyse the advantages and disadvantages of using other organisational structures, such as a society or corporation. (For information on the differences in these organisations, see section 1.5 of this handbook.) Also determine who will serve on the board of directors and who will manage the co-op.
7. Decisions and recommendations for next steps.¹⁹

Locating a Timber Supply

As mentioned above in point 4, a key to forming a forestry co-operative is accessing an adequate timber supply. Generally, this can be done in one of two ways: harvesting or obtaining timber from private lands or applying for a license through the Ministry of Forests to harvest Crown land.

Harvesting from Private Lands

This may be the simplest way to access a timber supply for your co-operative because it does not involve navigating the provincial bureaucratic process to

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obtain a license. Instead, members of the co-op simply find a local land-owner and negotiate access to his or her timber supply for harvesting. In some cases, because the bureaucratic process in obtaining a forest license is so slow, harvesting private land may be a useful stopgap measure while waiting for license approval. This has been the case with the Quesnel Hardwood co-op, which is currently harvesting birch trees from private land while waiting for approval to harvest hard woods from Crown property.

Harvesting from Crown Land

There are several different licenses to harvest Crown timber. When a license is available, government will announce this in advertisements, the BC Gazette, and on the Ministry of Forests' website. You then submit an application, which is evaluated based on certain criteria set by the *Forest Act*, one of the laws that regulate forestry in BC. These criteria include the potential for the applicant to create and maintain jobs in BC, provide for the management and utilisation of Crown timber, further the development objectives of the government, meet government objectives for environmental quality, and contribute to government revenues. (See section 13(4) of the *Forest Act*.)

The Various Types of Licenses

Section 12 of the *Forest Act* lists the various licenses that are available:

- (a) forest license,
- (b) timber sale license,
- (c) timber license,
- (d) tree farm license,
- (e) pulpwood agreement,
 - (e.1) community forest agreement,
- (f) woodlot license,
- (g) free use permit,
- (h) license to cut,
- (i) road permit, and
- (j) Christmas tree permit.

The difficulty in applying for many of these licenses is that, when they do become available, they are often only available to individuals or corporations that are registered under the Small Business Forest Enterprise Program. The problem is that the Ministry of Forests refuses to allow co-ops to register for this program, even though, legally, co-operatives probably are eligible.²⁰

In addition, some of the other licenses, including Christmas tree permits (which

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allow you to grow Christmas trees on Crown land) and woodlot licenses appear to be limited to individuals, First Nations, and corporations. Again, it is unclear if the front line workers at the Ministry of Forests realise that a corporation includes a co-operative.

In any event, the confusion around this issue and Ministry of Forests' unfamiliarity with the co-op structure is a barrier that you will need to overcome. To assist you in this struggle, it may be useful to contact the Ministry of Community Development, Co-operatives and Volunteers to act as your advocate when dealing with the Ministry of Forests. (For Ministry contact information, see Appendix 1.) It may also be helpful to lobby your local MLA and the Minister of Forests. As noted in the Harrop-Procter case study, part of the reason for their success in obtaining a community forest license was their effective lobbying of politicians.

Community Forest Agreements

One type of license where there are opportunities for co-ops is the community forest agreement. This type of license was developed "to increase the direct participation of communities and First Nations in the management of local forests, and to create sustainable jobs" (Ministry of Forests, Website).

The Ministry of Forests put out a request for proposals for pilot projects for this programme. They gave the green light to seven of these proposals, one of which was the Harrop-Procter community co-op. However, the difficulty is that the Ministry is not requesting new proposals for community forest pilot projects as of August 2000, but this may change. For more information, and to see if the Ministry is accepting more proposals, contact:

Kelly Finck, Project Leader, Community Forest Pilot Project

P: 250.387.8315

F: 250.387.6445

E: Kelly.Finck@gems7.gov.bc.ca

Why a Quality Feasibility Study is Important

A quality feasibility study is key because it will influence all future decisions in the development of the co-op, such as the most important decision of all—whether or not to proceed with the co-op in the first place. If the feasibility study is inconclusive, the group should reevaluate its idea. If the study shows that the co-op is feasible, the group should proceed to the next step.

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Goal of Step Two: To have completed a quality feasibility study and begun the process of obtaining a timber supply (if necessary).

3.3 Step Three: Develop a Business Plan

A business plan outlines the resources and proposed strategies to assist the group in achieving its goals with the co-op.

The business plan will be the key document the co-op will use in applying for funding or loans from government, banks, or credit unions. Thus, it is important that the business plan has a professional appearance and be reviewed by a qualified third party, such as a lawyer or accountant. The business plan should convince a potential investor to invest in the venture.

As with a feasibility study, there are numerous government and popular resources available to assist groups in completing a business plan.²¹ (Please see section 7.1 for some of these resources.) There is an excellent interactive business planner on the web produced by the federal and provincial governments at the Canada/BC Business Service Centre website: www.sb.gov.bc.ca

The following list outlines the general topics, which should be included in every business plan:²²

- 1. Executive summary.** This should summarise the body of the report.
- 2. Business description.** This should include the name, address, and description of the co-op, including a bit of background and the objectives of the co-op. It should also include the number of members in the co-op.
- 3. Market analysis.** This should include a brief description of the products or services offered and these should be compared with similar products or services available on the market. The market analysis should also include a description of the market, including market size, parts of the market held by competitors, and market trends. The analysis should also include a description of the co-op's sales strategy and a description of the co-op's proposed clientele, including the demographics of its clientele. Lastly, the analysis should include the price of the co-op's products or services.

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- 4. Products and services.** This section should describe the originality of the co-op's proposed products and services in comparison to what is currently available from the co-op's competitors. This section should also include a description of any required research and development activities that must be completed before the products or services may be marketed.
- 5. Marketing strategy.** This section should provide projections of sales and market share, as well as identify the co-op's target market. The strategy should also include a list of potential buyers who have expressed interest in purchasing the products or services. The strategy should also describe the co-op's advertising plan to promote the product or services. It should also demonstrate that the co-op has the capability to produce, sell, and deliver the product.
- 6. Operations.** This should include a description of how the product is to be manufactured or how the services are to be performed. This section should include a description of the building and equipment that is already owned and that will need to be purchased to begin operations. This section should also describe the business advantages of the co-op's location. Lastly, the operations section should describe the staffing required for the co-op.
- 7. Management and organisation.** This section should describe the management team and board of directors and the skills and responsibilities of each person. This section could also include an organisational chart and an identification of required professional resources, such as a lawyer or accountant.
- 8. Timing schedule.** This should illustrate the timing of important activities for the first three years of the co-op. The timetable should be in a graph or some other aesthetically appealing form.
- 9. Financial information.** This should include a statement of assets and liabilities for the first three years, as well as a statement of earnings for the first three years and a projected cash budget for the first year. This section should also include an analysis of the break-even point, the point at which the level of revenue will be such that the co-op will generate a surplus. Moreover, this section should include a cash flow forecast.

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10. Financing plan. This section specifies the amount of funds required, when they will be needed, and how they will be used. The plan should outline the total investment needed for start-up, the investment plan, and the sources of funds.

11. Summary.

12. Attachments. This should include the articles of incorporation of the co-operative and its bylaws (if the co-op has been incorporated), the data from the market survey, resumes from the main people in the co-op, and a list of members, letters of support, and any other relevant information.

Goals of Step Three: At the end of this step you should have completed a professional-looking business plan that is capable of convincing people, whether they be lenders or volunteers, to support your co-operative.

3.4 Step Four: Obtain Financing

The Problem of Raising Capital for Co-operatives

Co-operatives, like any other business venture, need equity (usually in the form of cash) to begin their enterprise and to continue in their growth. Within a general business association, the equity to initiate the venture is usually raised by selling shares to outside investors whose primary goal is profit acquisition. In the past, co-operatives have found outside investment more difficult to obtain than other business ventures for two reasons.

First, a co-operative does not usually carry a high rate of return on its capital. For example, the *BCCAA* specifically limits any dividend returns from membership share capital. Section 66(1)(c) of the *BCCAA* states that an association “may pay dividends at rates not exceeding 8% yearly, or higher limits that the association may set out in its rules.”

Second, co-operatives have voting restrictions imposed by the *BCCAA* that limit members to one vote, regardless of the amount of shares held or capital contributed. Because of the voting limitations, co-operatives are also seen as less attractive to investors who want greater control of their equity (Ish, 1981).

As a consequence of these two factors, the initial capital in a co-operative is usually raised by direct contributions from the members, not outside investment. This form of equity capital is also known as *risk capital* because the co-

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operative must liquidate all other obligations for liabilities, costs, and expenses that must be paid before the capital is returned to the members (Abrahamsen, 1976). In other words, if the co-op goes bankrupt, the members are the last ones to get their money back.

The Situation Today: Investment Shares

To solve this problem of raising capital, co-ops worldwide have lobbied governments to modernise the statutes that govern them. BC is no exception. The current *BCCAA* provides for a new source of capital for co-operatives: investment shares. The *Act* allows non-members to purchase investment shares in the co-operative, if the co-operative's memorandum and rules permit it. Alternatively, the co-operative could limit the availability of investment shares to members only. In addition, it is not necessary for the co-operative to limit the return the investor receives on these shares, as is required for membership shares.

The authorisation for issuing investment shares must be found in the co-op's memorandum. This means that a currently existing co-operative would be required to amend its memorandum if it wished to issue investment shares. Unlike membership shares, each investment share entitles the owner to one vote—s. 61. Thus, the more shares, the more votes. However, investment shareholders can only vote on a limited number of issues at general meetings: matters affecting their class rights as investment shareholders, disposing of all of the assets of the co-op, waiving the appointment of an auditor, transferring from BC to another jurisdiction, or amalgamating with another co-op (Ministry of CDCV, Website).

External Financing: The Provincial Government

The BC government has several programmes available to provide funding to co-operatives. These programmes include:

- **Co-op Advantage.** This programme provides funding for:
 1. innovation and demonstration projects which use new, innovative models of co-operatives;
 2. the development of *business plans* and training for starting new co-operatives; and,
 3. training and development to strengthen existing co-operatives (Ministry of CDCV, Website). For more information

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on this programme, please consult the Ministry. (Contact information may be found in Appendix 1.)

- **Community Enterprise.** This is an umbrella programme of the Ministry of Community Development, Co-operatives and Volunteers whose purpose is to “encourage greater economic diversification in coastal and rural resource based communities” (Ministry of CDCV, Website). Underneath this umbrella are two programmes relevant to those wishing to start a co-op in BC: Community and Co-operative Business Development, and Community Capacity Building. The Harrop-Procter Community Co-operative received \$40,026 from this programme to help it develop a community-run herbs business and value added wood production plant.²³ For more information on this programme, consult the Ministry. (Contact information may be found in Appendix 1.)
- **Community Solutions.** This is another programme of the Ministry of Community Development, Co-operatives and Volunteers. Its purpose is to fund organisations, such as co-operatives, to “develop and implement locally designed and driven projects that support and empower multi-barriered, low-income residents to participate in their communities...”(Ministry of CDCV, Website).
- **Forest Renewal BC.** This organisation may be able to fund everything from business planning to marketing and research for co-ops involved in the forestry industry. For contact information, see Appendix 1.

