



Minneapolis
City of Lakes

C TAP

COOPERATIVE
FEASIBILITY
CLASS
CURRICULUM

CO-OP TECHNICAL ASSISTANCE PROGRAM
Supporting cooperative development in the City of Minneapolis

Session 1: Introduction of participants, co-op business model, and participant projects

Participant Outcomes

Participants will learn about the projects of their fellow classmates. They will gain an understanding of the principles, statutory and philosophical characteristics that define a co-op; learn about creating an innovative and entrepreneurial community within the co-op; and begin to assess the skills and knowledge of themselves the co-op steering committee (if formed).

Session Outline

The primary content of this session is organized within these areas:

- A. Overview of program
- B. Sharing participant projects
- C. Defining the Characteristics of the co-op
- D. Co-op History
- E. Co-op Entrepreneurship
- F. Self-Assessment

Session Content

A. Overview of program

An introduction to the program, highlighting the learning objectives and information

B. Sharing participant projects

Participant introductions and sharing of co-op business

Activity #1: Introduction, Answer questions in Co-op profile: What is your core business?

Co-op Profile: What is your core business?

1. Describe the core business that your co-op will perform on a day-to-day basis.
2. What are the products and/or services your co-op will see?
3. Who will use your products and services?
4. Why would someone buy your product or service?

C. Defining the Characteristics of the co-op

Defining characteristics of a co-op (Functional and Philosophical vs. Statutory)

A cooperative can have a functional and philosophical foundation to operate as a co-op but not actually be incorporated as a co-op under a state's statutes.

Co-operatives define themselves through values, principles and allocation of profit. These are described in detail below. An entity can organize as a co-op integrating the principles and values and philosophies into how it operates; however, an entity can only call itself a co-op if it is within the legal definition of a co-op. The controls and behavior of a co-op may be different than how the law defines the

organization. Some organizations that function as co-ops are incorporated as non-profits and for-profit business, but not recognized as a co-op under the law.

As defined by the International Cooperative Alliance, a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise. A cooperative has a defining set of values as well:

- *Self-help*: Working to improve oneself or circumstance, or a group of people working to improve their circumstances
- *Self-responsibility*: To be accountable
- *Democracy*: Exercising power in the individual voice, while being governed by all voices.
- *Equality*: All people and voices are equal and have equal representation and the right to opportunity
- *Equity*: Ownership in the economic enterprise
- *Solidarity*: The unified interest for all members

Two other defining aspects of a co-op are the control structure and the allocation of profit.

Control Structure: Co-ops and credit unions use a system of one member/ one vote, not one vote per share. This helps them to serve common interests and to ensure that people, not capital, control the organization.

Allocation of Profit: Co-ops and credit unions share profits among their member-owners on the basis of how much they use the organization, not on how many shares they hold.

Co-operatives define themselves by a set of specific principles.

1. Voluntary and Open Membership

Co-operatives are voluntary organizations, 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 organizations 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 also organized 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 usually 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 their 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 organizations controlled by their members. If they enter into agreements with other organizations, 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

Co-operatives work for the sustainable development of their communities through policies approved by their members.

D. Co-op history from diverse cultural settings/experiences

Cooperation among people can be traced back to prehistoric times, and can be found among all cultures. Whether hunting and gathering in groups, or sharing living spaces, collective action has enabled people to more effectively achieve common goals. Over time, formal group action can be recognized in faith communities, political parties, and mutual aid societies.

The history of "cooperatives" as a business model stem from conditions in Europe brought upon by the Industrial Revolution, particularly the inequality of wealth that was created, and the stark divisions of labor that become entrenched in many industries. During the early 19th century there were several attempts to create businesses that embodied ideals of democracy and fairness, and many were intended to be an affront to the evolution of industrial capitalism. In this context, in 1844 a group in Rochdale, England emerged as having a model that was particularly functional and resilient. The Rochdale model quickly became recognized throughout Europe, North American, and beyond - and within a few years people were organizing cooperatives 'on the Rochdale plan' all around the world. In short, the Rochdale model was a membership-owned business that returned profits to its members and was open for participation by all people, regardless of color or creed.

Minnesota's cooperatives date back over 150 years, starting shortly after formally becoming a State. Similarly, cooperatives have operated in Minneapolis for nearly as long as the City has existed as a municipality.

Globally, cooperatives exist in nearly every country, and they join together to form a trade association called the International Cooperative Alliance. More about the Alliance can be found at: www.ica.coop

E. Entrepreneurship and Co-ops

Entrepreneurships can take different forms within the start-up process of a co-op. Three examples of how co-ops begin are: member-initiated, incubated, and conversions

Member-initiated:

In a member-initiated co-op, a group of people come together to explore their idea for a co-op business. They will work through a prescribed process of start-up, including forming a steering committee, developing a feasibility study, assuming feasible preparing a business plan.

Incubator:

In an incubated co-op development, the idea or co-op is started by a third-party, such as a non-profit and the co-op members are recruited into the organization. Throughout the development process the members receive technical assistance and necessary education for the organization incubating the co-operative. Eventually and typically slowly, the incubating organization steps back from operations of the co-op.

Conversion:

A co-op conversion occurs when an existing, privately held business is converted into a co-op. An example would be if the workers of the company purchase the businesses.

While the above mentions different strategies for starting a co-op, co-ops also should maintain an entrepreneurial culture throughout the life of the co-op. The first step to creating an entrepreneurial culture is to understand the responsibilities of all as owners. Within a worker co-op, for example, work-owners are responsible for the long-term governance, such as electing and serving on the board of directors, to the operations, including enthusiasm and attention to detail for customer service or attending team meetings and working together to maintain commitment to excellence.

Through a shared sense of responsibility a co-op can create an atmosphere of entrepreneurship, where all members are encouraged to innovate. Opportunities for innovation can come from many different places. Some sources of opportunity include:

- Unexpected successes or failure
- A better way to do a familiar job
- Unpredicted changes in an industry or market structure

Create an entrepreneurial community by encouraging all members to understand the co-op's business, and realize that the role of entrepreneurship is the right, privilege and responsibility of all members.

F. Self-Assessment

The steering committee is the first organizing committee of the co-op. They serve many functions in the startup period, from the grassroots organizers to exploring the feasibility of the co-op. Often they

become the first incorporating board and or take on management duties until proper management can be hired. It is important that the steering committee know not only the skills that they bring, but also that this group has an understanding of how they will work together and make collective decisions.

What skills and knowledge do you and the other steering committee members bring to the table? Where are the knowledge gaps? Is the co-op model the best model to achieve your ambitions? These are important questions to discuss and answer early on in the co-op development process. Use the Self-Assessment tool in the Co-op Profile to identify what skills and knowledge gaps may exist for your co-op steering committee.

Activity #2: Steering Committee Assessment

Co-op Profile: Assembling your Steering Committee

Function	Skills	Names	Level of Commitment	Notes

When starting to think about the steering committee, you will want to explore if the co-op is the most applicable model for the group. Below are questions to help think through co-op applicability questions. This topic will be further explored in session 4.

Co-op Applicability

How do you know a co-op is what you want? (Should be answered by individuals as well as the steering committee as a whole)

1. Do you want to direct and share in the control of your business?
2. What degree of control do you want? How much control do you want to share?
3. Who do you want to share it with?
4. What do you want to direct and control (for example: the wages, what to produce or sell..)
5. Is there enough interest among your members (and potential members) to continue developing this business idea?

(This can be started in class if there is time, and then finished for homework)

Handouts

(No additional handouts for this session)

Homework

- Complete *Co-op Basics* (to the best of your ability) and *Assembling your steering committee* in the Co-op Profile as well as questions about co-op applicability.
- Historical readings, for informational purposes only:

- A little co-op helped end black disenfranchisement,
<http://www.postandcourier.com/article/20160214/PC1002/160219625/1021/>
- The Night the Lights were Lit
https://www.dropbox.com/s/guylkbw3wmrum7p/Session%201_%20theNighttheLightsWereLit.docx?dl=0

Session 2: Understanding and Leading the Development Process

Participant Outcomes

Participants will understand the cooperative as both a democratic association of people sharing a common need AND a business enterprise which fulfills that common need. Participants will understand the role of the steering committee in addressing both of these aspects of the development process, and will become familiar with practices that foster democratic decision-making and cooperative leadership development.

Session Outline

The primary content of this session is organized within these areas:

- A. Seeing the “Big Picture” of the development process
- B. Defining the Project Champions
- C. Creating a culture of discovery and learning that fosters democratic decision-making and cooperative leadership development

Session Content

A. Seeing the “Big Picture” of the development process

The Madison Principles of Cooperative Development were first articulated by a group of professional cooperative developers in a meeting held in Madison Wisconsin in 1995, and subsequently updated in 2005. While the original purpose of the Principles was to inform the work of cooperative business developers who professionally work with a number of start-up cooperatives, there is wisdom that is applicable to steering committees of would-be cooperators as well. (**Handout #1: The Madison Principles of Cooperative Development**)

The Outline of the Development Process handout was created by Cooperative Development Services as a tool to help steering committees “see the Big Picture” of their work, and to use that in organizing and sequencing the start-up’s development activities. The Outline draws directly on several of the Principles.

For the purpose of this session, we assume that there are at least a few people who have been identified a common issue that is of concern to them, and that this group is asking whether there might be a cooperative solution to their concerns.

Shared need and vision as the basis for cooperative action

The identification of a shared need is the basis for the creation of a cooperative. Starting a cooperative requires a tremendous amount of work and on-going engagement (most of it probably uncompensated). Success of the effort depends on the commitment of the members’ time, financial resources and loyalty to the cooperative. Therefore the shared need(s) must be important enough to cause the prospective individual owner-members to change their current ways of doing things, and to cooperate and invest

with others, in order to achieve a superior solution compared to whatever other options are currently available to those individuals.

