DOUGLAS HOSPITAL

PROPOSAL FOR A

HORTICULTURAL COOPERATIVE

Prepared by: Henry Olders, M.D.
16 November 1983
Revised 10 February 1984

SUMMARY

This proposal describes a project to organize and set up a cooperative whose members would be Douglas Hospital clients.

Its purpose is to provide a learning and work experience, as a component of rehabilitation, in such a way that the members participate in any profit generated by the enterprise. The initial goals include the production and sale of bedding-out plants and potted plants, making use of certain Hospital resources, including greenhouse space, and expertise of Hospital employees.

An essential element is funding for construction of additional facilities, and as start-up capital for materials and supplies. It is envisioned that Douglas Hospital Corporation could provide all or part of these funds.

INTRODUCTION

The therapeutic value of work in the rehabilitation of chronic mentally disabled individuals has long been recognized, and various programs have shown great success in helping clients achieve increased self-esteem as well as practical skills useful in leading a more normal life. At the Douglas Hospital, for example, there is an Industrial Therapy program, as well as a tradition of employing patients in a number of staff positions, be it in food services or in grounds maintenance. For many years, a large number of patients were given an opportunity to be productive as laborers on the farm run by the Hospital.

A number of factors exist today which make it difficult to give jobs to patients. Many of our clients do not possess either the skills or the work habits which would enable them to compete for jobs in the open market. Sheltered workshops can rarely hope to be sufficiently efficient so that employees can be paid reasonable amounts of money. Society frowns upon using patients to do necessary tasks in the hospital, unless appropriately remunerated, considering it exploitation otherwise. The law limits what a patient may earn in a therapeutic work program to approximately ten dollars per week, which is insufficient incentive for many.

If a group of patients were to organize themselves in such a way that they could carry on a business but not be bound by minimum wage legislation in distributing profits to the workers, then the effects of lack of skill, inefficient work habits, work absences due to illness, etc., which threaten the viability of programs in which patients are simply employees, are lessened. Of the types of organization which might be considered for such business, for example, partnerships, corporations or cooperatives, the cooperative structure appears to be suitable (Appendix A).

In choosing the type of endeavour such a cooperative might wish to become involved in, objectives might be: labour intensive; little training required for most of the jobs; a product or service which is widely perceived as valuable and ecologically sound; jobs which permit some creative or artistic expression. Within the Douglas Hospital environment, it would also make sense to choose an endeavour for which resources are already available.

The growing and selling of potted plants, cut flowers, and bedding-out plants appears to meet the above objectives. Little is required in the way of level of education, equipment, or capital for growing plants; working with living things is considered very pleasant and satisfying by many individuals; the end result is a beautification of our

environment, and finally, there is greenhouse space available at the Douglas Hospital.

PROPOSAL FOR A HORTICULTURAL COOPERATIVE

A. The Organization:

This proposal considers the setting up of a cooperative, which will initially consist of 6 to 12 patients and one hospital staff (to be available initially perhaps two half-days per week). The sole purpose of the cooperative will be to grow plants and flowers, to sell them, and to distribute any profits to its members. The staff person's main role will be that of animator, providing direction and advice to the cooperative, as necessary.

B. The Products:

At first, the cooperative will engage only in the production of bedding-out plants and potted plants. Bedding-out plants are certain species, such as begonias, petunias, alyssum, etc. which are grown from seed in late winter, and then sold in "flats" of usually 12 plants each, usually in May of each year, for transplantation into outdoor flower beds.

Potted plants are a whole variety of plants, mostly tropical, which are used for decorative effects in homes and offices.

Rather than being grown from seed, such plants are usually produced by a number of different propagation techniques, again under greenhouse conditions.

A third type of product to be considered is cut flowers. For a number of reasons, including a lack of appropriate greenhouse facilities, there are no plans to produce these initially. However, if the cooperative is successful, the necessary skills can be developed and suitable production facilities provided to expand into this area.

C. The Market:

It is envisaged that the first season's production of bedding-out plants (approximately 450 flats) could be sold entirely to hospital employees.