External Financing: The Federal Government

- **Community Futures Development Corporations (CFDCs):** These organisations are funded by Western Economic Diversification Canada (a federal initiative). They may provide loans to assist co-ops in starting out. For contact information, please consult Appendix 1.
- **Human Resources Development Canada.** This federal government ministry provides wage subsidies for organisations such as co-operatives. For contact information, please consult Appendix 1. Many co-operatives have been successful in accessing funding

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from this source.

Credit Union and Non Governmental Organisation (NGO) Financing

Numerous credit unions and NGOs provide funding and financing to co-operatives. An excellent resource to find these sources of funding is the BC Funders Council, which was founded by the Canadian Co-operative Association—BC Region. The BC Funders Council produces a funding directory, entitled *BC Funders Council for Co-op and Economic Development*, which lists credit unions, trusts, foundations, co-operatives, and NGOs that may provide funding or financing to a co-operative (CCA, Website).

One key organisation is the Co-operative Development Foundation. This organisation is a national registered charity that is run by Canadian co-ops and credit unions. It may provide funding for assistance in community outreach, board training, or other assistance in running a co-op. For more information, please consult Appendix 1.

Effective Grant Proposal Writing

Applying for grants or loans can be tricky. Luckily, there are numerous resources available online and in your local library that can assist you in writing your proposals.

When writing a proposal, the key is to carefully read the guidelines written for the grant. *In addition, do not be afraid to call the agency offering the grant if you have any questions or need clarification about something.* Go through your written proposal with them to see where it can be improved.

For more information on grant writing, consult section 7, “Resources.”

Goals of Step Four: To have obtained adequate financing for the co-op from external and internal sources.

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3.5 Step Five: Incorporate the Co-op and Complete other Legal Requirements

The Ministry of Community Development, Co-operatives and Volunteers produces an excellent guide to navigating the legal requirements to successfully incorporate your co-op in BC. The booklet is called *Step-by-step Guide: How to Incorporate a Co-operative in British Columbia*²⁴ and is available from the Ministry. The Ministry Guide provides examples of the required legal documents and identifies some issues you may want to consider in drawing up these documents.

Naming Your Co-operative

The first step in incorporation is to decide on a name. In order to receive approval of the name, an application must be made to the Names Unit of the Registrar of Companies. However, approval of a name by the Registrar does not provide a proprietary right or interest in the name. The approval of any name is at the discretion of the Registrar. Three different names should be provided to the Registrar in descending order of preference. These names can be checked for conflict prior to filing by searching telephone listings, business directories, and other publications (Ministry of FCR, 1997).

An association formed under the *BCCAA* must include the word “co-operative,” or “co-op” (spelt with or without the hyphen), in its name, according to s. 23 of the *Act*. It may also use any *one* of the following words: “association,” “society,” “union,” “exchange” or a similar word approved by the Registrar. The name must not include the words “company” or “limited” or the words “not for profit” or “nonprofit.” In addition, s. 25 of the *Act* prohibits any business or activity from using the words “co-operative” or “co-op” unless it is registered under the *BCCAA* or is a federally incorporated co-operative. There is a fee for filing a name approval request form.

The name of the association must be affixed to the outside of every office or place in which the business of the association is carried on. The name must also be mentioned in all notices, advertisements, and official publications and all bills, invoices, receipts, and letters of credit of the association, according to s. 26 of the *Act*.

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Incorporating Your Co-operative

Once a name has been approved, the association should be incorporated. In British Columbia, co-ops must be incorporated and registered under the province's *Cooperative Association Act*. Under s. 10 of the *Act*, any three or more people or eligible organisations can form an association. The former *Act* (1996) required five people to form a co-operative. In order to incorporate a co-operative association, four documents are needed:

1. Memorandum of Association—as set out in s. 12.
2. Rules of Association—as set out in s. 13
3. Notice of Registered Office—s. 27.
4. List of First Directors—s. 73.

These four documents must be sent to the Registrar of Companies at the BC Ministry of Finance and Corporate Relations with the appropriate fee. Note that the position of Superintendent of Co-operatives has been eliminated from the current *Act*. As of August 2000, the fee for incorporation is \$250. Once approved, the BC Registrar of Companies will issue a certificate of incorporation and the co-operative will be entered into the corporate register. On average, this process takes up to three months (Ministry of CDCV, 1999). Once a certificate is issued, a co-op's documents become legally binding. They form the foundation of a co-operative's activities.

Each document will be discussed separately.

The Memorandum of Association

The Memorandum provides information about a co-op's name, its founding members, the value of their purchased shares, and a statement indicating the limited liability of the co-op's members. Those persons interested in forming a co-op must subscribe their names to a memorandum relating to their co-operative and send a duplicate copy to the Registrar with the proper fees. The memorandum must contain the following:

- the name of the co-op and the location of the co-op's registered office;
- a list of every subscriber to the memorandum and the number of membership shares and investment shares taken by each subscriber—s.12(a);
- the purpose of the co-op and every restriction, if any, on the business to be

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- carried on by the co-op or the powers of the co-op—ss. 12(c)(d);²⁵
- a statement of the par value of the co-operative's membership shares or a statement that its membership shares are without par value—s. 12(f); and,
- a statement of the maximum number of membership shares that the co-op is permitted to issue or that the co-op is permitted to issue an unlimited number of membership shares—s. 12(g).

There are several key issues you may wish to consider when writing your memorandum, some of which are dealt with in the Ministry of Community Development, Cooperatives and Volunteers' *Step-by-step Guide* (1999).²⁶ You may have already addressed many of these issues in your business plan.

- 1) **Business Restrictions?** Do you wish to limit the co-op's activities to certain business activities for ethical or financial reasons? For example, your co-op may decide not to sell tobacco products.
- 2) **Profit or Not for Profit?** If you wish to make your co-operative not for profit, then it is in the memorandum of association where you add a statement restricting the co-op from distributing any surplus to its members.
- 3) **Value of Shares?** This often causes quite a bit of debate among organisers of a co-op: do you make your membership shares worth a large amount of money (thousands of dollars) or only a few dollars. Obviously, the larger the value of the shares, the fewer potential members.
- 4) **Dissolution clause?** Do you wish to include a clause in your memorandum that determines what happens to the assets of the co-op if it dissolves?

In dealing with these issues, one thing to keep in mind is that if you decide to change a clause in your memorandum of association you will have to go back to the Registrar, which will take time and money. Thus, it may be better to keep things flexible, so that you do not have to constantly change your memorandum.

Rules of Association

The rules set out how a co-op's founding members wish to govern their business activities. Some rules are required by statute, but others can be written to

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reflect the unique needs of each co-operative. The rules should outline the requirements for membership and directors, provide information about shares in the association, and set out practices for meetings and voting. The rules should also provide detailed financial information and the methods of accounting that the association plans to use.

It is customary for the first rule to define the “terminology” to be used throughout the rest of the document. When drafting rules unique to an association, it is important to use clear and consistent wording throughout the document. This helps to avoid future misunderstandings and disputes over vague or inconsistent language.

The following matters must be provided for in the rules:

1. terms of admission to membership—s. 29;
2. a designation of a class of shares as membership shares—s. 30;
3. a statement of the minimum number of membership shares that must be purchased to join the co-op—s. 30; and,
4. a provision for the election or appointment of the directors of the association other than the first directors—s. 74(1).

Like the memorandum, the rules must be submitted in duplicate to the Registrar.

List of First Directors

The list of first directors provides information on the first Board of Directors. This list must be filed with the Registrar at the same time as the memorandum and rules of association. The list must include the full name and address of each director—s. 14. A minimum of three directors is required. The term of the first directors usually lasts until the first general meeting of the co-operative, which must be held within three months of incorporation. If the number of founding members is small, it is not uncommon for everyone to serve as directors.

Notice of Registered Office

The notice of registered office provides an official location address, where a co-operative’s mail can be received. The office must be within British Columbia. The Notice must provide an actual location address, not a box number, so that legal notices and other important documents can be delivered by means

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other than regular mail. In addition, official records required by the *Act* must be kept on file at the co-op's registered office—s. 27. The notice of registered office must be submitted to the Registrar at the same time as the memorandum, rules, and list of first directors. Any change of address must be filed with the Registrar.

Statement of Incorporators

The *BCCAA* does not require the submission of a statement of incorporators. Under the former *Act* (1996), a statement of incorporators, outlining the nature of a co-op's business and how it would be financed, was required.

Holding the First Annual General Meeting

This meeting will be the transition from the steering committee and interim board to a formally elected board. At this meeting, the members of the co-op will adopt the bylaws, business plan, and any desired policies. An external auditor should also be appointed, while the board of directors and members of any other committees should be elected.

Ensuring Proper Licensing and Registrations are in Place

The co-op may also have to register for the Goods and Services Tax if the co-op is generating sales in excess of \$30,000 a year. If the co-op is earning less than this amount, it may still register, but it is not mandatory that it do so. In addition, the co-op may be required to apply for a provincial tax registration certificate. For more information, consult a lawyer, the provincial Ministry of Finance and Corporate Relations, or your local government agent.

Goals of Step Five: At the end of this step, you should have successfully incorporated your co-operative and nearly completed all other legal requirements to get your co-op up and running.

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3.6 Step Six: Recruit and Train Staff and the Board

At this step, the board should select and recruit employees and organise and offer a staff training programme. Depending on the experience of the board, board training may also be useful at this stage. Because a smoothly operating board is a key to a co-op's success, there is a separate section in this handbook on "the co-operative board."

3.7 Step Seven: Start the Co-op's Business

The planning of the co-op's business start up should include a detailed list of all that must be done to "open for business." In addition, as part of this "start-up," the co-op should inform the community of the co-op's activities by writing press releases and making presentations to schools, the chamber of commerce, the municipal council, and other community groups. In addition, members of the co-op may be able to gain publicity by celebrating the co-op's achievements by holding a picnic or reception.

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THE CO-OPERATIVE BOARD

4.1 A Recap of the Board's Responsibilities

A co-operative's board of directors is key to a successful co-operative. There are countless resources available to assist board directors in fulfilling their roles, so this section is simply a broad overview of suggestions to keep a co-operative's board running smoothly.