A good practice is to spend time early in the development process to articulate the shared need(s), and to also start shaping a vision for the cooperative. Writing this down helps a group share and sharpen its thinking. This initial work does not need to be perfect; over time, the description of both the shared need and the initial vision will be refined as more and more people engage in the process. But it is a good thing to get reasonable clarity and agreement early on about the intended purpose of the cooperative, and the shared need(s) that the cooperative is trying to address.

The role of pre-feasibility research; cultivating a spirit of inquiry

The cooperative becomes a way for individuals to work with others in a spirit of self-help in order to address common needs. But there will be much to learn about those shared needs, and the potential for a cooperative business solution to address them. There is an important role in this process for initial research on the topic that the group is seeking to address. This early research might involve internet research to see if other cooperatives have been formed to address the specific need, or a phone call to talk with leaders of cooperatives that are working in the sector. Or the research might involve filling a van with interested friends and neighbors and driving to visit other cooperatives and businesses to gain their insights. Since the proposed cooperative will likely need to compete with other businesses in a particular sector, it's also wise to gather as much industry-specific information as possible. Throughout the entire development process, leaders will want to cultivate a spirit of inquiry within the cooperative, so that leaders and members are always learning and growing in how to effectively use the cooperative to meet their needs.

Creating a steering committee to guide the process

The steps to this point are intended to help a group decide whether or not to pursue a formal cooperative development process. If there is reasonable agreement about a shared need, and a sense from initial research that a cooperative solution may be possible, then the group should move to create a steering committee (SC) to lead the development process.

It's important to understand that it is NOT the role of the SC to ensure that the cooperative business gets created. A better way to think is that the SC "holds the cooperative idea in trust for its eventual member-owners." In this way, the role of the SC is to ensure that good development process and business analysis is used to mature an idea, and if warranted, to present that idea to potential owner-members.

There is no one right formula for a SC. But there are some important considerations.

- Have a manageable size, and plan for rotation of membership. A reasonable goal might be to have at least five members at all times. Given the realities of demands on volunteer time, starting with more than five will allow for some attrition.
- Choose SC members from the communities of potential members. If your vision for the cooperative ultimately requires recruitment of membership from particular geographic, demographic, or cultural communities, make sure that those communities are reflected in SC membership.

- Choose SC members that bring relevant skills or knowledge. It's wise to have some SC members that bring particular skill sets or industry knowledge or relationships
- Integrity and trust are critical. If the development process is successful, the SC will someday be standing in front of friends, neighbors and interested potential members, trying to convince them to invest and participate in the business. If SC members are not respected members of the community, that will undermine this process.
- Recruit your Dream Team. To the extent possible, be intentional and strategic in selecting the SC members that will lead this process. Recruit the right leadership, and to the extent possible, avoid using a sign-up sheet approach to create the SC. One option that has been used is to create a committee of early leaders to identify the needed SC skills and relationships, and to then have that committee recruit the members of the SC.

Seeing the cooperative as both “democratic association” and “business enterprise”

The development of a cooperative involves nurturing two distinct but interlocking strands of activity, as seen in **Handout #2: Outline of the Development Process**. The SC is responsible for both.

On the right side of the diagram, there is the growth of the democratic association of people who share a common need. In this scope of work, the SC grows awareness of the cooperative conversation within the community, and equips prospective member-owners with information about the shared need(s), the opportunities for learning, and the on-going status of the business development process. The desired outcome is a growing membership base that sees the potential for how a cooperative enterprise can help them meaningfully improve their lives and their community.

On the left side of the diagram is the business assessment process that methodically gathers information about the cooperative business proposition, and that ultimately tests the question of whether this business has the needed elements for success and sustainability. This strand of work also (mostly) includes issues of law and accounting.

Capitalizing the cooperative

Starting a business requires investment, and cooperatives are no different. Acting out of a shared need and common vision, members of the cooperative first need to fund the business development process, paying for things like meeting and travel expenses, legal and accounting fees, business registration costs, outside consultants, and sometimes paid project management staff. In this stage, the time of the SC and other project leaders is most often volunteer time, and not compensated (though expenses might be reimbursed). The source of cash for these activities is typically membership shares, (unsecured) loans from members, fundraisers, and in some cases grants or other donations.

As the business planning process comes to a close, the SC asks itself, “Do we have a business plan that we believe in enough that we can take it to the members?” A good business plan identifies the amounts of equity and debt capital required to launch the business. In an Equity Drive, the two strands of work come together: a sound business plan is brought before a crowd of interested and informed members,

with the purpose of having members provide needed equity in the form of member loans or the purchase of additional shares in the cooperative.

If the required amount of equity is provided, then loans are secured. The cooperative now has its membership base and its capital, and proceeds to implement the business plan and enter commerce.

The role of key “Go” and “No Go” points

Along the development process, there are key “Go/No Go” points. These are places where the SC asks: “Do we have the information needed to continue our process? Or have we received information that says we should end the process?” These are critical times in the development process, and should be considered intentionally and purposefully.

One such time is actually before the formation of the SC: based on the pre-feasibility research, a leadership group can legitimately say that no compelling shared need exists, or that there is no reasonable business proposition that should be tested. After the completion of a feasibility study, and again after the completion of the business plan, the SC must determine if there is a reasonable prospect of business success that would justify investment of further time and resource. And of course, the equity drive itself is the ultimate Go/No Go decision: if insufficient equity is obtained from members, the process should be stopped, funds returned, and members released from their pledged contributions.

In each of these places, the SC needs to have a hard conversation. But if the decision is made to end the process, this should never be seen as a failure. Instead, the SC and membership should throw a party to celebrate all that they have learned, the relationships that have been formed, and the knowledge that has been created and shared in the community. Leaders and participants all have new skills that can (and should!) be put to use in future endeavors, even if the current opportunity does not go forward.

Dismissing the Steering Committee with (profuse!) thanks

If the equity drive is successful, the SC has fulfilled its purpose: the cooperative idea has been nurtured and is now in the hands of its owner-members. The cooperative will soon hold its first annual meeting where members will elect a new board to lead the organization into business operations. This is the time to dismiss the SC with profuse appreciation for successfully bring the cooperative into being. This is also a key opportunity to recruit leaders that have the right skills for guiding the operational life of the cooperative. While some members of the SC may in fact be the right people to participate in on-going leadership, it should not be assumed that the SC should automatically continue on in board leadership. Just as a Dream Team was recruited to lead the developmental phase, so should the members now consider what new talents are needed on the board to work in this new stage of the organization’s life.

Moving into operations and governance

With the new membership base created and capitalization secured, the board will now begin to implement the business by hiring a manager for the cooperative. The manager will in turn hire and supervise staff, with the objective that the operation of the business will begin to address the shared need(s) that were first stated at the beginning of the process.

Activity #1: Assessing the Steering Committee's Development Process

B. Defining the Project Champions

Within the different ways a co-op can start, the project champions can look different

- *Self-starter*: Community member, one or a group of entrepreneurs
- *Incubator*: A non-profit or outside organization
- *Conversion*: A business owner or employee

Understanding the motivation and accountability of the project champion(s) as well as the steering committee, and acknowledging and appreciating the roles and responsibilities all must undertake, often as volunteers.

C. Creating a culture of discovery and learning that fosters democratic decision-making and cooperative leadership development

During the pre-feasibility process, while the steering committee is being assembled, think about the culture within you will develop within your co-op. A culture of discovery and learning will establish an inviting, innovative and participatory environment for co-op development. To achieve this type of culture, start by setting simple rules of the road for interactions, meeting process and decision making. These can be as simple or detailed as the group wants but include rules that support participation, include, space for discussion, respectful disagreement and additional values and culture of the group

An example of ridged rules for running a meeting is Roberts Rules, as is incorporated into your homework reading.

Establishing a group decision making process is part of establishing ground rules and will be important through the life of the co-ops. Your group decision process will include not only process for making the decision, but the threshold by which decisions are decided. Groups can decide using majority rule or consensus.

Within majority rule, a group can further define their decision rule. The level of agreement necessary to finalize a decision is known as a decision rule. Possible decision rules vary within the following range:

- Unanimous agreement
- Unanimous consent (See agreement vs consent below)
- Unanimous agreement minus one vote or two votes
- Unanimous consent minus one vote or two votes
- Super majority thresholds (90%, 80%, 75%, two-thirds, and 60% are common).
- Simple majority
- Executive committee decides
- Person-in-charge decides

Remember, within a co-op, all members have one, equal vote. Majority rule is at least 51% of votes. Some co-ops may decide to have 2/3 votes necessary to carry a decision.

A more popular decision making process is by consensus, where-by all members give consent to pass a motion or decision. Giving consent does not necessarily mean that the proposal being considered is one's first choice. Group members can vote their consent to a proposal because they choose to cooperate with the direction of the group, rather than insist on their personal preference. Sometimes the vote on a proposal is framed, "Is this proposal something you can live with?" This relaxed threshold for a yes vote can achieve full consent.

A consensus decision making process should include space for respectful disagreement and discussion.

