

# Co-op Comparisons

## Legal Characteristics of Co-operative, Private and Not-for-Profit Corporations

Co-operative Corporation	Business Corporation	Not-for-profit Corporation
<b>Principles</b>		
<b>Limited Liability</b>	<b>Limited Liability</b>	<b>Limited Liability</b>
Primary purpose is to provide goods and/or services to members.	Primary purpose is to maximize shareholders' wealth.	Primary purpose is to further community, social, cultural or environmental objectives.
Control by members.	Control by shareholders.	Control by members.
Surplus, if distributed, primarily to members as patronage dividends, after reasonable return paid on invested capital. No capital gains.	Unlimited return on shareholders' capital through dividends and capital gains.	Business is carried on without the purpose of gain for members. Surplus is retained to further the organization's purposes.
Co-operative's income is taxable (unless not-for-profit); patronage dividends are deductible from co-op's taxable income.	Income is taxable; dividends are paid from after-tax income.	Normally exempt from income tax.
<b>Voting</b>		
Each member has one vote, regardless of the amount invested.	Shareholders' voting rights are based on the number of voting shares held.	Members are generally entitled to one vote, but may have multiple votes or no votes.
<b>Shares</b>		
May, or may not have share capital; every member must hold one membership share to have voting rights. Preference shares may be held by non-members.	No restrictions on the purchase or sale of shares.	No share capital.
Shares are sold by the co-operative and can be transferred only with Board approval.	Shares may be traded if a market exists, subject to any shareholders' agreements to the contrary.	
<b>Securities Regulation</b>		
Sale of shares (and other securities) regulated under the <i>Co-operative Corporations Act</i> ; offering statement is required unless exemption available: less than 35 security holders, less than \$200,000 capital, securities sales to members of less than \$1,000/year.	Sale of shares (and other securities) regulated under the <i>Securities Act</i> . Prospectus required unless exemption available: less than 35 security holders if no offering to the public, sophisticated investors.	Sale of bonds, debentures and other securities generally exempt from regulation.
<b>Distribution of Surplus</b>		
Surplus, if distributed is normally paid to members as patronage dividends, based on their use of the co-op (often as shares, rather than in cash).	Surplus (or profit) is principally distributed as dividends and paid to shareholders based on the number of shares held.	No surplus may be distributed to members.
<b>Dissolution</b>		
Distribute all assets (after payment of debts and liabilities), and the par value of shares to their holders, either equally among all members, among members based on patronage dividends accrued over the preceding five years, or, if not-for-profit, to another co-op or charitable organization.	Common shareholders have the right to receive all assets remaining after payment of all debts, liabilities and other shareholders' entitlements.	Upon dissolution, all remaining assets must be distributed to a charitable organization or other organization whose objects are beneficial to the community. Some "member-benefit" not-for-profits may be permitted to distribute net assets among members.

Developed by Brian Iler, Iler Campbell LLP for the Ontario Co-operative Association. Updated April 2012.



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