The Board of Directors is the central decision making body of the co-operative. The Board has the following roles and responsibilities:²⁷

1. **“Steer the ship.”** The board acts as the planning body of the co-op. Part of good planning involves always looking to the future to try to anticipate and predict any rocky shoals ahead, so that the organisation can plan to avoid them or minimise their impact.
2. **Protect the co-operative's assets.** The board is entrusted with protecting the assets of the members and investment shareholders who have invested in the co-operative. Thus, it is a key responsibility of the board to protect the co-op's assets. One way of doing this is by having the board's finances independently audited.
3. **Develop policies and procedures.** Policies are written statements that describe the values and principles that should be followed in making Board or staff decisions. An example of a policy would be that “staff shall not undertake any activity which is illegal or unethical.”
4. **Employ management.** If the co-operative is large enough to employ a manager, the board will be responsible for hiring this person. Because the manager will have such an important role in the operations of the co-operative, it is important that the board carefully select a manager that is the right “fit” for the organisation.
5. **Review the co-operative's operations.** It is the board's responsibility to be informed of the financial, legal, and operational status of the organisation. Board members cannot make good decisions without this information. To obtain this information, the board may request monthly reports from staff detailing the financial and operational status of the

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organisation.

6. **Keep members informed.** As mentioned in the “Possible Pitfalls” and “Keys to Success” sections below, the board’s role in keeping the members informed of issues, policies, and finances is important to a smooth running co-operative, especially as a method of minimising suspicion and mistrust.
7. **Evaluate itself.** Board members should also evaluate themselves to ensure that they are doing a good job. See Appendix 2 for an individual board member self-evaluation adopted from the Nova Scotia Department of Economic Development and Tourism.

4.2 Directors

Qualifications to be a Director

In addition to whichever qualifications the association chooses to require in its rules, a director must meet the following criteria:

- 18 years of age or older, which is a reduction from the former *Act*’s requirement that directors be 19 and over—s. 79(4)(a);
- must not have been found by a court in Canada or elsewhere to be incapable of managing the individual’s own affairs—s. 79(4)(b);
- must not be an undischarged bankrupt—s. 79(4)(c); and,
- must not have been convicted of an offence involving fraud or mismanagement of a corporation within the past five years—s. 79(4)(d).

Registered List of Directors

An association must keep a register of directors at its registered office, containing the names and addresses of the directors and the dates on which the directors started and ceased to act—s. 125. Within 14 days of an appointment or election of a new director, a notice must be filed with the registrar, or the association will be subject to a fine of \$50 per day.

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Directors' Legal Duties and Responsibilities

In carrying out their responsibilities, directors serve much like trustees, charged with a legal obligation to protect the assets of the members.

In addition, directors' have a legal duty to avoid conflicts of interest. Conflict of interest situations arise when a director has a personal stake in decisions that affect the co-operative or if they benefit from "insider information" that they receive as a result of their position. Directors who act outside the parameters of the law, or who do not exercise due care in their decision-making, may be personally liable for the harm they cause the members, the association, or third parties. The current *BCCAA* outlines updated disclosure and conflict of interest rules for directors. Upon becoming a director, a person must disclose any other position they hold or property that could directly or indirectly result in a conflict of interest. If the co-op enters into or proposes to enter into a material contract or transaction in which the director has a material interest, the director must disclose that specific conflict, unless the conflict is exempted—ss. 86-89. Failure to disclose is an offence.

The current *BCCAA* clarifies directors' legal duties. Section 84(1) of the *Act* states that a director has a duty to act honestly and in good faith and in the best interests of the co-operative. S/he must also exercise the care, diligence, and skill of a reasonably prudent person in comparable circumstances. This last standard is usually taken to mean that directors are not personally liable for decisions they make in good faith, but that they can be sued for negligence. There are, however, some liabilities that, on or before the dissolution of a co-operative, can become personal liabilities. These can include unpaid wages and employee benefits, taxes and Workers Compensation payments. To live up to their legal responsibilities, board members must attend regular board meetings, ensure that proper books and records are kept, receive and ask questions about regular reports from staff and committees, supervise and evaluate management, and act to correct problems when necessary.

Under the *BCCAA*, directors may take out directors' and officers' insurance to protect them from any liability they might incur as a result of their work as a director or officer—s. 103. In addition, the *Act* allows a co-operative to indemnify its directors and officers against any judgment, penalty, or fine awarded or imposed against them arising from the exercise of their duties—s. 98.

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4.3 The Line Between Board and Staff

Distinguishing between what is the role of the board and what is the role of staff can be tricky. A board must ride the middle ground between micromanaging the co-operative, which is frustrating for management and a waste of the board's time, and not providing any guidance at all to the co-operative, which can result in an aimless co-operative and potential legal liability for the board members if something goes wrong. The following is a table which tries to provide some guidance to determining the board's and management's respective roles and responsibilities:²⁸

Board Role and Responsibility	Management or Staff Responsibility
Idea decisions.	Action decisions.
What decisions.	How decisions.
Overall goals and objectives of the organisation.	Decisions on how to successfully obtain the goals and objectives of the organisation.
Long-range decisions, especially those involving commitment and obtainment of future resources, especially financial.	Short-run decisions.
Selection of manager and salary.	Selection of staff (if any).
Filling board vacancies and providing board training.	
	Preparing budgets for board approval.
Manager evaluation.	Staff evaluation.

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4.4 Having Productive Board Meetings

Effective and productive board meetings do not simply happen—they require planning and negotiation skills. We have all attended meetings where, after hours of discussion, nothing has been decided and if anything has been decided no one remembered to write it down.

The following is a list of things to consider in running board meetings:²⁹

- 1) **How shall the board make its decisions?** Some boards, especially in the non-governmental organisation field, run on consensus. What this means is that decisions are made which everyone agrees on. Other boards use a system of voting, otherwise known as “Robert’s Rules of Order.” (For more information on these two systems, please see Appendix 3, which provides an outline on using Robert’s Rules and consensus decision-making.) Each system has its advantages and disadvantages.
- 2) **Agendas.** To keep organised, boards should have an agenda prepared before the meeting. Included with this agenda should be any relevant information required for making decisions. Agendas should be given to directors several days in advance so that they can familiarize themselves with the material and have time to carefully consider the issues.
- 3) **Minutes.** The minutes describe the discussion of the meeting and the decisions made by the board. The most important part of the minutes is the record of the decisions made. During the board meeting, the minute-taker should read out the proposed decision so that the directors may discuss it and so that they understand exactly what they are agreeing to. Generally, the minutes should include:
 - a) the date, time, and place of meeting;
 - b) the names of the people who attended the meeting and those who were absent, late, or sent their regrets;
 - c) the agenda of the meeting;
 - d) discussions arising out of the agenda; and,
 - e) the decisions made by the board.

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At the next board meeting, the previous meeting's minutes should be distributed to the directors and any changes should be made.

- 4) **Board committees.** To more efficiently take advantage of directors' interests and skills, a board could divide itself into various committees to tackle various responsibilities, such as personnel, finance, or policy-making.
- 5) **An informed board.** Directors are responsible for keeping themselves informed about the co-operative and its field of endeavour. Board orientation is highly important and may be accomplished, in part, with a board of director's manual, which would contain the co-op's policies, minutes of past board meetings, and the co-op's bylaws. For more information on a board of directors' manual, please see Appendix 4.
- 6) **Effective questions.** Good boards ask good questions. Boards have a responsibility to ask questions about the matters presented to them at meetings. For more information on asking good questions, see Appendix 5.
- 7) **Conflict resolution.** Board meetings may become heated at times, which can disrupt the functioning of the board and cause hard feelings, possibly resulting in permanent damage to the cohesion of the board. There are numerous books written on conflict resolution. Here are some tips from some of those resources (Avery, 1981; Fischer et al., 1995; Patton & Ury, 1981). (Please see section 7.2 for more information on resources.)
 - a) Acknowledge the dispute.
 - b) Gain common ground. One way of doing this may be to return to the common goals of the co-op, which both disputants will (probably) agree on, and move on from there.
 - c) Stop and try to understand the other person's perceptions. The key to doing this is active listening, which involves actually trying to hear what the other person is saying without making assumptions about what the other person is thinking or feeling.
 - d) Don't bargain over positions. When you bargain over positions you are more likely to become en-

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- trenched in your viewpoint and not engage in creative problem solving to resolve the dispute.
- e) Separate the people from the problem. All too often we demonise the person we are having the dispute with, which causes us to become too emotional to resolve the dispute.
 - f) Focus on interests, not positions. This allows for creative problem solving. It forces you to ask yourself what are you really interested in achieving.
 - g) Invent options for mutual gain. This is the problem solving part, where the disputants brainstorm to develop ideas to solve the problem that will mutually benefit all sides to the dispute.
 - h) Develop an action plan. Write down the solution to the problem and who will take responsibility for completing each part of the solution.

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PITFALLS AND KEYS TO SUCCESS

5.1 Keys to Success

The following keys to success for developing and maintaining a successful co-operative were gleaned from a publication by the Government of Nova Scotia (1996c) and a pamphlet produced by the United States Department of Agriculture (1996):

- 1. Use outside and inside advisors and committees effectively.** If you don't have the expertise on your board or among your members, seek it outside of your co-op.
- 2. Keep members informed and involved.** This may be done through e-mail, newsletters, phone calls, or the holding of social events. Members who participate in their co-op are more likely to feel ownership in the organisation, which will encourage them to participate more and stick around if the going gets tough. If members stop attending meetings or asking questions, then it is time to step back and ask yourself how to better inform and involve the members.
- 3. Ensure good board-management relations.** The board-management relations can be a tricky affair—knowing where the board's role ends and the employees' role begins. Generally, the board is responsible for setting policy, employing staff, and ensuring financing of the co-op.
- 4. Conduct business-like meetings.** Board members should be familiar with running a meeting, whether by consensus or Robert's Rules of Order. For more information, see section 6.3.
- 5. Follow proper business practices.** The co-operative should follow general accounting principles when preparing its financial reports.
- 6. Link with other co-operatives.** Ideally, other co-ops in the community can provide mentoring and other assistance to a co-op just starting out. There are also regional, national, and international organisations of co-operatives, which may be able to provide assistance and information.
- 7. Group cohesion.** Group cohesion is highly important. One way of unify-

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ing the group is a common commitment and understanding of the co-op's goals.

5.2 Possible Pitfalls

Many of the possible pitfalls that new co-ops may face are simply the absence of one or more of the keys to success:

- 1. Lack of commonly agreed upon goals.** It is exceptionally difficult to maintain group cohesion if the group does not understand or is not committed to the organisation's goals.
- 2. Inadequate feasibility study or business plan.** The motto is simple: do your homework! If the feasibility study or business plan is incompetently done or too optimistic, it will be useless in assisting the co-op to weather the inevitable storms that face all new enterprises. Remember that many government agencies and other co-operatives and credit unions have funding available to help pay for professionally done feasibility studies and business plans.
- 3. Failure to use experienced and competent advisors.** Even if it costs money, it is worth getting competent legal and financial advice before setting out. It will save money in the long term.
- 4. Lack of member leadership.** Member leadership = member confidence in the co-operative.
- 5. Lack of adequate financing.** This lack of financing may arise because of difficulty obtaining credit or loans or from a difficulty in encouraging members to commit their finances to the organisation.
- 6. Incompetent management.** In larger co-ops, a hired manager will perform the day-to-day managing of the co-op. Thus, it is key that these managers be patient and have an understanding of how to work in a co-operative environment.
- 7. Failure to identify and deal with risks.** Many business risks can be minimised by carefully analysing the problem to develop some strategies for dealing with the risks. In some cases it pays to be pessimistic and look

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at worst case scenarios.