Activity #2: Consensus Building

Handouts

Handout #1: The Madison Principles of Cooperative Development

Handout #2: Outline of the Development Process

Homework

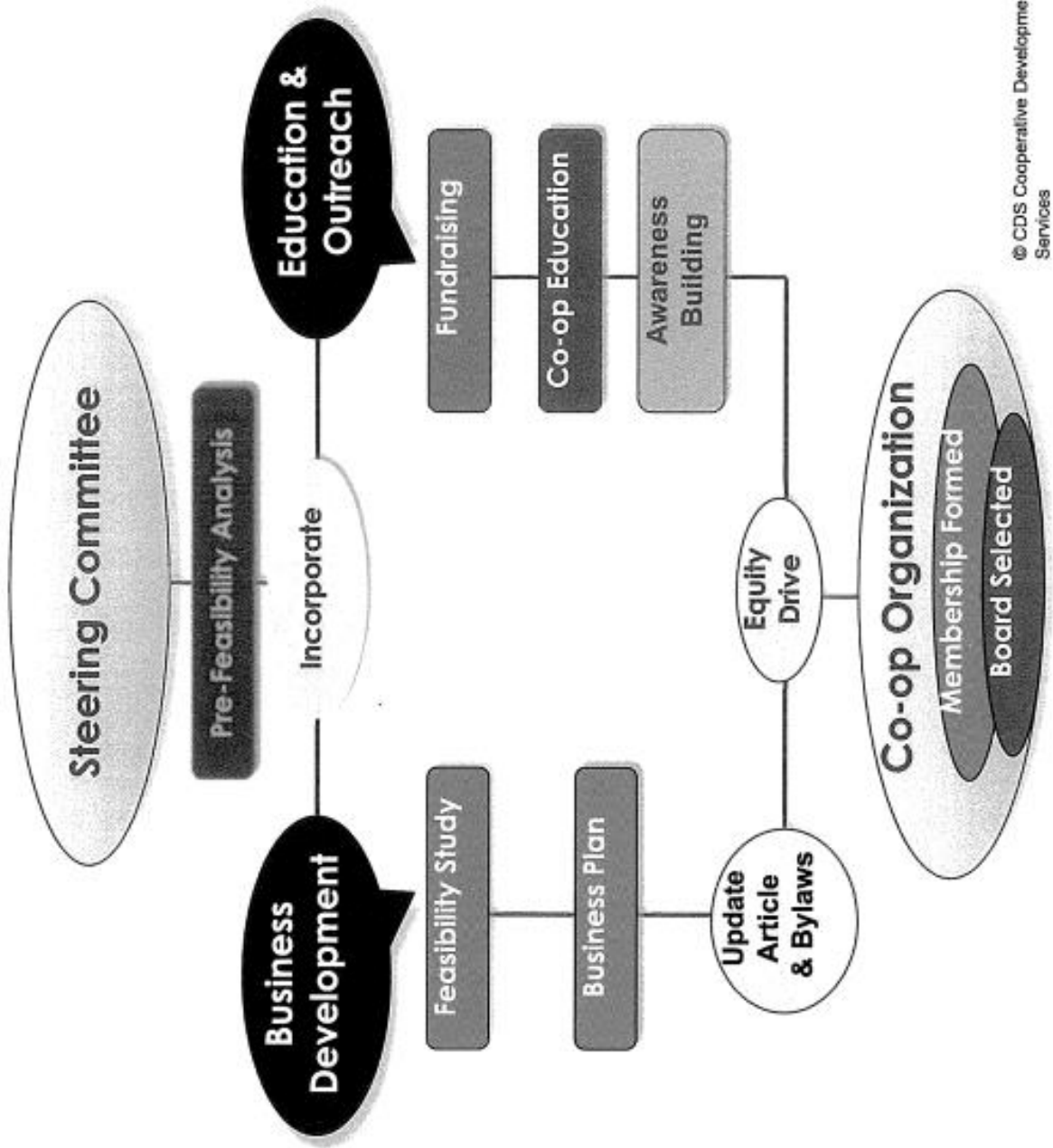
- Read: Robert's Rules in Short
https://www.dropbox.com/s/e1wb6c8hscr3kf6/Session_2_Robert-Rules.pdf?dl=0
- Read: *Effective Practices in Starting a Co-op*, Situational Decision Making, Pg. 459 – 462
<http://www.uvic.ca/research/centres/cccb/assets/docs/publications/RochdalePress/EffectivePractices.pdf>

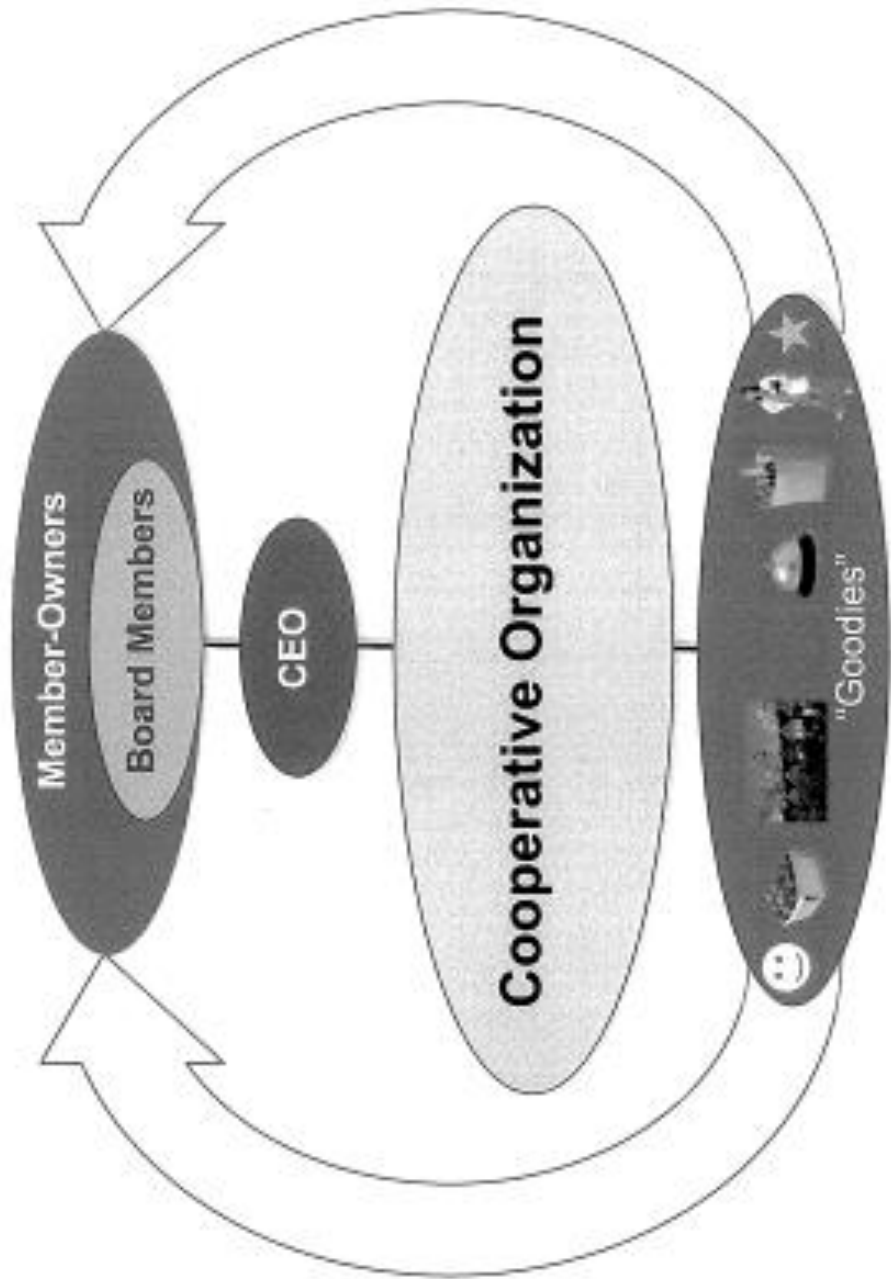
Session 2, Handout #1: The Madison Principles of Cooperative Development

The Madison Principles

1. **Declare Conflicts of Interest:** Cooperative developer subscribe to the highest level of ethics and shall declare any conflict of interest, real or perceived, so that they can be a credible source of objective feedback and an articulate advocate of the project as needed.
2. **Develop Co-ops Using Proven Models:** There are essential development steps that must be taken in a critical path to success.
3. **Facilitate the Goals of the Steering Committee:** An enthusiastic group of local, trustworthy leaders is a prerequisite for providing technical assistance. The effective cooperative developer nurtures that leadership by helping them shape a vision that will unite members and provide ongoing training.
4. **Use a Market Driven Approach:** Cooperatives only work when they are market driven; the cooperative developer works to ensure that accurate market projections precede other development steps.
5. **Acknowledge the Importance of Member Involvement:** Member control through a democratic process is essential for success. Success also depends on the commitment of the members' time, financial resources and loyalty to the cooperative.
6. **Seek Tangible Benefits:** There must be tangible benefits for members.
7. **Steer Toward Revenue Generation:** The cooperative's products and services must generate sufficient revenue so the effort can be financially self-sustaining. Provisions must be made to share any surplus equitably.
8. **Honor Diversity:** Each cooperative responds to its unique economic, social and cultural context; as a consequence, each cooperative is different.
9. **Make Co-op to Co-op Connections:** Cooperative developers link emerging cooperatives with established cooperatives to facilitate mutual communication and learning.
10. **Promote Social and Economic Empowerment:** Cooperatives are tools for development and promote social empowerment and economic goals.
11. **Understand that Cooperatives Work Everywhere:** Applied appropriately, cooperatives have value to all population groups and for all businesses and services in the public and private sectors.
12. **Our Vision of the Cooperative Community Is Global:** Opportunities for human cooperation exist throughout the world. Cooperative development transcends national boundaries.