Expansion in this area will require facilities (i.e. capital expenditure) that is not part of this proposal, and will therefore not be considered further. However, mention can be made of various nurseries and open-air markets which might sell flats, perhaps on a consignment basis. Municipalities might also buy bedding-out plants for their own use or for distribution to citizens. Institutions and corporations represent another potential market.

Potted plants and cut flowers initially will also be sold to hospital employees and patients. Active market development will seek to provide these items to flower shops, local dépanneurs, fruit and vegetable stands, and possibly street corner flower vendors. The latter concept is very popular in Toronto; depending on local regulations, this could be tried in Montreal, and may present yet another type of work opportunity for patients.

The hospital staff member will play an important role in market development, in finding contacts, establishing lines of communication, dealing with bureaucracies, and so on.

D. The People:

The cooperative membership will consist of Douglas Hospital clients, both in-patients and out-patients. Because a co-operative is essentially a self-directed operation, ideal candidates are those with motivation and the ability to anticipate future rewards. Some of the tasks, such as transplanting seedlings, require manual dexterity and a "fine touch" which is usually found more often in women; however, other jobs, such as making wooden "flats", mixing soil, transporting supplies and product, may be more appealing to males.

The cooperative should have the ultimate say on who it accepts as a member; it is envisaged that the staff person, assisted by Rehabilitation Services staff, will advise the cooperative and make recommendations to it regarding possible members.

There exists at present a group of patients who work in the greenhouses and who might form the nucleus of the cooperative. This nucleus can be expanded by soliciting applications from patients in all four programs. Notices and application forms can be distributed to wards and clinics, and requests directed to hospital staff to make patients aware of this opportunity.

Mrs. Ivy Blaize, of the Rehabilitation Department Placement Office, is compiling a list of patients who might be suitable candidates.

The Rehabilitation Department is planning to hire an "Assistant Coordinator" whose responsibilities will include being the "staff person" member of the cooperative discussed previously in this proposal.

One of the Douglas Hospital's valued volunteers, Mr. Robert Godbout, has already consented to be available two half-days per week to the cooperative, to work directly with patients

in the horticultural process. Mr. Godbout brings to this undertaking a deep interest and experience in horticultural therapy, as well as experience in hospital administration.

Other aspects of start-up and functioning of the proposed cooperative are less clearly defined at present. However, legal expertise will be required to set up the necessary legal entity, and business/accounting expertise to set up an accounting/book-keeping system. It is hoped that volunteers with these skills can be recruited through the Boards of Directors and the Hospital's Auxiliary, both of whom have agreed to help find volunteers.

E. The Production Process:

Production of bedding-out plants involves a number of stages:

1. Broadcast seeding onto a mixture of sand, vermiculite, and peat moss, keeping the mixture moistened;

2. When the seedlings have reached an appropriate size, transplanting them into prepared "flats" made either of wood or foam plastic and filled with soil;

3. Maintaining growing conditions (i.e. light, warmth, and water) in greenhouse;

4. When the plants are sufficiently grown, transporting the flats into "cold frames"

for "hardening" (a process of gradually acclimatizing the plants to an outdoor environment;

5. Transporting to sales locations;

6. Selling the plants, paying suppliers, and distributing profits.

The above is a seasonal cycle. The production steps for potted plants are fewer in number, but there is significant variation in the necessary steps from one species to another, and they will therefore not be detailed here.

F. Production Equipment and Facilities:

For bedding-out plants:

1. Greenhouse space (according to Mr. George Gombocz, the existing greenhouses are suitable and space (1/2 of one of the two greenhouses) can be made available);

2. Cold frames: for most efficient production, "cold frames" are desirable. However, this is not a necessity, and it is planned to defer the question of constructing cold frames, and of seeking funds for these, until the cooperative itself has become a viable concern. Furthermore, additional research into economical cold frame construction and materials has yet to be done. If the results of this study indicate that

cold frames can be constructed cheaply, an application for capital funding could be made to the Hospital Corporation.