- 8. Inadequate communications.** This is a key job for the board to undertake. Inadequate communications can lead to suspicion and conflict.

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APPENDICES

6.1 Appendix 1: Contacts

Provincial Government Contacts (in alphabetical order)

Two key places to begin your search with the provincial government are the BC government online directory at <http://www.dir.gov.bc.ca> and the toll free information number of Enquiry BC (1.800.663.7867).

BC Registrar of Companies, Ministry of Finance

You will submit your legal documents, including the name approval request form, the memorandum of association, rules of association, notice of registered office, and list of first directors to the Registrar. Call the registrar if you have any questions about these documents.

940 Blanshard Street, 2nd Floor
PO Box 9431, STN PROV GOVT
Victoria BC
V8W 3E6
P: 250.387.7848 (Victoria) or 604.755.1041 (Vancouver)
F: 250.356.0206
www.fin.gov.bc.ca/corppg/default.htm

Enquiry BC

If you can't find a provincial government phone number, call Enquiry BC at **1.800.663.7867**. Operators at this number have access to the BC government phone directory.

Important Note: If you have a provincial government phone number, but it is long distance, call Enquiry BC and ask to be transferred to that number so that it does not cost you anything.

Forest Renewal BC

Forest Renewal BC is a provincial government agency, which may be able to provide your co-op with funding or loans. Forest Renewal BC has offices across BC.

Victoria Office
727 Fisgard Street, 9th Floor
PO Box 9908, STN PROV GOVT

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Victoria BC
V8W 9R1
P: 250.387.2500
F: 250.356.7134
E: forestrenewal@canada.com
<http://www.forestrenewal.bc.ca>

Government Agents

Government Agents are located throughout BC and are able to provide you with information on provincial government services. They also have most government forms available. For a location near you, contact Enquiry BC or call the Government Agent's headquarters at:

P: 250.356.2038
F: 250.387.5633
www.governmentagents.sb.gov.bc.ca/index.html

Ministry of Community Development, Co-operatives and Volunteers

Contacts for information on the **Co-op Advantage** funding programme, the **Community Enterprise** funding programme and general assistance and information in starting your co-operative.

PO Box 9915, STN PROV GOVT
221-560 Johnson Street
Victoria BC
V8W 9R1
P: 1.877.777.1533
F: 250.356.9467
E: cdcvc@gems4.gov.bc.ca
www.cdcvc.gov.bc.ca

Ministry of Finance and Corporate Relations

The Ministry of Finance and Corporate Relations issues you the certificate of registration for paying the provincial sales tax.

Consumer Taxation Branch, Vancouver
500-605 Robson Street
Vancouver BC
V6B 5J3
P: 604.660.4524
F: 604.660.1104

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Consumer Taxation Branch, Victoria
Policy and Legislation Section
1061 Fort Street
Victoria BC
V8V 3K5
P: 250.387.0656
F: 250.387.6218

Ministry of Forests

To find the office nearest you, contact one of the Ministry's six regional offices:

Cariboo Forest Region
200-640 Borland Street
Williams Lake BC
V2G 4T1
P: 250.398.4345
F: 250.398.4380

Kamloops Forest Region
515 Columbia Street
Kamloops BC
V2C 2T7
P: 250.828.4131
F: 250.828.4154

Nelson Forest Region
518 Lake Street
Nelson BC
V1L 4C6
P: 250.354.6200
F: 250.354.6240

Prince George Forest Region
1011-4th Avenue
Prince George BC
V2L 3H9
P: 250.565.6100
F: 250.565.6671

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Prince Rupert Forest Region
Bag 5000, 3726 Alfred Avenue
Smithers BC
V0J 2N0
P: 250.847.7500
F: 250.847.7217

Vancouver Forest Region
2100 Labieux Road
Nanaimo BC
V9T 6E9
P: 250.751.7001
F: 250.751.7190
www.for.gov.bc.ca

One-Stop Business Registration

The provincial and federal governments have set up a network called “one stop business registration.” This system allows you to complete many of the required legal documents to get your co-operative going all at once at one of the designated computer terminals in BC. For more information on the programme, see the website at: <http://www.osbr.sb.gov.bc.ca/>

To locate the one-stop business registration office near you contact:

Mark Timmins
OneStop Business Registration
British Columbia Ministry of Small Business, Tourism and Culture
Small Business Branch
1405 Douglas Street, 6th Floor
PO Box 9805, STN PROV GOVT
Victoria BC
V8W 9W1
P: 250.565.6339 or (Toll Free) 1.800.988.8299
F: 250.565.6638
E: Mark.Timmins@gems5.gov.bc.ca

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Federal Government Contacts

Canada/British Columbia Business Service Centre

This organisation is a partnership of the provincial and federal governments and has excellent information on everything from marketing to business planning to a huge list of government grants and loans available to small business.

601 West Cordova Street
Vancouver BC
V6B 1G1

P: 604.775.5525 or (Toll Free – BC region only) 1.800.667.2272

F: 604.775.5520

Info-FAX: 604.775.5515 or (Toll Free) 1.800.667.2272

<http://www.sb.gov.bc.ca>

E-mail Bookstore: crowley.brenda@cbsc.ic.gc.ca

Website Comments: hartley.len@cbsc.ic.gc.ca

Business Start-Up: olson.dave@cbsc.ic.gc.ca

Trade and Markets or Export/Import: waung.mary@cbsc.ic.gc.ca

Statistics: eversfield.mark@cbsc.ic.gc.ca

Community Futures Development Corporations

These organisations may provide loans, information, and other resources, including office space, to your co-operative. At last count there were 35 CFDCs across the province. To find the one nearest you, contact:

Community Futures Development Association of BC

1607-1166 Alberni Street

Vancouver BC

V6E 3Z3

P: 604.681.7130

F: 604.681.9369

Co-operatives Secretariat

Co-operatives Secretariat

Sir John Carling Building

930 Carling Avenue

Room 467

Ottawa ON

K1A 0C5

P: 613.759.7194

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F: 613.759.7489

E: co-ops@em.agr.ca

<http://www.agr.ca/policy/coop>

Human Resources Development Canada

As part of its mandate, this federal department provides wage subsidies to small businesses. It has offices across Canada.

To find the office nearest you, contact Reference Canada at 1.800.667.3355 or check their website at www.bc.hrdc-drhc.gc.ca/common/contct.html

For publications from this Ministry, contact:

Publications Centre

Human Resources Development Canada

140 Promenade du Portage, Phase IV

Hull, PQ

K1A 0J9

F: 819.953.7260

E: info@hrdc-drhc.gc.ca

The Women's Enterprise Society of BC

This organisation assists “women entrepreneurs to succeed in business,” according to its website. It provides networking, information, and loans.

103-1635 Abbott Street

Kelowna BC

V1Y 1A9

P: 250.868.3454 or (Toll Free) 1.800.643.7014

F: 250.868.2709

E: info@wes.bc.ca

www.wes.bc.ca

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Co-operative Organisations

Canadian Co-operative Association (CCA)

275 Bank Street, Suite 400

Ottawa ON

K2P 2L6

P: 613.238.6711

F: 613.567.0658

E: ccainfo@web.apc.org

<http://www.co-opcca.com/>

CCA British Columbia

John Restakis

1800-555 West Hastings Street

Box 12069

Vancouver BC

V6B 4N5

P: 604.662.3906

F: 604.662.5642

The Co-operative Development Foundation of Canada

Angela Splinter, Manager

275 Bank Street, Suite 400

Ottawa ON

K2P 2L6

P: 613.238.6711

F: 613.567.0658

E: cdf@co-opcca.com

Co-operative Enterprise Centre

180-3795 Carey Road

Victoria BC

P: 250.595.6451

F: 250.595.6461

Federated Workers Co-operative, DevCo

This organisation is a worker co-operative that assists people in developing co-ops in British Columbia. It is an excellent resource for information and training to support the establishment of your co-operative.

Marty Frost

P: 604.251.6710

F: 604.251.6759

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Federation of Worker Co-operatives of BC

Jackie Somerville
PO Box 3698
Courtenay BC
P: 250.337.8873
F: 250.337.8873

International Co-operative Alliance

15, route des Morillons, 1218 Grand-Saconnex
Geneva, Switzerland
P: (+41).022.929.88.88
F: (+41).022.798.41.22
E: ica@co-op.org
<http://www.coop.org/ica>

Victoria's Community and Co-operative Enterprise Centre

100-703 Broughton Street
Victoria BC
V8W 1E2
P: 250.360.0852
F: 250.360.0842
E: cedco@pacificcoast.net

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Universities and Colleges

British Columbia Institute for Co-operative Studies, University of Victoria

Dr. Ian MacPherson, Director
Room 109, University House 2
University of Victoria
PO Box 3060, STN CSC
Victoria BC
V8W 3R4
P: 250.472.4539
F: 250.472.4541
E: rochdale@uvic.ca
<http://web.uvic.ca/bcics>

Coady International Institute, St. Francis Xavier University

PO Box 5000
Antigonish NS
B2G 2W5
P: 902.867.3961
F: 902.867.3907
E: coady@stfs.ca
www.stfx.ca/institutes/coady

University of Saskatchewan, Centre for the Study of Co-operatives

101 Diefenbaker Place
University of Saskatchewan
Saskatoon SK
S7N 5B8
P: 306.966.8509
F: 306.966.8517
E: co-op.studies@usask.ca
<http://www.coop-studies.usask.ca/>

University of Wisconsin, Center for Co-operatives

E: grinnel@aae.wisc.edu
www.wisc.edu/uwcc

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6.2 Appendix 2: Individual Board Member Evaluation Worksheet

Individual Board Member Evaluation

Reproduced with permission from the Government of Nova Scotia website at: <http://www.gov.ns.ca/ecor/ced/coop/pubs/directdo/sect3.htm> - et

Please review and answer each question. This evaluation is for your own benefit and your answers are for your own knowledge and information. The purpose of this exercise is to help you review your activities and contributions as a board member, as well as to help you identify specific objectives for strengthening your future performance.

I. Board organisation and procedure orientation

1. Have you reviewed and are you familiar with:

- Yes No The organisations current mission goals and objectives?
- Yes No The Act, Regulations, and bylaws?
- Yes No The corporate organisational structure?
- Yes No The organisation of the board?
- Yes No The list of policies of the board, management?