Session 2, Handout #2: Outline of the Development Process





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Session 3: Developing a business plan, building a sustainable co-op business enterprise

Participant Outcomes

Participants will gain an understanding of the different elements within the feasibility study and business plan, the different functions of these documents, and resources for finding the information needed to complete them.

Session Outline

The primary content of this session is organized around the following topics:

- A. Defining the feasibility study and business plan
- B. Feasibility study components
- C. Business plan components
- D. Resources for completing the research needed in the feasibility study and business plan

Session Content

A. Defining the Feasibility Study and Business Plan

A *feasibility study* explores whether or not your co-op business idea is viable. It studies various aspects of the co-op such as market potential, technical aspects, capital requirements and the industry. The feasibility study is often conducted by an independent third party consultant. If, upon studying the various aspects of the co-op business, the steering committee thinks the business is viable, they proceed to the business planning process. If they do not think it is viable, then they stop and do not pursue the co-op business. The purpose of the feasibility study is not to prove the assumption that your business is viability, but to determine whether or not it is viable. Deciding that the business is not viable is not a bad decision.

A *business plan* is the plan for how you are going to start and operate your co-op business. It includes details such as product description, a marketing plan, operations, management and organization, and a financial plan. The information gathered from the feasibility study can be used to create the business plan.

B. Feasibility study components

A feasibility looks at three major areas

- Marketing issues

Marketing issues include having an understanding of how much demand there is for your product or services. Can you describe, in as much detail who will buy this product or service, how often and for how much? In addition to having an understanding of your produce and service, having an understanding of the larger competitive market – who else is selling your product and service? What is your competitive advantage?

- Organization issues

Organization issues examine how you will run the co-op and the cost of running it. Hopefully you have already determined that the co-op model is the structure you wish to pursue. From there the steering committee will need to decide who will manage the business, what the staff needs are, and what qualifications are needed both on the board and in staff positions.

- Financials issues

Once there is a descriptive understanding to what you are selling, who is buying it and where the competition exists, you can start to add numbers to this expenses to develop and operating budget.

For more information see **Session 3, Handout #1: Feasibility Study**

Activity #1: Understanding sources of revenue

Co-op Profile: Sources of Revenue

Product or service offered	Description of product or services	Largest expenses association with offering product or service	Additional research needed
1.			
2.			

C. Business plan components

If you have determined your idea is feasible then you move to the business planning process. This process will help to explore how you will go into business, and define the plan for achieving that. Four key components to the business plan are

- Description of the business
- The marketing plan
- The management plan
- The Financial Management plan

We will continue to explore how to develop these components throughout the upcoming sessions.

D. Resources for completing the research needed in the feasibility study and business plan

In determining the costs for doing business there are a number of resources to look:

- Industry trade association often have data on all aspects of a sector, including costs of goods, demographic information,
- Interview similar businesses.
- JJ Hill Business Resource library in St. Paul

- Small Business Association service centers.

Listed above are resources to help you identify income potential and expenses. But the number one tool for assessing cost is observation and understanding the process of a product or service from customer acquisition through delivering a final product. If you can assess a cost to each of the different components of this process, you will have a solid handle on the income and expense picture of your co-op business.

Handouts

Handout #1 Feasibility Study

Handout #2 Business Plan elements

Homework

Using the resources listed, research other components of the cost of producing your product or services, and complete *Defining your market* in the Co-op Profile.

Session 3, Handout #1: Feasibility Study

Feasibility study

(Source: University of Wisconsin Center for Cooperatives, *What is a Feasibility Study?*)

Market Analysis Research

The key questions that should be answered in the Market Analysis section of the feasibility study are presented below. In nearly all cases, research is required in order to obtain enough information to answer the questions. If these questions cannot be answered adequately, the project is not feasible.

1. What is the current or projected demand for your proposed products or services? In other words, how many units can you reasonably expect to sell each month?
2. What are the target markets for this product or service? What demographic characteristics do these potential customers have in common? How many of them are there?
3. What is the projected supply in your area of the products or services needed for your project?
4. What competition exists in this market? Can you establish a market niche which will enable you to compete effectively with others providing this product or service? Or, what significant advantage is the co-op planning to offer?
5. Is the location of your proposed business or project likely to affect its success? If so, is the identified site the most appropriate one available?

The market analysis should be conducted first because it is critical to the success of the business. If you cannot substantiate through research that adequate demand for your product or service exists, or if you cannot obtain sufficient quantity to meet expected demand, then your project is not feasible. You should not continue to the next step in the feasibility study.

Organizational Issues

1. What organizational structure is the right one for your project? (For example, a for-profit share co-operative or a non-share not-for-profit co-operative, a worker or employee co-operative, a producer co-operative, a consumer co-operative, or a multi-stakeholder co-op?) Remember that cooperatives are not the best form of legal business structure for every project.
2. Who will serve on the board of directors? What are their qualifications?
3. What qualifications are needed to manage this business?
4. Who will manage the business (if possible)?
5. What other staffing needs does the co-op have? How do you expect staffing needs to change over the next 2-3 years?

Because all subsequent decisions depend on the organization's legal business structure, the first question is critical and should be answered before you continue with the feasibility analysis. It is an important question and may take some research. Don't hesitate to call on a qualified attorney or other advisor if necessary.

While you need not know the answers to all the other questions in order for the business to be feasible, they must all be satisfactorily answered before you begin operations. This is a good time to begin the process of identifying appropriate individuals for the board, management and other staff positions, and to think carefully about what qualifications are necessary to manage this business.

Financial Issues

Once your analyses of marketing and organizational issues have been completed, the third and final step of a feasibility analysis is to take a look at key financial issues. Answer the following questions as well as you can at this point and identify key issues that will require additional research.

Note that some of the questions below -- specifically revenue projections -- are directly based on your market analysis (the first step in the feasibility study), in which you estimated the number of units of product or service you could sell. If you didn't do that part of the feasibility study thoroughly, you won't be able to do the financial analysis adequately.

1. **Start-Up Costs:** These are the costs incurred in starting up a new business, including "capital goods" such as land, buildings, equipment, etc. The business may have to borrow money from a lending institution to cover these costs.
2. **Operating Costs:** These are the ongoing costs, such as rent, utilities, and wages that are incurred in the everyday operation of a business. The total should include interest and principle payments on any debt for start-up costs.
3. **Revenue Projections:** How will you price your goods or services? Assess what the estimated monthly revenue will be.
4. **Sources of Financing:** If your proposed business will need to borrow money from a bank or other lending institution, you may need to research potential lending sources.
5. **Profitability Analysis:** This is the "bottom line" for the proposed business. Given the costs and revenue analyses above, will your business bring in enough revenue to cover operating expenses? Will it break even, lose money or make a profit? Is there anything you can do to improve the bottom line?

Session 3, Handout #2: Business Plan Elements

Example Business Plan

Source: Prepared by Tim Woods and Heath Hoagland, University of Kentucky.

What goes in a business plan?

The body of the business plan can be divided into four distinct sections:

- I. The description of the business
- II. The marketing plan
- III. The management plan
- IV. The financial management plan

I. Description of the Business

Provide a detailed description of your business. Ask questions such as "What business am I in?" When answering this question include your products, market and services as well as a thorough description of what makes your business unique. As the business plan develops, initial questions may be modified. Note the description of the business corresponds closely with the feasibility study questions proposed on the previous sheet.

II. The Marketing Plan

The marketing plan, or sometimes referred to as the "game plan" is more detailed than the questions asked in a feasibility study. The marketing plan actually outlines the activities to undergo in day-to-day operations, and the overall long run marketing projections.

Positioning

What are the intended or desired goals for the association with respect to how they want to be regarded as a supplier to the targeted market? Primary in-season supplier? Gap or short order supplier? Steady but secondary presence? What competitive factors outside the association may influence the viability of alternative supplier positions? What competitive advantage does the association have in the respective market?

Product line

What products will be emphasized in each target market? How are they chosen? How are new products introduced? Will there be any attempt to differentiate products?

Price

What product price will be necessary to make the targeted market viable? What are the break-even costs? What have prices been historically for similar products in the market? How will prices be determined? Who will determine it?

Distribution

Will distribution involve largely local channels or will there be significant inter-state trade? Is a PACA license necessary? How might growers efficiency manage/ coordinate their deliveries with outbound logistics? Might this be different depending on the target market? What specific outlets, businesses, or customers will be targeted within targeted market channel? Are there specific distribution and packaging needs for these customers?

Sales force

Who will handle the sales activities? How will contacts be made and maintained? Are there guidelines that need to be developed for sales staff? Special training? What sales activities are standard (required?) for the targeted market?

Sales promotion

Are special sales promotions beneficial to the development of a presence in the marketing channel? What are some cost-effective ways of starting? What are industry conventions for sales promotions? Trade shows? Industry associations?

Advertising

What advertising (if any) might be justified for the target market? What are effective media? Should there be a portion of the budget allocated to advertising? Should a professional agency be employed or can the association manage it? Are there any outside resources to help develop advertising to targeted customers?

Service

Are unique services expected for the market being considered? What are the costs and benefits to providing these services? What service might be necessary for the association to achieve the desired position in the market? Who provides the services?

Research and development

What activities can help the association monitor new industry tools and technology that may help the association improve its functioning or products? Is R&D likely to be important for the target market? Has there been considerable innovation within the segment recently? How might R&D needs be identified and communicated to organizations positioned to help the association with this task?

Marketing research

What trends may be important to watch in relation to the targeted market segment? What resources would be necessary to carry on needed market research? What industry communications monitor the relevant trends for the targeted market? What are the costs and benefits of the market research?