3. A jig for assembling wooden flats: this could be made out of wood in the Hospital's carpentry shop. Initially, however, styrofoam flats could be purchased.

For potted plants:

1. Greenhouse space (as above)

2. Racks for transporting plants in pots - can be made in carpentry shop.

Cut flowers:

For this product, little information is available at present. Apparently, the present greenhouse facilities are unsuitable, and a medium-term goal would be to explore this in detail, including the possibility of erecting another greenhouse.

G. Supplies and Materials:

For bedding-out plants:

sand }
vermiculite } small quantities
peat moss }
seeds
soil mixture (approx. 270. cu. in. per flat, or 2.6 cu. yds for 450 flats)

flats (can be either purchased in foam plastic, or produced using inexpensive wood and staples).

For potted plants:

potting soil (available from the hospital's compost pile)

pots (although these could be purchased, a drive to collect old pots from employees or by a door-to-door collection, would probably suffice)

A potential resource for supplies and materials, including gardening tools, is a collection that was accumulated several years ago by the Hospital Auxiliary for a horticultural therapy project, that may be available. This has yet to be assessed.

H. Other Facilities:

The cooperative will require space to meet, to learn, to have coffee. This space can be made available on the second floor of Caton Centre, above the laundry. This area may also be suitable for setting up a hydroponic growing arrangement at some future time.

I. Starting Up:

A Committee, consisting of Mr. G. Gombocz, Mrs. I. Blaize,

Mr. R. Butt, Mr. R. Godbout, and myself, has already met to coordinate the start-up of the cooperative. Mr. William Johnston and an interested patient will join the committee as soon as possible.

The committee has the following tasks to undertake:

1. Find and screen suitable patients - Mrs. I. Blaize is drawing up a list of possible candidates, who will be interviewed by her, and by a selection committee (which will probably be composed of a patient, a clinician, and Mr. Godbout);

2. Draw-up a schedule for producing bedding-out plants. The schedule should provide for several species of plants requiring different lengths of time for germination and flowering; specify dates for specific activities, estimate manpower requirements, and lists of supplies needed;

3. Formulate the "modus operandi" of the cooperative - a volunteer with legal expertise is being sought, who will assist in setting up the legal entity, and in drawing up the contractual arrangement between the cooperative and Douglas Hospital regarding the use of hospital facilities. The hospital will want to have any such work "vetted" by the hospital's legal firm;

4. Set-up an accounting and book-keeping system for the cooperative. The Hospital Auxiliary

has been approached to help find a volunteer with the necessary business experience to do this. The Hospital's Finance Department is also willing to review plans for such a system;

5. Until an "Assistant Coordinator" has been hired, committee members will need to perform various roles, such as: animator for cooperative members; resource persons to assist cooperative members in acquiring and putting into practice the various skills important in operating a small business, such as planning and scheduling, advertising and selling, keeping accounts, supervising, etc.

6. Facilitate the cooperative's use of space in the greenhouse and in Caton Centre;

7. Prepare a cost estimate and an application for funding to the Corporation of Douglas Hospital.

J. Financial Resources:

Detailed estimates about capital expenditures and operating costs will be provided in an appendix. At this point, the "cold frames" represents the only sizeable capital cost; however, additional greenhouse facilities for cut flower production will be desirable in the near future (1 to 2 years).

Operating costs include:

- materials and supplies
- cooperative registration, operating licenses, vendor permits.

It is anticipated that a grant from Douglas Hospital Corporation would provide for the capital expenditures. Other financing sources that might be explored are:

- the Hospital Auxiliary
- grants and donations from individuals and corporations
- grants and loans (possibly forgiveable loans) from government agencies responsible for mental health, business development, etc.

K. Training:

Mr. W. Johnston has agreed to participate in familiarizing the cooperative members with the technical skills necessary to produce plants and flowers.

It is envisaged that the staff person in the cooperative will, in his role as animator, assist the members in acquiring other skills necessary for running a small business: planning, salesmanship, accounting principles, supervision and management, and so on. He or she will be able to draw

on resources to teach these skills from both inside the hospital, and in the community (night schools, etc.).