2. Do you prepare for each board meeting by reading and analysing all materials sent in advance of the meeting?

- Yes No

3. How would you rate your attendance at the participation in:

- Very good Good Poor Board meetings and discussions?
- Very good Good Poor Committee meetings and discussions?
- Very good Good Poor Do you always voice your concerns about, (or vote against) proposals with which you do not agree?

4. Yes No Once a vote is taken by the board, do you always support the position, even if you did not vote in the majority?

5. Yes No Have you recommended new or beneficial ideas in the past year for improving the performance of the board?

6. Yes No Have you contributed directly to the achievement of one

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or more of the board's annual objectives?

7. What steps will you take in the coming year to increase your knowledge of and participation in the board's operations and committee structures?

(a)

(b)

(c)

II. External representation

1. In what ways have you been an effective representative of the organisation to the public or specific groups outside the organisation?

(a)

(b)

2. How have you helped the community to become more aware of the organisation and its role in the community?

(a)

(b)

3. How have you helped the management to become more involved and better known in the area?

(a)

(b)

4. What steps will you take in the coming year to increase your effectiveness as a representative of your organisation?

(a)

(b)

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III Personal development

1. How well do you feel you understand the current issues in your industry/ sector and their potential impact on your organisation and its people?

___ Very good ___ Well ___ Not well

2. How familiar are you with the services and programs of your organisation?

___ Very familiar ___ Familiar ___ Not familiar

3. What steps will you take in the coming year to increase your knowledge of critical issues facing your organisation and their impact on the services and programs of the organisation?

(a)

(b)

(c)

IV Relationships

1. How would you characterise your working relationship with the other board members and the senior management staff?

___ Very effective ___ Effective ___ Not effective

2. What steps will you take in the coming year to strengthen these relationships?

(a)

(b)

(c)

V. Tenure on the Board

Based on your response to the questions above;

1. Do you feel you are an effective board member and still the best person to fill your position as a board member?

___ Yes ___ No

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2. Are you comfortable with the amount of time you devote to being a board member of the organisation?

____ Yes ____ No

3. What steps in addition to the ones above, can you take to further improve your performance as a board member?

(a)

(b)

(c)

Review your response to this questionnaire in six months in order to track your progress toward the objectives you have set for yourself.

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6.3 Appendix 3: An Introduction to Robert's Rules of Order and Consensus Decision Making

Robert's Rules of Order

The information on Robert's Rules of Order is taken from the website www.cyberbuzz.gatech.edu/apo/robert.html

Robert's Rules of Order

What Is Parliamentary Procedure?

It is a set of rules for conduct at meetings that allows everyone to be heard and to make decisions without confusion.

Why is Parliamentary Procedure Important?

Because it's a time tested method of conducting business at meetings and public gatherings. It can be adapted to fit the needs of any organisation. Today, Robert's Rules of Order newly revised is the basic handbook of operation for most clubs, organisations, and other groups. So it's important that everyone know these basic rules!

Organisations using parliamentary procedure usually follow a fixed order of business. Below is a typical example:

1. Call to order.
2. Roll call of members present.
3. Reading of minutes of last meeting.
4. Officer's reports.
5. Committee reports.
6. Special orders — Important business previously designated for consideration at this meeting.
7. Unfinished business.
8. New business.
9. Announcements.
10. Adjournment.

The method used by members to express themselves is in the form of moving motions. A motion is a proposal that the entire membership take action or a stand on an issue. Individual members can:

1. Call to order.
2. Second motions.

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3. Debate motions.
4. Vote on motions.

There are four Basic Types of Motions:

1. **Main Motions:** The purpose of a main motion is to introduce items to the membership for their consideration. They cannot be made when any other motion is on the floor, and yield to privileged, subsidiary, and incidental motions.
2. **Subsidiary Motions:** Their purpose is to change or affect how a main motion is handled and is voted on before a main motion.
3. **Privileged Motions:** Their purpose is to bring up items that are urgent about special or important matters unrelated to pending business.
4. **Incidental Motions:** Their purpose is to provide a means of questioning procedure concerning other motions and must be considered before the other motion.

How are Motions Presented?

1. **Obtaining the floor**
 - a. Wait until the last speaker has finished.
 - b. Rise and address the Chair by saying, “Ms. or Mr. Chair.”
 - c. Wait until the Chair recognises you.
2. **Make Your Motion**
 - a. Speak in a clear and concise manner.
 - b. Always state a motion affirmatively. Say, “I move that we ...” rather than, “I move that we do not ...”.
 - c. Avoid personalities and stay on your subject.
3. **Wait for Someone to Second Your Motion**
4. Another member will second your motion or the Chair will call for a second.
5. If there is no second to your motion it is lost.
6. **The Chair States Your Motion**
 - a. The Chair will say, “it has been moved and seconded that we ...” Thus placing your motion before the membership for consideration and action.
 - b. The membership then either debates your motion, or may move directly to a vote.
 - c. Once your motion is presented to the membership by the chair it becomes “assembly property”, and cannot be changed by you without the consent of the members.
7. **Expanding on Your Motion**
 - a. The time for you to speak in favour of your motion is at this

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- point in time, rather than at the time you present it.
 - b. The mover is always allowed to speak first.
 - c. All comments and debate must be directed to the Chair.
 - d. Keep to the time limit for speaking that has been established.
 - e. The mover may speak again only after other speakers are finished, unless called upon by the Chair.
8. Putting the Question to the Membership
- a. The Chair asks, “Are you ready to vote on the question?”
 - b. If there is no more discussion, a vote is taken.
 - c. On a motion to move the previous question may be adapted.

Voting on a Motion:

The method of vote on any motion depends on the situation and the by-laws of policy of your organisation. There are five methods used to vote by most organisations, they are:

1. By Voice — The Chair asks those in favour to say, “aye”, those opposed to say “no”. Any member may move for an exact count.
2. By Roll Call — Each member answers “yes” or “no” as his or her name is called. This method is used when a record of each person’s vote is required.
3. By General Consent — When a motion is not likely to be opposed, the Chair says, “if there is no objection ...” The membership shows agreement by their silence, however if one member says, “I object,” the item must be put to a vote.
4. By Division — This is a slight verification of a voice vote. It does not require a count unless the chair so desires. Members raise their hands or stand.
5. By Ballot — Members write their vote on a slip of paper. This method is used when secrecy is desired.

There are two other motions that are commonly used that relate to voting.

1. Motion to Table — This motion is often used in the attempt to “kill” a motion. The option is always present, however, to “take from the table”, for reconsideration by the membership.
2. Motion to Postpone Indefinitely — This is often used as a means of parliamentary strategy and allows opponents of motion to test their strength without an actual vote being taken. Also, debate is once again open on the main motion.

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Parliamentary Procedure is the best way to get things done at your meetings. But, it will only work if you use it properly.

1. Allow motions that are in order.
2. Have members obtain the floor properly.
3. Speak clearly and concisely.
4. Obey the rules of debate.
5. Most importantly, *BE COURTEOUS*.

Consensus Decision Making

Reproduced with permission from the website <http://www.actupny.org/documents/CDdocuments/Consensus.html>

What is consensus?

Consensus is a process for group decision-making. It is a method by which an entire group of people can come to an agreement. The input and ideas of all participants are gathered and synthesized to arrive at a final decision acceptable to all. Through consensus, we are not only working to achieve better solutions, but also to promote the growth of community and trust.

What does consensus mean?

Consensus does not mean that everyone thinks that the decision made is necessarily the best one possible, or even that they are sure it will work. What it does mean is that in coming to that decision, no one felt that her/his position on the matter was misunderstood or that it wasn't given a proper hearing. Hopefully, everyone will think it is the best decision; this often happens because, when it works, collective intelligence does come up with better solutions than could individuals.

Consensus takes more time and member skill, but uses lots of resources before a decision is made, creates commitment to the decision and often facilitates a creative decision. It gives everyone some experience with new processes of interaction and conflict resolution, which is basic but important skill-building. For consensus to be a positive experience, it is best if the group has 1) common values, 2) some skill in group process and conflict resolution, or a commitment to let these be facilitated, 3) commitment and responsibility to the group by its members and 4) sufficient time for everyone to participate in the process.

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Forming the consensus proposals

During discussion a proposal for resolution is put forward. It is amended and modified through more discussion, or withdrawn if it seems to be a dead end. During this discussion period it is important to articulate differences clearly. It is the responsibility of those who are having trouble with a proposal to put forth alternative suggestions.

The fundamental right of consensus is for all people to be able to express themselves in their own words and of their own will. The fundamental responsibility of consensus is to assure others of their right to speak and be heard. Coercion and trade-offs are replaced with creative alternatives, and compromise with synthesis.

When a proposal seems to be well understood by everyone and there are no new changes asked for, the facilitator(s) can ask if there are any objections or reservations to it. If there are no objections, there can be a call for consensus. If there are still no objections, then after a moment of silence you have your decision. Once consensus does appear to have been reached, it really helps to have the recorder repeat the decision to the group so everyone is clear on what has been decided.

Difficulties in reaching consensus

If a decision has been reached, or is on the verge of being reached that you cannot support, there are several ways to express your objections:

Non-support (“I don’t see the need for this, but I’ll go along.”)

Reservations (“I think this may be a mistake but I can live with it.”)

Standing aside (“I personally can’t do this, but I won’t stop others from doing it.”)

Blocking (“I cannot support this or allow the group to support this. It is immoral.” If a final decision violates someone’s fundamental moral values they are obligated to block consensus.)

Withdrawing from the group. Obviously, if many people express non-support or reservations or stand aside or leave the group, it may not be a viable decision even if no one directly blocks it. This is what is known as a “lukewarm” consensus and it is just as desirable as a lukewarm beer or a lukewarm bath.

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If consensus is blocked and no new consensus can be reached, the group stays with whatever the previous decision was on the subject, or does nothing if that is applicable.

Roles in a consensus meeting

There are several roles, which, if filled, can help consensus decision making run smoothly. The facilitator(s) aids the group in defining decisions that need to be made, helps them through the stages of reaching an agreement, keeps the meeting moving, focuses discussion to the point-at hand; makes sure everyone has the opportunity to participate, and formulates and tests to see if consensus has been reached. Facilitators help to direct the process of the meeting, not its content. They never make decisions for the group. If a facilitator feels too emotionally involved in an issue or discussion and cannot remain neutral in behavior, if not in attitude, then s/he should ask someone to take over the task of facilitation for that agenda item.

A vibes-watcher is someone besides the facilitator who watches and comments on individual and group feelings and patterns of participation. Vibes-watchers need to be especially tuned in to the sexism of group dynamics.

A recorder can take notes on the meeting, especially of decisions made and means of implementation, and a time-keeper keeps things going on schedule so that each agenda item can be covered in the time allotted for it (if discussion runs over the time for an item, the group may or may not decide to contract for more time to finish up).

Even though individuals take on these roles, all participants in a meeting should be aware of and involved in the issues, process, and feelings of the group, and should share their individual expertise in helping the group run smoothly and reach a decision. This is especially true when it comes to finding compromise agreements to seemingly contradictory positions.