The 10 components above are guidelines to follow. The components are very important and any entity will vary from the next in answering the components. The association can benefit from having basic information and alternative generated from this marketing plan.

III. The Management Plan

Managing a business requires dedication, persistence, the ability to make decisions, and the ability to manage both employees and finances. Your management plan, along with your marketing and financial management plan, sets the foundation for and facilitates the success of your business. Employees are critical resources and will play an important role in the overall operations of your business. Knowing how to manage and treat employees is critical. The management plan should answer questions regarding:

- How does backgrounds/business experience help in the business?

- Who will be on the management team?
- What are the strengths and weaknesses of the management team?
- What are the duties of the management team?
- What are the plans for hiring and training personnel?
- What salaries, benefits, vacations, and holidays will you offer?
- What benefits, if any, can you afford at this point?

IV. The Financial Management Plan

Sound financial management is one of the best ways for your business to remain profitable and solvent. How well the finances are managed is critical to every successful business venture. Policies will need to be implemented that will lead to and ensure that you will meet your financial obligations. The feasibility study answers questions regarding the start-up budget. This section deals more with the operating budgets. The following are ideas to start with in the budgeting process.

- Personnel
- Insurance
- Rent
- Depreciation
- Loan payments
- Advertising/promotions
- Legal/accounting
- Miscellaneous expenses
- Supplies
- Outside services (contracting a hauling company)
- Payroll expenses
- Salaries/wages
- Utilities
- Dues/ subscriptions / fees
- Taxes
- Repairs / maintenance
- Growth expenses

The financial section of the business plan should include any loan applications, capital equipment and supply list, balance sheet, breakeven analysis, pro-forma income projections, and pro-forma cash flow. The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years.

Accounting and inventory systems should also be addressed in this section of the business plan. Answer questions such as:

- What type of accounting and inventory control systems will the business use?
- What will the sales goal and net income goals for the coming year be?
- What financial projections will be needed to include in the business plan?

Session 4: Building the democratic community and co-op feasibility study

Participant Outcomes

Participants will gain an understanding of the roles and responsibilities of the membership, how to communicate with the members and determine a co-ops feasibility based on its membership population.

Session Outline

The primary content of this session is organized around the following topics:

- A. Answering the question: are you stronger together?
- B. Defining the value proposition of membership
- C. The role of the members
- D. Communicating with your market and membership
- E. Ongoing member recruitment, orientation, engagement and education

Session Content

A. Are you Stronger Together?

As previously discussed, the development process of a co-op must focus on both the economic nature of the co-op as well as the development of human capital and working as a collective. As the steering committee moves through analyzing the feasibility of the co-op, they must also look at both individual and internal governance goals of the co-op to determine if the co-op model is in fact the best model for their business enterprise. This decision becomes more relevant and apparent as the steering committee starts to sculpt the management and governance of the co-op. It is also an important fact as you define the roles, responsibilities and communication strategies with your membership.

Defining the level of both control and responsibility of the membership with lend itself to sculpting the value proposition for the member.

Activity #1: Co-op Applicability

B. Defining the value proposition of membership

Understanding the feasibility of a co-op is understanding how it can succeed not just as a business, but as a business that serves a membership

Activity #2 Fair State Brewery and value proposition activity.

Co-op Profile: Defining value proposition of membership

Define that value of membership to:		
The individual members:	The cooperative:	The community:

C. The role of your members

Your members will have a financial role in your organization, however that role will depend on the type of co-op and how you have defined roles and responsibilities for your members.

Activity #3: Defining your membership as market

Co-op Profile: Defining your market and membership as market

Product or service	What is the product demand	Who is (are) your target market(s)	What competition exists?	Co-op competitive advantage?

Product or service	How does the membership contribute towards revenue generation	What is the cost associated with this member
<i>Ex. Building Widgets</i>	<i>Ex. A worker-owner will provide services that the co-op will charge for</i>	<i>Hire the worker- owner</i>
<i>Ex. Food Co-op</i>	<i>Ex. A consumer will buy from our co-op</i>	<i>Marketing and communication with member</i>

Having an understanding of how members contribute to revenue – are they workers, contributing to earnings; consumers that are buying; producers that are supplying – you can understand the feasibility of the co-op as it relates to the members it serves.

D. Communicating with your market and membership

As a democratic, participatory organization, effective communication with your membership is important to growing your membership, the long-term economic sustainability of your co-op, and fluid governance and management.

The membership drive may be the first interactions the membership has with a co-op. The steering committee will want to create a strategy for communication with members and potential members. This strategy will include the medium used to reach the members (social media, print, event), the purpose of the event (membership recruitment, informational) and the key message they are trying to deliver (purpose of the co-op, recruiting volunteers).

Communication strategies help the steering committee think through how they will present their idea and specific ‘ask’ of members. Creating a communication strategy can be a useful exercise to ask questions that membership may ask, and being sure of the answer.

Handout #2: Membership Promo Barriers

E. Ongoing member recruitment, orientation, engagement and education

Communication with the membership is never finished. As a co-op, member communication should be as integrated into the work plan as paying the bills. The type of member communication and engagement will need to be continually reexamined. The management and board of the co-op should

have an understanding of the communication and education needs of the membership that will ultimately contribute to the sustainability of the co-op.

Handouts

Handout #1: Fair State Brewery vignette

Handout #2: Member marketing barriers

Homework

Complete the *Communication with your membership and market* in the Co-op Profile.

Session 4, Handout #1: Fair State Brewery vignette

Evan Sallee and Niko Tonks were passionate about craft beer and had a dream to open a brewery. Evan explored different ways to incorporate their brewery and came upon Black Star Brewery in Austin, TX. Black Star was organized as a co-op, with both consumers and workers as owners.

The co-op model was intriguing to Evan for a number of reasons: it would help to create a consumer base that also appreciated beer, the brewery space could be a place of congregation for the community, and co-op membership would help to raise initial investment funds – funds that were proving difficult to find.

Evan and Niko hosted their first membership information party to tell people about the idea, taste the beer and recruit members. This initial group of party invitees was comprised of a network of family and friends. At that first party, 50 members joined the co-op. Evan and Niko held more parties, the idea spread, and more community members started joining in support of the co-op. By the time Fair State Brewery opened their doors, they had 250 members.

Session 4, Handout #2: Member Marketing Barriers

Common Barriers to Successful Membership Promotion

Source: North Country Development Services

1. Function of capital not understood by co-op leadership (board, management)
2. Membership promotion is viewed a peripheral/unessential to success of co-op
3. Capital needs underestimated
4. Member equity program too complicated
5. No specific objectives, measureable plan
6. No timeline – trying to implement everything at once
7. No one in charge, accountable – whose job is it?
8. Good promotion, weak administration; good administration, weak promotion
9. Staff not comfortable promoting membership

Session 5: Focus on Financials

Participant Outcome

Each participant will understand the purpose of basic financial statements; how they are essential to business planning and for meetings with prospective lenders, and in obtaining financing. Participants will gain confidence that they can learn to read basic financial reports and to use them to assess business status and progress. They will also understand the unique treatment of income generated by a cooperative business. Each participant will draft at least one budget (sources & uses, cash flow, or operating) that is of use in their stage of development, and a balance sheet.

Session Outline

The primary content of this session is organized around these areas:

- A. Start-up or Project Budget
- B. Balance Sheet
- C. Cooperative Accounting
- D. Cash Flow Budget
- E. Operating Budget and Income Statement

Session Content

A. Start-up or Project Budget: Sources and Uses

The sources and uses budget is a tool for planning and managing the development phase of your co-op business start-up.

Handout #1: Sources and Uses Budget Worksheet

Food Co-op Initiative website is a good resource for a sources and uses budget template and sample. View on screen. <http://www.foodcoopinitiative.coop/FinancialTools>

Reviewing the sample sources and uses budget can shed light on expenses start-up businesses may overlook or underestimate, such as consultant, legal fees and licensing during the development period, and also enough start-up capital to cover shortfalls in early months/year of operations. It's very important that your project budget uses (or expenses) are complete and accurate for a realistic and strong business start-up.

A well-constructed sources and uses budget, for example, to monitor project progress, to make timely adjustments if expenses differ from budget, to provide your business development project overview and detail, to members, lenders, investors. Explain how you arrived at the uses and sources amounts, in the column on the right side, and be sure to update changes during the project. Be sure to indicate if an amount is an estimate, or supported by a contract, or if it has already been secured, such as member investment and member loans, or already if an expense has already been paid. This is important to you, and to prospective lenders as well.

Activity #1: Drafting a sources and uses budget

B. Balance Sheet

A balance sheet is like a snapshot of business assets and liabilities at one moment in time. It is useful in determining whether your co-op is ready to launch, or what you need to do to get there.

You will need to project an accurate balance sheet for your opening day; because your budget forecasts will be based on the information in it. Understanding the balance sheet is useful to a cooperative at opening, and also over the life of the business. Equity and debt are useful to a business initially, and over time.

Review definition of assets, debt, and equity, with these handouts:

Handout #2 Definition of Terms

Handout #3 Balance sheet contents

Handout #4 Balance sheet example

Handout #5 The value of equity to your cooperative business

Activity #2 and homework: Balance Sheet (Follow pattern of Handouts #3 and #4)

Think about how a balance sheet will change over time, e.g. with investment of new members, when the business borrows money to make repairs, to remodel, or to expand.

C. Cooperative Accounting

Refer to Handout #1, and read the definition of patronage and how it is generated, quantified and tracked through accounting. Describe how the unit of patronage varies based on type of co-op ownership. Discuss how co-op accounting tracks individual member patronage, and why this is important. Discuss why it is important to have an accountant and/or training from an accountant familiar with cooperative patronage and related tax implications.

