



This publication is intended to provide general information only and is not a substitute for legal advice.

Cooperatives Act

In Alberta, cooperatives are regulated by the *Cooperatives Act* and related regulation.

WHAT IS A COOPERATIVE?

A cooperative is a business organization started by people who want to use services or buy goods as a group, have an equal say in how the business is run and share in any profits the business makes.

Cooperatives are different from business corporations in that cooperatives are governed internally by seven international principles for such businesses:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Cooperation among cooperatives
- Concern for community

Alberta-based cooperatives must be incorporated and out-of-province cooperatives wanting to do business in Alberta must be registered under the *Cooperatives Act*. There is a \$100 filing fee in each case.

The Alberta Wheat Pool, United Farmers of Alberta and similar organizations registered under their own legislation in Alberta, rural electrical, water and gas associations registered under the *Rural Utilities Act* and credit unions registered under the *Credit Union Act* are not affected by the *Cooperatives Act*.

HIGHLIGHTS OF THE LEGISLATION

Detailed Articles of Incorporation

Articles of Incorporation must be developed as part of the incorporation process. This document outlines the rules under which a cooperative is to operate. The legislation outlines what must be included in the articles.

CONTENTS	Page
WHAT IS A COOPERATIVE?	1
HIGHLIGHTS OF THE LEGISLATION	1
INCORPORATING A COOPERATIVE	2
BYLAWS	3
SPECIFIC COOPERATIVES	3
FOR MORE INFORMATION	4



CONSUMER TIPS

Bylaws

The *Cooperatives Act* and regulation identify what must be included in bylaws. Bylaws approved by the cooperative must be filed with the Director of Cooperatives.

Members' rights

Members have access to financial reports and other information about how the cooperative operates. They have access to the board and can call meetings and present proposals to be discussed at these meetings. The legislation also identifies prohibited practices, several of which deal with directors' actions (e.g. adopting bylaws, record keeping, filing requirements and disclosing interest).

Membership provisions

Cooperatives must set membership qualifications in their bylaws. The legislation specifies membership provisions regarding admission and withdrawal.

Board of directors roles and responsibilities

The duties and responsibilities of the board of directors in a cooperative are outlined in the legislation. The legislation gives cooperatives the ability to indemnify their directors when they carry out their responsibilities in good faith.

Receivership and dissolution options

The legislation provides the board with options for disposing of assets when cooperatives are dissolved. It also has provisions to assist cooperatives if they are placed into receivership by appointing a receiver or receiver manager to oversee the cooperative's operations.

Investment shares

The *Cooperatives Act* gives cooperatives the ability to issue investment shares as an additional way of raising capital. However, if a cooperative issues investment shares, the act limits the number of directors that represent investment shareholders so the members will remain in control of the board of directors.

Insider trading

The legislation prohibits directors, officers or members from profiting by trading investment shares based on insider information and imposes penalties for doing so.

Provisions for specific cooperatives

The legislation meets the special needs of four specific types of cooperatives – housing, employment, multi-stakeholder and new generation cooperatives.

Electronic meetings

If specified in their bylaws, cooperatives can hold meetings electronically (e.g. by video-conference or telephone conference call as long as people can participate fully in the discussions and the voting). The bylaws should identify the types of conferencing mechanisms that can be used.

Methods of voting

If the bylaws allow electronic meetings, members can vote using these same methods. The bylaws can also allow mail-in ballots. The regulation sets the criteria for using electronic or mail-in ballots.

Proxy voting

Members cannot vote by proxy. However, if the cooperative has a delegate system, these delegates can vote on behalf of the members who elected them. Investment shareholders have the ability to vote directly or by proxy.

INCORPORATING A COOPERATIVE

The *Cooperatives Act* requires the Director of Cooperatives to approve incorporation once a statutory declaration of intent is submitted with supporting documents. A minimum of three people are required to start a cooperative.

The document *Articles of Incorporation Requirements* identifies what must be included in the articles. A completed NUANS (Newly Upgraded Automated Name Search) report regarding the cooperative's chosen name must be submitted with the

CONSUMER TIPS

incorporation documents. This report must be no more than 91 days old and must contain all six pages. In Alberta, private search houses prepare NUANS reports.