Mr. R. Godbout has experience both in horticulture and in horticultural therapy, which he will bring to the cooperative.

L. Relationship to the Hospital:

A cooperative, by law, can be composed only of members who actively participate, and each member may have only one vote. Because only one or two members of the cooperative will be hospital employees, a concern has been raised that the autonomous nature of the organization will permit it to adopt policies or practices which conflict with the Hospital's policies.

If this were to happen, it is envisioned that the Hospital could exert an ultimate say by means of a contract with the cooperative, in which the Hospital provides for the use by the cooperative of hospital facilities (e.g. greenhouse space) in return for a nominal fee. The contract might include for its cancellation if the cooperative were to engage in practices contrary to the Hospital's interests. Withdrawal by the Hospital of its support would likely lead to collapse of the cooperative; if the cooperative were able to function entirely independently of the Hospital, then this would also be a desirable therapeutic outcome.

CONCLUSIONS

This proposal, for a horticultural cooperative operating within the context of rehabilitation of mental patients, has been greeted with considerable enthusiasm by the individuals involved up to this point. This may be because such a cooperative will combine the rehabilitative aspects not only of horticultural therapy, but also of the therapeutic effect of being engaged in a self-directed mutual assistance mode of relating to others, in which autonomy is enhanced and individual efforts towards achieving productivity and reliability are rewarded in a direct, highly visible way.

This cooperative, if successful, may be the model for other cooperative ventures, in which patients can benefit financially from their labours. For example, a cooperative engaged in repairing and selling discarded small appliances; cooperatives which provide landscaping, snow removal, or housekeeping services to institutions and businesses; crafts or manufacturing cooperatives.

APPENDIX A

OGILVY, RENAULT

BARRISTERS AND SOLICITORS

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December 13, 1983

BY COURIER

Douglas Hospital Centre
6875 La Salle Boulevard
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Attention: Henry Olders, M.D.

Dear Sirs:

You have asked us to consider how best to structure a horticultural association which would provide work for Douglas Hospital clients by allowing them to grow and market flowers and plants, as described in the Proposal for a Horticultural Cooperative, dated November 16, 1983, prepared by Henry Olders, M.D.

We have considered the partnership, the business corporation, the cooperative association, the non-profit corporation and the unincorporated association as possible structures.

Assuming that all the clients are legally capable of contracting, all of the above structures are legally feasible. Considering the fact that the Douglas Hospital clients do not necessarily remain patients for long periods of time and will not be using the association with a view to estalbishing themselves on a permanent basis, the structure chosen must be one that allows easy access as well as easy retirement.

The second determining factor in the choice of a structure will be the extent of the autonomy which the Douglas Hospital clients should be given in administering the association. It is to be assumed that most patients will not have the administrative savoir-faire and experience required to properly administer the association and that therefore the Hospital should retain control of the association.

The following is a short comment on each of the structures mentioned above:

Partnership:

A partnership of all the participating clients, in which the clients' contribution would consist of their work for the partnership and in which the clients would share in any profits of the partnership according to the hours worked, is the least manageable of the structures considered.

Problems would arise every time a new partner joins the partnership and every time a partner leaves the partnership; the existing partnership would have to be dissolved, its assets and liabilities distributed among the partners, and a new partnership formed. Moreover, a partnership may be dissolved at the request of a partner, and is automatically dissolved upon the death or the interdiction of a partner. Such frequent dissolutions are costly as they involve the evaluation of the assets and liabilities of the partnership.

Moreover, a partnership does not provide the partners with limited responsibility, each partner being fully liable for any loss or damage caused by another partner while he or she is engaged in the activities of the partnership, or by the default of the partnership to fulfil one or several of its obligations, or by faulty equipment belonging to the partnership, or any other way attributable to the partnership.

We therefore recommend not to use a partnership.

Business corporation:

The business corporation could be used as a vehicle in which the only shareholder would be the Hospital, with the clients being employed by the corporation, or as a vehicle in which the participating Douglas Hospital client would own the common shares. The first alternative, where the Hospital is the only shareholder, is not appropriate as the Hospital is not seeking profit from the association; a more suitable alternative along the same lines, the non-profit corporation, will be discussed later.