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6.4 Appendix 4: Possible Contents of a Board of Directors' Manual

Reproduced with permission from the Government of Nova Scotia website at: <http://www.gov.ns.ca/ecor/ced/coop/pubs/boarddir/sect15.htm>

A manual should contain:

1. a brief history of the organisation
2. a statement of the objectives of the organisation
3. an organisation chart - board and staff
4. board committees and their members
5. names, addresses, and telephone numbers of each board member
6. job descriptions of the president, the manager, and the board
7. by-laws of the organisation
8. current minutes and agendas of the board meetings
9. board and management policies
10. financial statements
11. operating and capital budgets
12. long range plans
13. special reports

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6.5 Appendix 5: Asking Good Questions at Meetings

Reproduced with permission from the Government of Nova Scotia website at: <http://www.gov.ns.ca/ecor/ced/coop/pubs/boarddir/sect8.htm>

Effective Questions

The most effective impact the board has on the decisions and plans of the organisation is through the question process.

Discerning and penetrating questions on all matters presented to the board are the privilege and responsibility of the board.

Good questions:

1. focus the issue
2. make more information available
3. make decisions more effective

Good questioning requires directors:

1. to study the situation in advance
2. have some experience
3. have tact, judgment, and courage

Discerning questions:

1. educate the board and the manager
2. organise the thought of the manager
3. require the questioner to be a good listener

Good managers usually invite discerning questions from the board. The willingness and ability to provide answers to significant questions raised is a test of the qualifications of the manager.

The president must assure that the questions asked are:

1. to the given point; not disconnected or about two subjects at one time
2. are kept objective and not directed toward personalities

Following are nine types of discerning questions:

1. To clarify data
What do these figures mean?
Did you mean? or

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Did you mean?

2. To test the reliability of data
 - Is that report dependable?
 - How do we know it's reliable?
 - How accurate have these reports been in the past?
3. To get more data
 - Can we get more information?
 - Are other figures available?
 - How does this compare with the national/provincial/municipal average?
4. To stimulate other alternatives
 - Isn't there some other possibility?
 - How could we make this idea more acceptable?
 - Shouldn't we study this proposal further so we don't miss anything?
5. To focus on areas of agreement and away from areas of disagreement.
 - Could we accept the three points we agreed upon?
 - Why not look at it from the angle of what is right rather than who is right?
 - How vital do we consider this point on which we don't agree?
6. To direct attention to the probable effects of a proposal.
 - How will it affect our finances?
 - How will it affect our services?
 - Who is the program going to benefit? or hurt?
7. To check the degree of probability of the effects.
 - How probable is the proposal you predict?
 - Is it certain our members will reject the idea?
8. To direct attention to the relative value of probable effects.
 - Which of these probable outcomes do we think is more important?
 - Why don't we compare the long-term value of one alternative against the other?
9. To terminate a discussion and reach a decision.
 - Have we heard all your ideas?
 - Are we ready to come to a conclusion?
 - Is there a point in discussing this matter further?

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6.6 Appendix 6: Forestry Co-operative Case Studies

Case Study A: Harrop-Procter Community Co-op: Eco-system based forestry in action.

Date of Incorporation:	March 17, 1999
Membership:	65
Employees:	Three
Volume of Activities (\$):	\$109,000 (all mainly from government grants)
Territory Served:	Nelson Forest Region, Kootenay Lakes Forest District
% of Non-aboriginal	
Population Served:	N/A
Assets in Dollars:	Value of a computer and fax.
Equity:	Value of a computer and fax.

The Harrop-Procter Community Co-op will soon be granted the first eco-system based community forest license in BC. The story of how this happened illustrates the issues and barriers that communities wishing to start an eco-system based forestry co-operative in BC may face.

Harrop-Procter is on the southern shore of West Kootenay lake in the southern Interior of BC. It is accessible only by ferry and surrounded by steep-sloped mountains blanketed with pristine forests.

The event that triggered the chain of events that ended with the founding of this co-op was a BC government decision to designate a class A park adjacent to Harrop-Procter. The problem was that the government did not include the community's watersheds in this park, which many in the community relied on for their water supply. Instead, these watersheds were designated special management zones, which meant that they could be the site of resource extraction. The community was worried that timber companies would begin logging the region with no concern for the importance of the watersheds, biodiversity, or heritage of the area. In response, the community formed the Harrop-Procter Watershed Protection Society, which advocated an eco-system based land use plan for the area.

In 1996 the government announced a new community forest tenure system, which would improve the participation of communities and First Nations in the

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management of local forests and the number of sustainable jobs produced by the forests. In January 1998, the government invited communities to submit proposals for participating in this new tenure system. Seeing an opportunity to implement its eco-system based land use plan, Harrop-Procter applied for one of the licenses. However, the society recognised that it could not operate its community forest harvesting as a society. Instead the members of the society applied for the community forest tenure as the Harrop Procter Community Co-op. The co-op was formed with the objectives of selling eco-certified timber, creating a value-added manufacturing plant, harvesting botanical forest products, and encouraging environmentally low-impact tourism.

To build support for this idea, the members of the society and co-op actively promoted the social and business benefits of the co-operative model to the community. Members went door to door to get feedback, and numerous town and “kitchen table” meetings were held. This was one of the key strengths of the organisers: their ability to generate enthusiasm about the co-op in the community. For example, to draft the rules of the co-op, a task many would find tedious, the co-op held a “drafting party” to make the work more social and enjoyable. As a result, 60 per cent of the community (800 people) joined the society and supported the co-op. Another strength was their use of the experiences of other co-ops to avoid common pitfalls. For example, they recognised that many co-ops fail because the co-op members lack the experience or knowledge needed to run the organisation. To prevent this from occurring, the members divided the work based on each member’s background and expertise. Thus, members with a background in forestry led the forest-planning group, while members with engineering degrees examined the impact of harvesting on the watersheds and members with a human resources background were involved in the hiring and policy-making processes. The co-op was divided into seven work groups: forest planning and government negotiation, fundraising/community outreach, GST, policy/hiring, e-team, herbal products and water monitoring.

These strengths were needed to overcome the barriers they encountered in attempting to start their co-op. For example, they found it difficult and frustrating to find government information on co-ops and the information they did find was often confusing and overly technical and legalistic. In one case, they found information on co-operative structures and director liability on the federal Department of Agriculture’s website. In their search for information, members spent much of their time making “endless” phone calls to various levels of government. However, the society was able to access information from other co-ops in BC, such as the Denman Island Co-operative, which has an excellent

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web site linked to other co-op organisations. In fact, the Harrop-Procter co-op used the Denman Island statement of incorporation as the basis for their statement.

Initial capital for the co-op was another barrier. To raise capital, shares were sold for \$25 each and the members applied to various foundations for funding. Aside from funding from Youth Options BC to employ youth to build an eco-tourism trail, the co-op received very little provincial funding. The largest block grant was \$30,000 from Silva forests, who produced the document “Ecosystem-based Forest Use Plan for the Harrop-Procter Watersheds,” which was used as the basis for the group’s proposal. Mountain Equipment Co-op also provided funding for building some trails. The members also raised funds through the sale of tinctures, herbal tea blends, and dried culinary and medicinal herbs harvested from the forest.

The members’ lack of training in marketing, management, and applying for funding was another barrier, although the co-op was successful in using some of the government’s Co-op Advantage training programmes. A local lawyer also provided mediation training to board members.

The members of the society also found that government was a barrier because it was resistant to the idea of a co-op. The MLA at the time was hesitant about co-operatives and was concerned about the board of directors changing, people quitting the co-op, and the ideas being changed. In response, the members of the co-op met with the Forest Minister at the time, David Zirnheld, to prove to the government that they were dedicated, determined, and committed to the co-op. Government was more receptive to their ideas after these meetings.

Finally, on March 17, 1999, the Harrop-Procter Community Co-operative was incorporated. On July 16, 1999, the Ministry of Forests announced in a press release that the co-op would be granted a five-year forest license. “It’s a unique project that will test a way to balance the ecosystem in managing forest land use,” Corky Evans, the local MLA, was quoted as saying. The co-op held its first annual general meeting in September 1999, with 60 members attending.

Looking back on their success, members of the co-op have some general advice for groups interested in developing a forestry co-operative. They warn that everything that can go wrong probably will. Furthermore, they state that people starting out should take their time to research, organise, and plan because bad preparation can leave a negative first impression, which could result in a loss of credibility and with that, potential funding. They also advise groups

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to build community support, arguing that it was key to why the Harrop-Procter co-op succeeded over many other applications for the pilot community forest licenses.

Today, the co-op is introducing selective logging, agro forestry, and the harvesting of botanical forest products. It plans to expand a local sawmill to provide customised and eco-certified wood for value added operations. In addition, the co-op has built a trail through the forest to encourage eco-tourism. It is also negotiating with two local colleges to supply eco-certified wood for use in courses in furniture design offered at those colleges.

Members of the co-op have been happy with the co-op model. Because the co-op is centered on the needs of the community, it takes into account factors that may be forgotten in a large corporation's primary goal of profits. Moreover, it has allowed each member to make a valuable contribution and participate democratically in the management of the local forests, something not possible with the corporate model. As the director of the co-op pointed out, a co-op is one of the only places in society "where wealth doesn't determine your influence or the outcome."

Case Study B: Quesnel Hardwood Co-op: Turning "weed trees" into jobs

Date of Incorporation:	Spring, 1999
Membership:	Roughly 24 members, including local loggers, millers, and artisans
Employees:	One manager/executive director
Volume of Activities:	Zero, the co-op is breaking even
Type of activities:	Brokers hardwood timber between local loggers and millers
Territory Served:	Quesnel area
Assets:	Office supplies
Equity:	Zero, the co-op is breaking even

This case study illustrates how the structure of a forestry co-operative can allow for more innovation, provide for more local employment, and operate in a more sustainable manner than the traditional forestry corporate structure.

The forest industry in British Columbia focuses on softwood. Hardwoods,

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such as birch trees, are not used because processing the wood is very labour intensive—few machines have been developed to process hardwood trees. As a result, because of a forestry company's high overhead and labour costs, processing and harvesting “marginal” species, such as hardwoods, is simply not profitable. These species are seen as “weed trees” or “being in the way” and are usually piled and burned during logging. About 40,000 cubic meters of hardwoods are designated in the Quesnel area.

The Quesnel hardwood co-op started with a local logger who wanted to make use of these “weed trees.” This logger was being squeezed economically as he was receiving less and less work from the major mills in the area. As a result, he decided to try to obtain a loan to purchase a local sawmill to cut birch. His loan application was rejected by the local Community Futures office. But he didn't give up, and went to the Forest Minister's office, which referred him to a local forestry consultant who was working on community economic development. Further, the logger realised that he was not alone: there were many other forestry workers in the local community who were in the same situation—unemployed or underemployed. The consultant also realised that there was an opportunity to make use of the wasted hardwoods. So, in November 1998, a meeting was held with people interested in starting a hardwood co-op. Thirty people showed up, including truck loggers, horse loggers, people who ran a small sawmill, artisans (who wanted to use birch as a raw material for their crafts and arts), and several middle managers who had recently been laid off in a downsizing by the local Weldwood operations (a large forestry corporation).