Cooperatives don't have to prove their viability by submitting a feasibility study or business plan with their incorporation documents. However, it's in a cooperative's best interest to make sure it assesses its ability to succeed by preparing a business plan before incorporating.

Forms and instructions for incorporating or registering cooperatives are available from Service Alberta. (www.servicealberta.ca)

BYLAWS

Bylaw requirements do not apply to extra-provincial cooperatives registering under the *Cooperatives Act*. The bylaws in their own jurisdictions apply.

The legislation identifies what must be included in bylaws. The document *Bylaw Requirements* is available from Service Alberta.

Cooperatives do not have to submit bylaws at the same time they submit their incorporation documents. However, within 180 days after the Certificate of Incorporation is issued, the directors must hold a members meeting to make and approve the bylaws. The bylaws come into force on the day they are made or on any later date specified in the bylaws or in the resolution adopting them.

The bylaws must be filed with the Director of Cooperatives within 60 days of the date they come into force.

SPECIFIC COOPERATIVES

The *Cooperatives Act* identifies the following four specific types of cooperatives:

1. New generation cooperatives generally focus on producing, processing or marketing agricultural products or providing services to agricultural producers.

This type of cooperative is set apart from the traditional cooperative structure. New generation cooperatives generally require different share structures and may require different voting rights. For example, each member may have to make a significant investment by buying shares in the cooperative. Membership can be restricted to agricultural producers who buy delivery service rights. Members may be required to sign a contract with the cooperative that sets each member's delivery or service rights and obligations.

A new generation cooperative may issue three types of shares:

- Membership shares remain at their original value and carry the right to vote.
- Designated shares are similar to common shares in a limited company. These shares carry activity rights and obligations, but do not carry voting rights. New generation cooperatives can also form contracts with designated shareholders to deliver or receive goods or services.
- Investment shares are similar to fixed or preferred shares in a limited company. These shares are fixed in value and earn a specific rate of interest.

2. Multi-stakeholder cooperatives are formed by a variety of stakeholders such as customers, suppliers, government agencies or other interested parties to work together as equals to achieve a common goal. Multi-stakeholder cooperatives need provisions that balance the interests of its stakeholders (clients, employees, investors and community organizations), which may not be of equal size and influence, but each of which has only one vote.

3. Employment or worker cooperatives are usually established by a group of people starting up or buying a business to provide themselves jobs. Employment cooperatives need provisions that recognize the relationships among members, employees, employers and directors.

CONSUMER TIPS

4. Housing cooperatives have specific provisions for terminating a membership and evicting a member. The legislation provides details on non-profit continuing housing cooperatives and non-profit home ownership cooperatives including special limitations, specific Articles of Incorporation requirements and bylaw requirements.

FOR MORE INFORMATION

Refer to the following documents available from Service Alberta:

- Articles of Incorporation Requirements
- Bylaw Requirements
- How to Incorporate an Alberta-Based Cooperative and Register an Out-of-Alberta Cooperative (forms and instructions)
- Required forms
- A summary of the *Cooperatives Act*
- A summary of the Cooperatives Regulation.

These documents are also posted on the Service Alberta website:

<http://servicealberta.ca/businesses.cfm>

Consumer Contact Centre:

Edmonton: 780-427-4088

Toll-free in Alberta: 1-877-427-4088

www.servicealberta.ca

Queen's Printer Bookstore

You may purchase Acts and regulations from the Queen's Printer Bookstore:

10611 - 98 Avenue, Edmonton, Alberta T5K 2P7

Edmonton: (780) 427-4952

Toll-free in Alberta: 310-0000 then 780-427-4952

These are also free for you to download in the "pdf" or "html" formats at www.qp.alberta.ca

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Example of business plans

The Business Link - Alberta's Business Information Centre

Edmonton 780- 422-7722

Calgary: 403-221-7800

Toll-free in Alberta: 1-800-272-9675

www.canadabusiness.ab.ca

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