

*Canada Co-operatives Association Bill*

the passing of a permissive act by the province concerned allowing a co-operative association to leave its jurisdiction for the purpose of its being continued or federated or amalgamated under the provisions of this bill. Even then, the transfer from the provincial jurisdiction to the federal jurisdiction could be effected only with the consent of the federal authorities and that of the province concerned. The transfer of a co-operative which ceases to operate on an interprovincial basis could similarly be effected from the federal jurisdiction to a provincial one. This procedure, I should emphasize, is only permissive and will require, to be effective, the consent of all the authorities, federal and provincial.

There are limitations as to the nature of the objects that federal co-operative associations would be allowed to have. These are very important. These limitations are found in paragraphs (a) to (h) of subclause (1) of clause 5 and relate to the business of insurance, telephone, railways, banks, etc. You cannot form a co-operative association to carry on that kind of business. In addition, excepted from the application of the bill are co-operative credit associations, credit unions or *Caisse Populaires*. It was not believe that federal co-operative associations should be allowed to enter a field that has so far exclusively been controlled by the provinces, that is credit unions and *Caisse Populaires*.

In the case of the creation of a new co-operative, at least seven natural persons are required to file articles of association, while, in the case of federations, only two existing co-operative associations may file such articles. The reason for having at least seven persons in the case of new co-operative associations is that, in the case of a co-operative association operating on an inter-provincial or national basis, it does not seem unreasonable to require that at least seven persons show an interest in the association to be formed. However, in the case of federations, the number of applicants is only two because federations are usually formed by co-operatives having a sufficiently large number of individuals as members.

Before the association is registered, certain conditions must be complied with. Only a co-operative which would not be confined to provincial objects, which will "carry on its undertaking in two or more provinces" and which will "have a fixed place of business in each province where it carries on its undertaking", will qualify.

Furthermore, and this probably goes without saying, an association will be required to operate on a "co-operative basis". As the purpose and method of operation of a co-operative differ substantially from those of other corporations, it is most important that those who operate companies for other purposes should not be able to do so under the guise of a co-operative name. A co-operative association or federation would be considered to be operated on a co-operative basis if it complies with the requirements set forth in the bill. These are, in effect, the cardinal principles on which co-operative associations are based:

- (1) No member, as a rule, shall have more than one vote;
- (2) No member, as a rule, shall vote by proxy;

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(3) Interest on share and loan capital shall not exceed a fixed per cent per annum; and

(4) The business of the association shall be operated as nearly as possible at cost and, after provision for reasonable reserve; any surplus funds arising from the operations of the association shall be distributed wholly or in part among the members or among members and patrons of the association in proportion to the volume of business which they have done with the association.

The charter of the association will be comprised of the memorandum of articles and the charter by-laws. The internal organization of the association will be governed by its by-laws, that is, its charter by-laws and ordinary by-laws.

All of the charter by-laws would have to be enacted by the board of directors and sanctioned by the members either at a special or annual general meeting of members. These by-laws will come into force only on their being approved by the minister.

Both the memorandum of articles and charter by-laws may from time to time be amended. The filing of a supplemental memorandum of articles will be required only in cases of a rather major nature. This would be so, for instance, in the case of an association wanting to extend the objects for which it has been incorporated or to further its other objects. The system of charter by-laws will have the advantage of eliminating as much as possible the need for supplemental memorandum of agreement. This is designed to simplify the administration. For example, changes in the capital structure of an association and matters concerning the membership and voting rights, borrowing powers and other subjects of a similar importance, could be modified by amending the charter by-laws.

The act provides for two types of co-operative associations, with or without share capital. Whether the co-operative is with or without share capital will be set out in the memorandum of articles.

It will be possible for co-operative associations to provide for a delegate system, the particulars of which will have to be set out in the charter by-laws.

The charter by-laws will set out the number of co-op shares to be issued as well as their par value. The members' shares or common shares are designated as co-op share. In the case of a business corporation, it is possible to issue shares without nominal or par value but, in this act, it will not be possible to provide for a co-op share or preferred share having no nominal or par value. The value of a co-op share is not subject to fluctuation and the voting rights being an attribute of membership generally have no relation to the number of shares held.

Co-operatives with share capital will have an unrestricted power to purchase or redeem their own shares. Such a power to redeem or purchase its shares is important in the case of co-operatives, as it is necessary that the control of the association always vest in members who are actually using the co-operatives.

By the effect of clause 17(2), co-operatives are permitted to reissue their co-op or common shares. This is