The forestry consultant suggested that the community try using the co-op model for three reasons. First, he thought that a co-op would have an advantage in obtaining government support and funding. Second, he reasoned that it would be easier for a co-op to obtain loans. Third, he reasoned that a community co-op would probably have better luck accessing the 40,000 cubic meters of hardwoods that the major forestry companies treated as weed trees.

In the early stages, members of the co-op held numerous meetings to develop plans and strategies for the co-op. The “Community Futures” programme provided the co-op with office space and computer resources so that the members could prepare budgets and write letters. In addition, Community Futures helped the co-op develop a marketing plan. To generate enthusiasm for the co-op in the community, the co-op held an open house at its Community Futures office. The mayor, civil servants from the Ministry of Forests, and other citizens attended the meeting, which commemorated the co-op's first shipment of lumber. The co-op also had a team of horses outside to illustrate the techniques the co-

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op would use to extract hard wood trees before the major forest companies clear-cut an area.

Several networks were key to the founding of the co-op. First, the members networked with people in the Horsefly and Smithers areas who were interested in supplying the co-op with hardwoods, such as birch. Second, the co-op linked up with a network of value-added producers that was developed by Forest Renewal British Columbia (FRBC). As part of this network, members of the co-op attended a meeting of value added producers, hosted by FRBC, at the University of British Columbia. A third network included local politicians and government agencies that are involved in forestry, such as FRBC and the Ministry of Forests.

The local credit union was unable to give monetary support to the co-op because the credit union's bylaws only allowed it to give money to business ventures that had been operating for at least a year.

Today the co-op acts as a broker between people that log the hardwoods and those that mill it. Many of the co-ops' members own private companies that benefit from the co-op's role as a broker. Thus, in addition to the co-op's one employee, the co-op provides employment to those that rely on the hardwood supply obtained by the co-op. The co-op's ultimate goal is to be able to process the logs on site, but this will require training in grading the lumber and the building of a kiln to properly dry the lumber (hardwoods are more difficult to dry than softwoods). Eventually, the co-op wishes to be able to perform secondary processing, such as manufacturing broom handles or bar stools.

The key issue that has been confronting the co-op since its founding is interpersonal communications and relations between members of the co-op. The consultant describes how some meetings would get so heated that a member would ask another member "to step outside and settle this." He explains that some of the conflicts would arise because many members of the co-op are entrepreneurs who are "used to being their own bosses and they're not used to having to compromise. If they see something they want to do, they're used to just going and doing it and not having to answer to anybody." Other conflicts at meetings would arise because of the different interests of the different members of the co-op: the loggers versus the millers, for example. In other cases, conflicts would arise because of conflicts of interest, where the good of a private individual's business and the good of the co-op would come into conflict. As an example, the consultant cites a situation where the co-op learnt of a business opportunity, but didn't follow up on it immediately. Instead, one of the mem-

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bers of the co-op took advantage of the opportunity for their own private gain, arguing that the opportunity should not be left to waste. Heated words were exchanged at the next board meeting.

The consultant observes that aside from the hard feelings, interpersonal conflicts can also affect the functioning of the co-op. For example, he describes decisions that have been made by the co-op that have been reversed at the next meeting and then reversed again at the next meeting. “You know, I have always said to these guys that the biggest problem with co-operatives is you have to co-operate.”

The consultant with the co-op states that many of the co-op’s problems with interpersonal communication could have been avoided if the members of the co-op had had training in co-op management, conflicts of interest, how to run a board meeting, and membership rights, duties and obligations. Without this training, members of the board and the co-op learned about their duties and responsibilities from government pamphlets and brochures. To handle issues of conflict of interest and member duties and responsibilities in the future, the co-op is negotiating to receive training from the Ministry of Community Development, Co-operatives and Volunteers. The consultant states that members simply need training in listening and negotiating—“how you can disagree but still work together.”

Other issues confronting the co-op have been government bureaucracy, which they have found difficult to navigate. The members found the paperwork onerous, time-consuming, and confusing.

The co-op has had some success in accessing government grants and loans. From Human Resources Development Canada, the co-op has received \$60,000 to pay for their employee’s wages and to formulate development and marketing plans. From FRBC they have received \$20,000—half to pay for a business plan and half to perform a test market of the co-op’s wood in India. The Ministry of Community Development, Co-operatives and Volunteers has provided \$30,000 to pay the manager’s wages over the next six months.

Today (August, 2000), the co-op has successfully launched a joint venture with Ainsworth Lumber Company, a lumber business that uses hardwoods.

The members’ advice for people considering starting a forestry co-op is to “do your homework:” research your products, markets, and customers. They also advise co-op members to keep in mind the co-operative spirit of the enterprise,

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to remember to keep a “group attitude” and act selflessly.

Case Study C: Touch Wood Industries: In Search of a Market

Date of Incorporation:	October 1998
Membership:	Roughly 40 members, including two local saw-mills, an excavating company, the local Co-op Store, the local credit union, and the school district
Employees:	One employee/manager, although the co-op currently employs no one as the previous employee/manager quit in June, 2000
Volume of Activities (\$):	Negative cash flow: The co-op is losing money
Type of Activities:	Manufactures natural wood products, including wine racks and wine crates
Territory Served:	Vanderhoof area, but looking to market its products worldwide
Assets:	Roughly \$250,000
Equity:	Zero, as the co-op is currently operating with a negative cash flow

On paper, Touch Wood Industries Co-operative in Vanderhoof would seem to have everything going for it: no debts, nearly a quarter million dollars in assets, a cheap fiber supply, and a quality, cheap product that has received rave reviews. But even with all these advantages, the co-op has been losing money since it started in October 1998. Why? The problem is marketing: members of the co-op have found it exceedingly difficult to break into the marketplace.

A local value-added manufacturer, a small business owner, a restaurant caterer and owner, the principal of the local high school, and several other community members founded Touch Wood.

Vanderhoof is largely dependent on the forestry industry for jobs and economic growth. The result of this dependence can be a turbulent local economy that is tied to the booms and busts characteristic of the forest industry. In response, community members decided to form a co-op to give the local community some control over its economic future. A co-op would give them some control over their economy because it would be locally controlled and operated, thus more likely to operate in sync with the interests of the local community. “I’m a firm believer that small communities have the ability to control and manage their

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economic stability,” says the founder of the co-op. “What they have got to do is get involved.”

Another factor in starting the co-op was the flight of young people from the community. Most young people leave the community to pursue post-secondary education or to find a job. It was hoped that the co-op would provide opportunities for youth to remain in the community by providing employment and skills in running a small business.

It was also hoped that the co-op would provide people in the community access to tools and equipment for manufacturing their own wood products in the co-op’s workshop.

Several networks were key to the founding of the co-op. Local co-ops, including the credit union and Co-op store, each joined the co-op and purchased a class A share, worth \$5,000 each. In addition, one local sawmill, L & M Lumber, joined the co-op and bought a class A share. Other local sawmills have agreed to supply the co-op with used kiln strips at no cost. The local school district bought a share, as did an excavating company. In total, the co-op managed to raise \$100,000 from issuing shares. With this funding, the co-op can afford to own its building and lease the land surrounding it for \$300/year.

In the beginning, the co-op experimented with manufacturing different wood products, including panels, clocks, and drawers. Currently the co-op focuses on manufacturing two designs of wine racks and wine crates. Touch Wood can produce these products very cheaply and efficiently because of the cheap wood fiber supply the co-op has been able to access through the two local sawmills that are members of the co-op. The founder notes that the co-op’s products have been received “very, very well” from people in the business, but he is frustrated that they haven’t been able to break into the marketplace.

The co-op has tried many strategies to break into the market. It has tried to convince Revy hardware stores and Costco to carry its products, but has been turned down in both cases. The founder reports that Revy was impressed with the co-op’s products and thought that the prices were good, but because Revy already carries a line of wine racks, they were not prepared to eliminate their current brand just to bring in a new line. Costco, on the other hand, simply turned Touch Wood down with no explanation. “Nobody will explain to me why our product is not acceptable to Costco’s marketplace,” says one of the founders.

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One member of the co-op thinks that the global marketplace is the location for small co-ops, like Touch Wood, to sell their products and thrive. The problem is the expense in accessing the global market. “The problem is there isn’t a road map or agencies that are in place to help small business market globally. There are lots of people who say ‘I will help, but by the way, it’s \$600 or \$1,000 a day for the consulting fee.’ Small business can’t afford that type of help,” he says.

The founder of the co-op is philosophical in his analysis of why the co-op has had such difficulty marketing its products. He says that to successfully market a product you have to figure out what channel to go through in order to reach the marketplace. “What are the channels for getting your product into the marketplace? For example, in order for someone to sell a product into the Revy hardware stores, you have to go through a process that includes this person and this company and then that company goes to this company and that company goes to this company and then the personalities in the business relationships become part of the decision and if you’re the new kid on the block. . .it’s straight up hill [in getting your product accepted in the marketplace.]”

In hindsight, the employee/manager, who quit the co-op in June 2000, advised that before venturing into this type of business, the members of the co-op should do a great deal of research. He suggested that the co-op should have a list of potential customers before investing the members’ time and money. The manager also suggested that the board of directors should participate more in the decision-making process, including the marketing of the co-op’s products. To assist the board in this decision-making process, the manager suggested that, in hindsight, the board would have benefited from marketing and management training. He noted that the board learned about its roles and responsibilities entirely on its own, as did he.

One of the founders suggests that one solution to the co-op’s marketing problem might be to develop a general marketing co-op where small businesses and co-ops can bring their products to the marketing co-op, which would do the legwork in developing markets and selling the product.

Without any resources for marketing, Touch Wood has been left with word of mouth to sell its product. As a result, the co-op sells most of its products in the surrounding area—Prince George and Vanderhoof—but these sales have been too small to sustain the co-op. Touch Wood plans to begin marketing over the Internet, as a local community member has offered to design a free web page for the co-op.

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Members of Touch Wood recognise that there may also be grants and funding available from both the provincial and federal governments to assist in marketing the co-op's products, but one member says that with all the members and directors participating on a voluntary basis, it is difficult to find the time to navigate the bureaucracy to access these funds. However, the co-op has managed to access Human Resources Department Canada (HRDC) funding. This funding paid for the co-op's one employee/manager.