Activity #3: Patronage

D. Cash Flow Budget

A cash flow budget illustrates projected cash transactions of a new business during initial months of operation. The transactions are classified into three sections: cash flow from 1) operating, 2) investment, and 3) financing.

The cash flow budget is helpful for a startup business, because your available cash may be limited in your early months and years of operation. When your business is up and running, it can be helpful for the same reasons, especially if your business produces significant variations from day to day, or seasonally, or if you extend payment terms to customers.

The cash flow budget can help you estimate an amount of working capital you might need to raise by increasing member investment or loans, or to borrow so your business will be able to meet its

obligations. This financial tool can also help you demonstrate to prospective lenders how you expect to make payments on loans.

Handout # 6 Cash flow budget example U2U Cooperative. Review the cash flow budget example. If you select this for your homework, you can use the cash flow budget template, Handout #7, or an online cash flow budget template.

E. Operating Budget and Income Statement

Operating Budget:

The operating budget provides a forecast of income and expenses over a specific period of time, and a basis to measure progress over time. Unlike the cash flow budget, this budget will show transactions, rather than cash activity. So, you will enter what you expect your sales to be during a specific period of time, whether or not it will be paid for at the time of sale, or at a later date.

The operating budget is most useful when it includes important details about general categories shown on a cash flow budget. For instance, providing a separate line for retail, online and event sales might help you identify where an increase or decrease in sales is coming from. Likewise, the operating budget will provide detail on specific expenses, so you can track variations and identify areas of concern.

Think about how to project income and expenses for your business, and what co-op and industry specific resources that might be helpful. Discuss why it's important to project an operating budget for the first year, and for the first five years.

Income Statement:

Also known as profit and loss statement, this report depicts business performance during a specified period of time, such as a month or a year.

The line items on the income statement will match those on the operating budget, to help you see how your business has performed compared to your expectations. Comparing business performance to the budget for the same period of time makes it easy to see variations line by line, to seek explanations for significant variances, and to make judgements regarding whether or not to adjust operations in some way and/or to adjust expectations.

Handout #8 Income Statement Urban Organics

Handout #9 Operating Budget Urban Organics

Activity #4: Income Statement

Think about what kind of variation between your income statement and your budget that would cause you to be concerned, and why and how you might make changes in operations and/or future budgets based on looking at your income statement each month. Discuss in small groups or all together.

Handouts

Handout #1: Sources and uses budget worksheet

Handout #2: Definition of terms

Handout #3: Balance sheet contents
Handout #4: Balance sheet example U2U
Handout #5: Value of equity to the cooperative enterprise
Handout #6: Cash flow budget example U2U
Handout #7: Cash flow budget template
Handout #8: Example income statement Urban Organics
Handout #9: Example operating budget Urban Organics

Homework

If participant's co-op is in business development phase, the assignment should be to create a sources and uses budget, with an opening balance sheet for extra credit.

If they already have these pre-opening documents, or if their business is already open, their assignment should be to review current financial reports and make a list of comments and questions they have about their current budget and initial business performance in relation to budget.

Session 5, Handout #1: Start-up or Project Sources and Uses Budget

Uses (Expenses)	Amount	Notes How you determined the amount; documentation, contract, vendor price list, quote, estimate based on ?
Acquisition		
Physical plant improvements		
Leashold improvements		
Equipment		
Inventory		
Fees:		
consultants		
architect/engineer		
design/sustainability		
brand development		
legal		
financial		
environmental		
Project management		
Overhead/Administration		
promotion prior to opening		
Startup promotion		
Startup staffing		
Holding/site costs		
Interest during projects		
Post opening professional support		
Industry association membership		
Working capital		
Overrun allowance		
Total uses		

(Sources and Uses budget continued)

Sources	Amount	Notes projected, confirmed, contingent on another source, etc.
Cash from:		
benefits/events		
donations		
merchandise contributions		
Grants		
Member equity		
membership shares		
preferred Shares		
Equity fund		
Miscellaneous		
<i>Subtotal owners contributions</i>		
Landlord contribution		
Vendor credit		
Free fill		
City/County		
Gap		
Co-op Lenders		
<i>subtotal external</i>		
Bank Debt		
Total sources		

Session 5, Handout #2: Cooperative Accounting Terms and Definitions

Equity is the member/owners' combined investment in their cooperative. Equity is also called net worth, and it represents the member/owners claim against the assets of the cooperative. Equity assumes the most risk and is subordinated to other forms of financing provided to a company; the owners stand to lose it if the cooperative fails. Equity includes member shares and unallocated equity.

Member Shares include shares of common stock or preferred stock. Common stock includes voting and non-voting shares that are the investments required for ownership. Preferred stock may be offered to members, often prior to co-op opening or expansion, and requires a more significant dollar investment. Preferred stock is called preferred, because common stock is subordinated to preferred stock, and dividends may be paid on preferred stock before patronage allocation. In co-ops incorporated as non-stock corporations, certificates of membership or certificates of equity may be issued to members, and function as common stock.

Net Income is also called net profit or net surplus, and is the amount remaining when expenses are subtracted from total revenue.

Retained Earnings include earnings from the current and previous years that members agree to keep in the cooperative as a form of permanent capital. Retained earnings are another form of equity, representing surplus earnings accumulated over time. Although collective retained earnings are unallocated to specific members, they are part of the member/owners claim against assets.

Patronage is central to the cooperative structure and its equitable return to owners. Cooperatives allocate earnings to owners based on their patronage or use of the cooperative. A cooperative must track the patronage of each owner by an agreed upon measure or patronage unit.

Members patronize a consumer co-op through their purchases.

- Members patronize a worker co-op through work, and often use an hour of work as the patronage unit.
- Consumer co-ops keep a record of each member's purchases.
- Members patronize a producer co-op by providing products which are marketed together. A producer co-op patronage unit may be a pound, a gallon, or another measure appropriate to the specific product.

A cooperative is obligated to track the patronage of each owner, both for tax purposes and for equitable allocation of net income.

Allocation: At the end of each year, when net income has been determined, a portion of the net income is allocated to each member according to the proportion of their use, or patronage, of the cooperative. Allocate means to assign to the members of a co-op a portion of the net income. This allocation is the patronage refund. Prior to the beginning of each fiscal year, the co-op board of directors will determine the advance rate – or distribution of profit based on patronage, as well as the allocation formula for net income.

To allocate is not the same as to distribute. Allocation refers to the entire patronage refund. Distribution refers to the cash portion of the patronage refund, which is distributed to each member.

Patronage Refund is the portion of net income allocated to the members of the cooperative in proportion to their use or patronage of the co-op. This is not a “dividend” because the amount is determined based on participation (patronage) in the co-op, and not based on the total amount of capital stock held by the member.

Unallocated Equity is the portion of net income that remains after preferred stock dividends and patronage allocation is determined. This is called “retained earnings” in other types of business and serves as permanent capital for the firm.

Session 5, Handout #3: Balance sheet contents

Total Assets

<p>inventory Includes inventory of ready to sell products, as well as ingredients or materials that will be processed for sale</p>
<p>equipment Includes all equipment owned by the business.</p>
<p>cash Money in your business checking account and any other accounts held by financial/investment institutions</p>
<p>receivables Money owed to your business for any goods or services you provided, or for equipment sold on extended terms</p>
<p>prepaid expenses Includes insurance premiums, license fees, etc., that may cover a</p>
<p>miscellaneous assets</p>

Total Liabilities

<p>DEBT</p> <p>accounts payable Money you owe for goods or services provided to your business, that you have agreed to pay for over a period of time</p> <p>loans Debts that you owe to financial institutions, organizations, and individuals</p> <p><i>member loans</i></p>
<p>EQUITY</p> <p>retained earnings Portion of net income that is not distributed in cash to member-owners. This may include funds allocated to members, and general retained earnings.</p> <p>member shares Voting shares Non-voting shares</p>

Session 5, Handout #4: Balance sheet example

Opening Day 1.1.16

Total Assets		Total Liabilities	
inventory		DEBT	
products ready for sale	\$5,000.00	accounts payable	
supplies: fabric, etc.	\$2,000.00		
patterns	\$1,000.00		
equipment		loans	
three sewing machines	\$1,000.00		
two cutting tables	\$250.00		
shelves, tables, chairs	\$300.00		
cash		EQUITY	
in bank	\$6,000.00	retained earnings	9,550.00
receivables			
		member shares	
prepaid expenses		voting shares	
		3 members; \$2,000/ea	6,000.00
miscellaneous assets			
TOTAL	\$15,550.00	TOTAL	15,550.00

U2U will transfer their equipment and inventory to the restructured business (from partnership to worker cooperative)

Session 5, Handout #5: Keeping your cooperative alive

The importance of retained earnings and equity capital

The best way to insure your co-op's success is to have funds set aside to meet expected and unexpected capital needs

Member equity is important to your cooperative business for several reasons:

1. It is a source of funding for future capital needs.
2. It provides a cushion against emergencies, and prevents overdependence on debt.
3. It can be used to leverage bank financing. It represents the dollar amount of commitment of members to the cooperative.
4. It is a source of capital that isn't borrowed from outsiders; it is a more stable capital and unlike borrowed funds, it doesn't need to be repaid in regular installments.
5. It allows the cooperative operational flexibility to be entrepreneurial – to take advantage of unexpected opportunities.
6. It insures adequate cash flow for inventory, investment in and maintenance of equipment investment in and maintenance of equipment, investment in and maintenance of physical plant, to compensate workers well, and to provide the best service to customers.