The second alternative, where the clients are the shareholders, would allow the clients to be remunerated as employees of the corporation or to participate in the profits of the corporation by receiving dividends, or both. A mechanism could be worked out to ensure that the Hospital retains control of the corporation, possibly by issuing to it a class of non-participating voting shares which would carry a sufficient number of vote.

Although the corporation's existence is not threatened by the retirement of a shareholder or by the arrival of a new shareholder, problems will arise for evaluating the shares held by a departing shareholder so that his shares may be redeemed or purchased by another person at their fair value and

for evaluating the net worth of the corporation to allow a new shareholder to join without diluting the holdings of the present shareholders.

Because of the non-permanent basis on which the Hospital clients would be joining the corporation, which entails frequent transfers of the shares, or frequent redemptions and issues of shares, we feel that the business corporation is not the most suitable structure.

It may be added that recognition by the taxing authorities as a charitable organization will be extremely difficult to obtain by a business corporation.

Cooperative association:

The cooperative association would allow each member to purchase qualifying shares, to perform work for the cooperative and to participate in the operating surplus of the cooperative in a proportion established according to the number of hours worked by such member. The operating surplus must, at the annual meeting of the members, be either allocated to the general reserve of the cooperative or distributed to members as rebates. As the general reserve may not be divided among the members, a member is never entitled to more than his share of the rebates. There follows a stability in the value of the shares so that a member, upon leaving the association, is only entitled to receive the amount paid for his shares plus, when the yearly calculations are made, his share of rebates.

This structure would be the ideal structure, allowing each member to own a share of the enterprise and easy admission and departure of members. The major drawback is the essentially democratic aspect of the cooperative association. No member of a cooperative is allowed more than one vote, no matter how many shares he or she owns. In order to become a member, one must be susceptible of being a user of the cooperative (in the present case, this means being a worker in the cooperative) and of benefiting from it. The directors, which must be members, are elected by a majority of the members. It follows that the Hospital will only maintain control of the cooperative if it provides enough people to constitute a majority of the members who will work for the cooperative. Unless control of the association by the Hospital is not a major factor, this structure should be avoided.

Non-profit corporation:

This structure would allow the Hospital or the Douglas Hospital Corporation, or staff members of the Hospital (the choice will be governed by the powers conferred on the Hospital and on the Corporation by their constitution and by any applicable law) to incorporate in order to provide work for the Hospital clients, who would then be employed by the

corporation. The remuneration paid to the employees could be determined by dividing the profits of the corporation among the employees on the basis of hours worked.

Problems related to control of the corporation (which would remain in the hands of the Hospital, the Douglas Hospital Corporation or the Hospital staff members, as the case may be) or to the admission of new Hospital clients in the association or their retirement therefrom would not arise in this situation. The loss of participation by the Hospital clients in the ownership of the venture could be compensated by allowing them to participate in the organization of the horticultural facilities and activities of the corporation.

The incorporation of the association would ensure the limited liability of its members. Moreover, status as a charitable organization, for fiscal purposes, should be the most easily obtainable by using this proposed structure.

This structure, because of its above-mentioned advantages, should be seriously considered and is probably the best suited to achieve the aim sought.

Unincorporated association:

This type of association, not being subject to any special statutory provisions, may be structured to suit any specific needs. The constitution and by-laws would spell out the conditions for admission as a member and for remaining a member, the manner of designating the directors who would manage the affairs of the association, the manner of sharing the profits, the retirement of members, etc. The association need not have any share capital; new members could adhere without any disbursements and retiring members could leave the association at will. Members of the Hospital staff could share the administration of the association with the members; as an example, the by-laws could provide that a majority of the directors must be from the Hospital staff, with a minimum number to be elected among the Hospital clients participating in the horticultural activities of the association.