As for the co-op's purpose of involving the community in its economic future, the founder and the co-op's previous employee/manager express concerns that many members of the community aren't willing to participate in the venture. The manager says, "in general, people from the community don't like to help." The founder notes that "I've got 40 paid members of the co-op and I have to do a phone blitz to get 10 people to show up so that I have quorum for a meeting." He states that, "whenever it becomes a volunteer effort and it takes time and hard work, there's only a few people who are willing to do it. The rest of them aren't... [If you asked me] whether communities are really interested in taking control of their future and I had to make an evaluation [based on] my experiences up until now, the answer is no."

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RESOURCES

7.1 Resources on Starting a Small Business

General Information on Starting a Small Business

The Canada/British Columbia Small Business Service Centre. www.cbosc.org
This excellent website contains a wide array of information on starting a small business.

Another excellent resource is a publication produced by the BC Ministry of Small Business, Tourism and Culture and the federal organisation Western Economic Diversification Canada. This publication is entitled, *Solutions for Small Business, BC Business Resource Guide: Guidelines and Requirements for Business*, and is available online at: <http://www.sbtbc.gov.bc.ca/smallbus/publications/index.htm>

The provincial and federal governments have set up a network called “one stop business registration.” This system allows you to complete many of the required legal documents to get your co-operative going all at once at one of the designated computer terminals in BC. For more information on the programme, see the website at www.osbr.sb.gov.bc.ca

The Business Law Clinic at the University of Victoria has a guide for entrepreneurs, called *Law of Entrepreneurs*, available online at <http://business.law.uvic.ca>

Information on Employing People

Employers Online. <http://employers.gc.ca>

Information on Exporting Your Goods

Export Source. <http://exportsource.gc.ca>
P: 1.888.811.1119

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Information on Finding Sources of Financing

Strategis, a federal government organisation, has an excellent website with information on obtaining financing: strategis.ic.gc.ca/sc_mangb/sources/engdoc/homepage.html

The Canada Business Service Centre's website has a list of funding sources at www.cbsc.org/fedbis and general information on financing at www.sb.gov.bc.ca/smallbus/workshop/download/session3.html

Information on Grant Proposal Writing

The Corporation for Public Broadcasting, an American organisation, has an excellent document on the web, entitled *Basic Elements of Grant Writing*, at www.cpb.org/grants/grantwriting.html

Information on Marketing

The Canada/BC small business service centre has an excellent marketing information session online at: www.cpb.org/grants/grantwriting.html

The STRATEGIS federal government website has excellent information to assist you in researching your market at: <http://strategis.ic.gc.ca>

Geotsch, H. W. (1979) . *How to prepare and use marketing plans for profits*. Chicago, IL: American Marketing Association.

Information on Taxes

Canada Customs and Revenue Agency. www.ccr-aadrc.gc.ca Or, check the blue pages in the phone book.

Canada Customs and Revenue Agency. (1982, November 15) . *Agency co-operative corporations* (IT 493) . Available Internet: <http://www.ccr-aadrc.gc.ca/E/pub/tp/i493et/i493e.txt.html>

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Krishna, V. (2000) . *The fundamentals of Canadian income tax* (6th ed.) . Scarborough, ON: Carswell.

Information on Writing Your Business Plan

The Canada/BC small business centre has an excellent interactive business planner online at: www.sb.gov.bc.ca

Ministry of Small Business, Tourism and Culture - British Columbia, & Western Economic Diversification. (1997) . *Solutions for small business: Business planning and financial forecasting*. Victoria, BC: Queen's Printer. Available Internet: <http://www.sbtc.gov.bc.ca/smallbus/publications/index.htm>

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7.2 Resources on Managing, Running a Board of Directors and Conflict Resolution

Avery, M., & Center for Conflict Resolution. (1981) . *Building united judgment, a handbook for consensus decision-making*. Madison, WI: The Center for Conflict Resolution.

CCH Canadian Limited. (1999) . Directors' and officers' liability. In *British Columbia Corporations Law*. Don Mills, ON: Author.

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Gormican, D. F., Henderson, A. G., & Continuing Legal Education Society of BC. (1990) . *Directors and officers liability*. Vanouver, BC: The Continuing Legal Education, Society of British Columbia.

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7.3 Legislation Relevant to Starting a Co-operative

Legislation - Federal

Canada Business Corporations Act. (RSC 1985) . Chapter C-44. Available Internet: <http://laws.justice.gc.ca/en/C-44/index.html>

Canada Cooperatives Act. (1998) . Chapter 1. Available Internet: <http://laws.justice.gc.ca/en/C-1.7/index.html>

Income Tax Act. (RSC 1985) . Chapter 1. Available Internet: <http://laws.justice.gc.ca/en/I-3.3/text/html>

Legislation - British Columbia

Cooperative Association Act. (1999) . Bill 98. Available Internet: http://www.legis.gov.bc.ca/1998-99/3rd_read/gov98-3.htm

Cooperative Association Amendment Act. (2000) . Bill 9. Available Internet: http://www.legis.gov.bc.ca/2000/1st_read/gov09-1.htm

The Company Act. (RSBC 1996) . Available Internet: http://www.qp.gov.bc.ca/bcstats/96062_00.htm

The Securities Act. (RSBC 1996) . Chapter 418. Available Internet: http://bbs.qp.gov.bc.ca/bcstats/96418_01.htm

Official printed versions of the above can be obtained from:
Crown Publications Inc.

521 Fort Street

Victoria, BC

V8W 1E7

P: 250.386.4636

F: 250.386.0221

E: crown@pinc.com

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7.4 Resources on Incorporating

Abrahamsen, M. A. (1976) . *Corporate business enterprises*. Toronto, ON: McGraw-Hill.

Buckley, Gillen, & Valden. (1995) . *Corporations principles and politics* (3rd ed.) . Toronto, ON: Edmond Montgomery.

Gillen, M. (1994) . *Corporations and partnerships*. Deventer: Kluwer.

Hadden, T., Forbes, R. E., & Simmonds, R. L. (1984) . *Canadian business organizations law*. Toronto, ON: Butterworths.

Ministry of Community Development, Co-operatives and Volunteers (CDCV) . (1999) . *Step-by-step guide: How to incorporate a co-operative in British Columbia*. Victoria, BC: Queen's Printer.

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Ministry of Finance and Corporate Relations (FCR) . (1998, July) . *Information for incorporation of a BC co-operative association*. Victoria, BC: Queen's Printer.

VanDuzer, J. A. (1997) . *The law of partnerships and corporations*. Concord: Irwin Law.

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7.5 Resources on Co-operatives in General

Canadian Co-operative Association. (1999) . *What's a co-op; Start a co-op; Co-ops in Canada*. Available Internet: <http://www.coopcca.com/sitemap/Default.htm>

Canadian Co-operative Association (CCA) – British Columbia. (n.d.) . *New British Columbia co-op act passed*. Available Internet: <http://www.ccabc.bc.ca/ccweb/publications/actdet.html>

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Currie, B. J. (1999) . Co-operatives (Title 34.1) . In *Canadian Encyclopedic Digest* (3rd ed., Vol. 8) . Toronto, ON: Carswell & Thomson Professional Publishing.

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Government of Nova Scotia. (1996) . *How to start a co-operative*. Available Internet: <http://www.gov.ns.ca/ecor/cesd/co-op/>

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Ish, D. (1981) . *The law of Canadian co-operatives*. Toronto, ON: Burroughs & Company.

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University of Wisconsin Center for Cooperatives (UWCC) , & Cooperative Development Services (CDV) . (1998) . *Cooperatives: A tool for community economic development*. Manual for the 1998 Cooperative Training Conference. Available Internet: <http://www.wisc.edu/uwcc/manual/>

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Notes

1. “Incorporated” means that the co-operative has fulfilled all the necessary legal requirements so that it may be registered with the government and call itself a “co-operative.”
2. For example, Mountain Equipment Co-op sells camping and climbing gear to its members.
3. For example, Island Farms Dairies Co-op Association jointly processes and markets many Vancouver Island farmers’ milk.
4. For example, the Uprising Breads Bakery in Vancouver provides employment to its members.
5. For example, the Rainbow Community Health Co-op in the Lower Mainland provides health care services to its members.
6. For more information on the Harrop-Procter Community Co-op, please see Appendix 6.
7. These principles are adapted from the International Co-operative Alliance website at: <http://www.coop.org/ica/info/enprinciples.html>
8. The following list is an amalgamation of information taken from the pamphlet, *About Co-ops and MEC Shares*, produced by Mountain Equipment Co-op, and the worksheet, *Types of Co-ops*, produced by Victoria’s Community and Co-operative Enterprise Centre.
9. Much of this information is adapted from Business Law Clinic, 1999.
10. In British Columbia the statute is called the *Cooperative Association Act*. The federal statute is called the *Canada Cooperatives Act*.
11. A “society” is a non-profit organisation registered with the provincial government.
12. s. 55(1) refers to section 55, subsection 1 of the *BC Cooperative Association Act*.
13. RSBC, Chapter 433.

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14. <http://www.agr.ca/policy/coop/kitcoop/sheet2.html>

15. <http://www.co-op.sb.gov.bc.ca/about.html>

16. Note that the former *BC Cooperative Association Act* required that the members' occupations also be listed.

17. The *memorandum of association* is a legal document that must be submitted to the government to incorporate your co-operative. There will be more details about this document in section 3.5.

18. *Proxy voting* occurs when you sign a document authorising someone else to vote for you.

19. Much of the list is taken from Victoria's Community and Co-operative Enterprise Centre (For contact information see Appendix 1); University of Wisconsin Center for Cooperatives & Cooperative Development Services, 1998b.

20. The problem is that section 3(2) of the *Small Business Forest Enterprise Regulation*, BC Reg. 265/88 limits registrants to individuals and corporations. Neither the regulation, nor the act it was enacted under (the *Forest Act*) defines what a corporation is. However, when you check the definition of "corporation" in the *Interpretation Act*, it is clear that a co-operative would be included.

21. This list is an adaptation of information from Co-operatives Secretariat, n.d.; Government of Nova Scotia, 1996a.

22. Much of this information is adapted from Government of Nova Scotia, 1996a.

23. This is from a Ministry of Community Development, Co-operatives and Volunteer's news release (2000, August 2), entitled *Procter Receives Economic Development Funding*.

24. At time of press, the guide is being rewritten to conform to the new BC Cooperative Association Act. The new guide is expected to be available in

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early summer, 2001. We will be updating our resources and website links at that time.

25. Note that the former *BC Cooperative Association Act* did not allow an association to specify the co-operative's purpose or mission in its memorandum.

26. See pages 12-20 of the *Step-by-Step Guide*. At time of press, the guide is being rewritten to conform to the new *BC Cooperative Association Act*. The new guide is expected to be available in early summer, 2001. We will be updating our resources and website links at that time.

27. Adapted from Government of Nova Scotia, 1996b; Hoyt, 1995.

28. Adapted from Government of Nova Scotia, 1996b; Hoyt, 1995.

29. Much of this information is adapted from Government of Nova Scotia, 1996b; Hoyt, 1995.