Session 5, Handout #6: Cash flow budget example U2U

Monthly Cash Flow 2017														
Useless to Useful (U2U) Arts Cooperative														
	start-up	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	TOTAL
Starting Cash	6,000.00													
Cash Flow from Operating Activities														
Sales Income		500.00	500.00	1,000.00	2,000.00	3,500.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	12,000.00	12,000.00	81,000.00
Teaching Income			700.00	1,400.00	350.00	500.00	500.00	500.00	500.00		750.00	500.00		5,700.00
Total Revenue		500.00	1,200.00	2,400.00	2,350.00	4,000.00	10,500.00	10,500.00	10,500.00	10,000.00	10,750.00	12,500.00	12,000.00	86,700.00
Operating Expenses														
Supplies - Thread, Yarn, Twine		(250.00)		(25.00)				(250.00)		(250.00)				(775.00)
Supplies - Fabric		(1,000.00)						(2,500.00)		(2,500.00)				(6,000.00)
Miscellaneous Supplies			(50.00)		(50.00)		(50.00)		(50.00)		(50.00)		(50.00)	(300.00)
Studio Rent											(1,500.00)	(500.00)	(500.00)	(2,500.00)
Utilities											(25.00)	(35.00)	(35.00)	(95.00)
Memberships, Subscriptions										(50.00)	(500.00)			(550.00)
Member Compensation		(250.00)	(400.00)	(700.00)	(800.00)	(1,200.00)	(3,250.00)	(3,250.00)	(5,250.00)	(5,000.00)	(5,375.00)	(6,250.00)	(6,000.00)	(37,725.00)
Non-member Compensation			(200.00)	(500.00)	(475.00)	(800.00)	(2,000.00)	(2,000.00)						(5,975.00)
Contract Tech - Website, etc				(100.00)			(100.00)			(100.00)				(300.00)
Transportation - Fuel		(35.00)	(60.00)	(75.00)	(75.00)	(100.00)	(100.00)	(100.00)	(100.00)		(50.00)	(50.00)		(745.00)
Total Operating Expenses														
Cash Flow from Investment Activities														
Industrial Sewing Machine										(750.00)				(750.00)
Van					(25,000.00)									(25,000.00)
Cash Flow from Finance Activities														
Loan from Moonglow Bank				25,750.00										25,750.00
New Member Investment									2,000.00					2,000.00
TOTAL	6,000.00	(1,035.00)	490.00	26,750.00	(24,050.00)	1,900.00	5,000.00	2,400.00	7,100.00	1,350.00	3,250.00	5,665.00	5,415.00	40,235.00
CUMULATIVE	6,000.00	4,965.00	5,455.00	32,205.00	8,155.00	10,055.00	15,055.00	17,455.00	24,555.00	25,905.00	29,155.00	34,820.00	40,235.00	

U2U is a worker owned cooperative of textile artists, who each sell their own work through galleries, gift stores, and online. They have collaborated to create patterns useful items made from discontinued and discarded fabrics. U2U = Useless to Useful. The cooperative includes three members who have each made an ownership contribution of 2,000. A few additional textile artists have assisted U2U artists with assembling the co-op products, teaching in schools and parks, and bringing U2U's products to art fairs during the summer season. They accept cash or checks for their products. U2U is in the process of incorporating, and will begin working as a cooperative in January 2017. U2U has been successful in test marketing through stores, fairs, and special events during 2014 and 2015. They have commitments from a number of retailers to purchase their products in 2017. Their current focus is to establish criteria for new members; they expect to accept two additional members in August 2017. U2U is also seeking a small studio where they can store equipment, supplies and product inventory, as well as space for production tables. They also plan to purchase a van prior to 2017 summer art fair season, and an industrial sewing machine for holiday season.

Session 5, Handout #7: Cash flow budget template

Monthly Cash Flow 2017														
Business Name:														
	start-up	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	TOTAL
Starting Cash														
Cash Flow from Operating Activities														
Sales Income														
Other Income														
Total Revenue														
Operating Expenses														
Supplies														
Miscellaneous Supplies														
Rent or Mortgage Pmt														
Utilities														
Memberships, Subscriptions														
Member Compensation														
Non-member Compensation														
Contract Tech - Website, etc														
Transportation - Fuel/Mileage														
Total Operating Expenses														
Cash Flow from Investment Activities														
Equipment purchase/pmt														
Equipment sale														
Cash Flow from Finance Activities														
Loan														
Loan Payments														
New Member Investment														
TOTAL														
CUMULATIVE														

Session 5, Handout #8: Example income statement Urban Organics

Urban Organics Producer's Cooperative			
Income Statement			
January - December 2015			
			Jan - Dec 2015
Ordinary Income/Expense			
Income			
	Market sales		3,956.00
	CSA sales		65,988.00
	Restaurant sales		789.00
	Total Income		70,733.00
Cost of Goods Sold			
	Packing supplies		78.00
	Farmer member payments		35,329.00
	Non-member payment		7,459.00
	Fuel		369.00
			43,235.00
	Gross Profit		27,498.00
Expense			
	Supplies		29.00
	Postage		45.00
	Website design, etc		67.00
	Payroll processing		427.00
	Admin wages		2,800.00
	Sales wages		3,200.00
	Facility lease		3,800.00
	Payroll tax		6,219.00
	License fees		529.00
	Insurance		593.00
	Taxes		259.00
	Technology		1,317.00
	Vehicle expense		2,529.00
	Total Expense		21,814.00
	Net Income		5,684.00

Session 5, Handout #9: Example operating budget Urban Organics

Urban Organics Producer's Cooperative							
Income Statement							
January - December 2015							
		Actual	Projected				
		2015	2016	2017	2018	2019	2020
Ordinary Income/Expense							
Income							
	Market sales	3,956	4,250	4,500	5,000	5,600	5,900
	CSA sales	65,988	67,000	67,000	68,000	68,000	70,000
	Restaurant sales	789	2,500	5,000	7,500	8,000	9,000
	Total Income	70,733	73,750	76,500	80,500	81,600	84,900
Cost of Goods Sold							
	Packing supplies	78	85	90	95	95	100
	Farmer member payments	35,329	36,500	39,500	40,000	40,800	42,000
	Non-member payment	7,459	8,000	8,500	9,000	9,000	9,000
	Fuel	369	400	400	500	500	500
		43,235	44,985	48,490	49,595	50,395	51,600
	Gross Profit	27,498	28,765	28,010	30,905	31,205	33,300
Expense							
	Supplies	29	35	40	45	50	50
	Postage	45	50	55	60	60	60
	Website design, etc	67	75	75	80	80	80
	Payroll processing	427	500	500	525	550	600
	Admin wages	2,800	2,800	2,800	3,000	3,000	3,200
	Sales wages	3,200	3,500	3,750	4,000	4,500	5,000
	Facility lease	3,800	3,800	3,800	4,000	4,000	4,000
	Payroll tax	6,219	6,500	6,500	6,600	6,600	6,700
	License fees	529	550	575	600	600	625
	Insurance	593	600	625	650	650	700
	Taxes	259	350	450	550	650	750
	Technology	1,317	1,500	1,500	1,750	1,750	1,750
	Vehicle expense	2,529	2,750	2,750	3,000	3,000	3,000
	Total Expense	21,814	23,010	23,420	24,860	25,490	26,515
	Net Income	5,684	5,755	4,590	6,045	5,715	6,785

Session 6: Cooperative Governance

Participant Outcome

Participants will understand governance in a cooperative business. They become familiar with the board's legal responsibilities, and how board and management responsibilities are different. They will be able to explain the role of the board in sustaining the cooperative. They will learn about how to establish a board of directors in a new cooperative, as well as choices they will make regarding board operations and priorities.

Session Outline

The primary content of this session is organized within these areas:

- A. Roles and responsibilities of governance in a cooperative business
- B. Establishing a board of directors in a new cooperative; common variations among boards and governance types
- C. The different responsibilities of the board and management
- D. Board orientation, education, vitality, and perpetuation
- E. The board's relationship with and accountability to members

Session Content

A. The role of governance in a cooperative business

Key components of a Democratic Organization

1. Legal structure (articles of incorporation and bylaws)
 - Establishes rights and responsibilities of cooperative member-owners
 - Outlines framework for Governance
2. Governance system
 - Provides means for members to exercise rights and responsibilities and to enjoy the protection they provide.
 - Components are: members, board of directors, committees, grievance council
3. Performance system
 - Provides the means by which the work of the organization is structured and implemented
 - Components are: workers, coordinators/supervisors, managers

Board Responsibilities - Handout #1 Board Responsibilities

- Govern on behalf of owners
- Maintain essential focus on mission, values, and service to members
- Ensure Sound financial position and management performance

Board Functions

- decision-making
- advisory
- trustee
- symbolic
- perpetuating

Board Duties and Legal Obligations

- Duties: attention and diligence, loyalty, care
- Legal Obligations: reasonably prudent person, principle of good faith
- Representing all members; speaking with one voice
- Delegation and accountability, within the board and with management

The board represents all members, not portions of the membership nor single members. Board members do not act alone; they speak with one voice.

Activity #1: Board challenges and concerns

B. Establishing a board of directors in a new cooperative

There are unique challenges to cooperative organizers as the steering committee hires the initial manager of their business and transitions to establishing the initial board of directors. The challenges of transitioning from planning a business to opening and operating a business. It's a good idea to cultivate board candidates during the development process, especially if steering committee members plan to step down when the business opens.

Having clear goals, agreement on meeting management and decision making practices, and policy development can also make this transition easier and more effective. Experiences of the steering committee and leadership growth during the cooperative development phase can be useful. Board recruitment and orientation is essential at the outset, and vital for perpetuating your cooperative.