The flexibility deriving from the absence of special statutory requirements dealing with unincorporated associations is the greatest advantage of this structure. However, this very absence will require that the constitution and by-laws be sufficiently elaborate to allow the association to operate smoothly along established lines. This will entail long documentation that may overwhelm the Hospital clients. This sort of documentation and elaborate rules would also exist in a non-profit corporation, but it would be intended for the members of the corporation and not for its employees.

Finally, the unincorporated association does not provide its members with limited responsibility. The comments

made in this respect in the discussion of a partnership herein apply to such an association.

Because of these disadvantages, the unincorporated association is not as attractive as the non-profit corporation, although it remains a sound structure to achieve what is sought.

The fiscal treatment of the entities discussed herein should not be a determining factor in deciding which structure to use. Indeed, if the status as a charitable organization is obtained, the income of the association will not be subject to tax. On the other hand, we understand that the Hospital's clients' annual income is usually not high enough to be taxable.

The above description of the various possible structures is extremely summary and was intended merely to help you choose the proper legal entity with which to proceed. Do not hesitate to contact the undersigned for any further assistance in making such choice and in the actual organization of the chosen structure.

Yours very truly,

Hélène Lalonde Martin

HLM:fv

OGILVY, RENAULT

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January 20, 1984

Douglas Hospital Centre
6875 LaSalle Boulevard
Verdun, Québec
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Attn: Henry Olders, Esq., M.D.

Dear Sirs:

In connection with the proposed association to be organized with a view to providing horticultural work for Douglas Hospital clients, we have examined, at your request, the questions discussed below.

1. Requirements with respect to minimum wage:

Neither the Labour Standards Act nor the regulations thereunder, which include legislation relating to minimum wage, apply to recipients of health services furnished by a hospital centre who are working in such centre in view of their physical, mental or social rehabilitation.

There is no limit to the remuneration which may be paid to the recipients. However, the social aid payments to which they are entitled, if such is the case, will be reduced if said remuneration exceeds $10 weekly. Also, any income of the recipients constitutes taxable income for them.

2. Status of a cooperative as a tax-exempt charitable or non-profit organization:

Tax-exempt charitable or non-profit organizations are defined in the Income Tax Act (Canada) as certain organizations which are operated without purpose of gain for their members. The operating surplus of the proposed cooperative would be distributed to its members, thereby precluding it from enjoying a tax-exempt status by virtue of the exemptions applicable to the said organizations. Furthermore, any donations made to the cooperative would not be tax deductible by the donor.

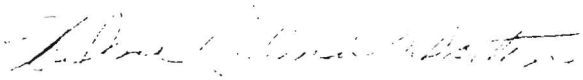
If it is decided that a cooperative is the ideal structure to be given to the proposed association, the formation of a second structure, being a non-profit organization set up for the purpose of providing the cooperative with various facilities, tools, expert advice, etc., should be considered. This organization could most probably be registered as a charitable organization and therefore be entitled to receive tax-free donations which would also be deductible for income tax purposes by the donor.

The concept of a work cooperative in which the operating surpluses are distributed to members according to the volume of work performed has just been recognized by the Quebec legislator, the relevant sections of the Cooperatives Act being in force since December 21, 1983. The income tax legislation has not been changed accordingly and considers mostly marketing and purchasing cooperatives. I have proceeded by analogy to establish what the fiscal situation of the proposed cooperative should be and the following description is therefore subject to changes being made in the income tax legislation applicable to the distribution of surpluses according to the volume of work performed.

If the cooperative is the agent of its members for receiving income and merely remits such income to its members, it seems that no income will be taxable in its hands. However, as the Cooperatives Act provides that at least 20% of the operating surpluses of the cooperative must be allocated to its reserve until such reserve is equal to or greater than 25% of the debts of the cooperative, it follows that the amounts so allocated will not be considered held by the cooperative as agent for its members and would therefore constitute income of the cooperative for which it would be subject to income tax.

On the other hand, if the cooperative is not considered the agent of its members, all its income will be subject to tax. The cooperative would be entitled then to deduct, for income tax purposes, the "patronage dividends" paid to its members, such "dividends" being the amounts distributed to the members according to the number of hours worked.

Yours very truly,



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