Good recruitment and orientation practices helps new members feel more welcome and ready to participate, and also helps the board focus on its responsibilities together. Thoughtful recruitment helps a board find eager and bright candidates who can understand their role and bring value and energy to the group. Specific expertise in board members can be helpful, but, it is most important that the board aims to reflect the diversity among members. Board members are not expected to represent a constituency, but rather to bring perspectives that expand the board vision and the ability to make decisions that serve all members.

Handouts #2 and #3 board recruitment and sample recruitment letter

The board can support new members in being effective by developing a good orientation process and materials that are updated each year. Board orientation should incorporate a history of the co-op, recent records, policies, and a description of how meetings are conducted and how decisions are made.

Boards function well and make the best decisions when they incorporate continuing education into their practices. Continuing board education can refresh the board's understanding of their roles and responsibilities, its understanding of the co-op's industry. It can also broaden the board's knowledge of the cooperative network in their community, state and worlds. Strong boards plan for continuing education, incorporated into each meeting and/or into special meetings or retreats. It doesn't have to be expensive. Cooperation among cooperatives is guiding principle, so you may be able to find experienced board members from other co-ops who are happy to visit your board meeting and describe how they met a particular challenge.

A good focus for discussion can begin with asking participants to share their experiences in this area.

C. Different responsibilities of the board and management

Developing a common understanding of the role of governance activity/the board of directors and the role of operational activity/ the manager is central to a cooperative success. The board is responsible to hire management and evaluate progress toward goals. Whether there is an elected board, or as is common in small cooperatives, everyone is on the board, the function of delegation and accountability is key.

Handout #5 Criteria for separating board and management responsibilities

Activity #2: Board and management responsibilities

D. The board's relationship with and accountability to members

The board must keep in mind that their actions and decisions should be guided by their responsibility to the cooperative as a whole.

Handout # 5 Questions for a board to consider when reviewing a proposed project or action

Handout # 6 Challenges in Cooperative Governance

The board is legally obligated to have an annual member meeting, where reports on the co-op's financial status and progress toward goals are presented, where new board members are elected, bylaw changes and other major decisions may be considered, and co-op members have a chance for social time together.

Member engagement and education are as important to the membership as they are to the board. The co-op is a democratic entity, and democracy depends on education! Integrating ongoing engagement and education may take many forms, and vary because of the co-ops ownership type, industry and other factors. Board recruitment is one way to engage members, and many co-op boards include member-at-large participation in ad hoc committee work.

Handouts

Handout #1: Board Responsibilities

Handout #2: Recruitment

Handout #3: Sample board recruitment letter

Handout #4: Criteria for separating management, board, and membership areas of authority

Handout #5: Questions for a board to consider when reviewing a proposed project or action

Handout #6: Challenges in Cooperative Governance

Homework

If participant's co-op does not have a board of directors, describe how you will develop your first board, what do you think its characteristics will be and why.

If participant's co-op does have a board of directors, describe its characteristics and style of operation.

Session 6, Handout #1: Board of Director responsibilities

Duties of the Director

Duty of care

Duty of loyalty

Duty of candor

Responsibilities of the Board

Governs on behalf of the owners

Guardian of the cooperative's mission and values

Determines the reason for the co-op's existence

- What needs are to be met
- For whom

Bears ultimate responsibility for:

- Health of the business
- Safeguarding the business

Ensures that the business

- Defines its place in the market
- Provides goods and services at a good value
- Is adequately capitalized
- Is well managed

Session 6, Handout #2: Board Recruitment Steps

- Plan timeline
- Identify committee
- Match tasks with committee members who have skill and time available
- Design recruitment message (for email to all members, website, Facebook, flyer/poster . . .)
- Update board manual and plan board orientation
- Design application, including statement to members
- Identify allies in your search
- Assemble initial pool of names
- Contact prospective candidates directly
- Hold meet and greet “get to know the board and the board’s role” event(s)
- Select slate if number of candidates exceeds, e.g. 2 or 3 for each open position
- Collect or take photos of candidates
- Assemble candidate statements and photos; create ballot
- Distribute ballot to members
- Collect ballots
- Announce winners
- Thank all candidates
- Provide orientation session before next board meeting

Session 6, Handout #3: Sample recruitment letter

Seward Co-op Grocery
2201 E. Franklin Ave.
Minneapolis, MN 55404
(612) 338-2465

Dear

You have been recommended as a potential candidate for the Seward Co-op Grocery board of directors because of your enthusiastic commitment to the co-op and skills in group process, finance and community organizing. We would like you to consider being a candidate for the upcoming board elections at the October 28, 1990 Annual Meeting.

Now is a very exciting and crucial time for leadership at Seward Co-op. We are investigating consolidation with other grocery co-ops in the Twin Cities, and you can be part of exploring this vision. We need committed members who can participate in discussions and make important decisions on this project. There is also a continual need to build membership and heighten our profile as a community resource. The grocery business is becoming more competitive, and Seward Co-op needs a strong board of directors as well as strong management to maintain our position in the community and the marketplace.

Board members safeguard the members assets by holding management accountable to established goals. Directors are elected to serve for two years and are required to attend one board meeting a month, and sit in on one committee if possible. Routine board duties are: long-range planning, policy implementation, hiring and evaluating general manager and advising the membership program. For their volunteer effort, directors receive a 10% discount.

Previous directors have said serving on the board is the most rewarding and challenging thing they have done for the co-op. What you do for the board does make a difference. To nominate yourself, fill out the enclosed form as soon as possible. If you have any questions, or would like to get more details please call myself or Gail Graham, manager at the co-op, 338-2465. I look forward to hearing from you.

Cooperatively,

Patricia Cumbie
Membership Coordinator
Seward Co-op Grocery

Session 6, Handout #4: Criteria for recognizing board and executive areas of responsibility

	<u>Board</u>	<u>Executive</u>
Accountability:	The board is accountable to the members as a whole. The board provides members with fair and accessible board member election, annual meeting and report on the financial status of the cooperative and progress toward goals.	The manager is accountable to the board. The manager supports board recruitment and participates in reporting to the membership.
Areas of Concern Goals, Policies:	The board is guardian of mission, values and long range goals. The board determines policies consistent with the mission, values and long range goals.	The manager oversees operations and resources in a manner consistent with policies and long range goals set by the board.
Commitment of Resources; Scope of Decisions:	The board makes final decisions regarding and sets limits on the commitment of resources for a long period of time, and those that dedicate a substantial portion of resources. The board request and reviews information from the manager and other sources as needed.	The manager allocates and controls resources to achieve of short range and intermediate goals. The manager develops plans and strategies, analyzes options, and provides information to the board.
Perpetuation:	The board provides assurance of capable management through recruitment, orientation, and oversight. The board assures a consistently capable board through recruitment, orientation, continuing education, and board evaluation.	The manager sets and implements standards. The manager provides regular reports to the board as required and requested.
Operations and Management Evaluation:	The board monitors operational performance for conformance with policies and progress toward goals. The board sets performance standards for the manager, evaluates performance and takes appropriate action, including reinforcement or adjustment of goals and policies, compensation, or removal and replacement.	The manager oversees operations and provides report to the board as required and requested for monitoring operational and managerial performance.

Session 6, Handout #5: Questions to consider regarding a proposed project or action

- Will the proposed action/project support the value and purpose of the co-op?
- Will the action/project provide advantages to members?
- How will it be financed?
- What is the degree of risk versus the potential return?
- Can the proposal be undertaken without undermining current commitments?
- Will the proposal improve the co-op's market position in the short run or in the long run?
- Do we have enough information to answer the above questions? If not, how will we get the information we need?

Session 6, Handout #6: Challenges in Cooperative Governance

Spending time and attention designing a governance system is worthwhile. The responsibility and authority for various groups in the organization -- such as the manager, the board, committees, members -- to make decisions needs to be specifically described.

It should be clear to everyone which person or group is designated and authorized to deal with which issues. Not making these things clear can result in confusion and misunderstanding later on, when difficult issues arise.

In co-ops where there the governance system is not well-constructed and well-understood, the results have often been:

- Managers making policy decisions on their own, because neither the board nor the membership has the power and the means to direct management behavior.
- Managers who are unable to accomplish essential work by boards of directors or members who overrule them, or rebel against their decisions rather than guide them with clear policies and objectives.
- Cooperatives plagued with conflict in trying to decide a controversial matter because no clear decision-making procedures have been established.

With regard to members, avoid the traps of powerlessness:

- So much structure and bureaucratic procedure that member can't actually use the power they formally have.
- So little structure that a member can't see how or where to contribute a perspective or opinion to make a difference.

Session 7: Legal framework

Participant Outcomes

Participants will gain an understanding of the legal entity options available and the business implications of choosing one of these types. They will learn what's necessary to begin drafting essential documents for incorporating or organizing the cooperative, and will begin planning the capital structure of the firm. Participants will learn of various legal documents that may become necessary to create in the early development of the business, and will begin to explore further legal issues.

Session Outline

The primary content of this session is organized within these areas:

- A. What is incorporation, why and when should it be done
- B. Overview of legal entity options
- C. Information and decisions necessary for incorporation
- D. Legal issues beyond incorporation – membership management, expansion, labor law
- E. Tax treatment of cooperatives (optional – if not covered in Session 5)

Session Content

A. What is incorporation, why and when should it be done

Incorporation is the formal process for creating a new entity, separate from the individuals that are investors and decision-makers in the firm. To limit personal liability from the activities involved in operating a business, incorporation is advisable for starting most new businesses, including co-ops. In the start-up process incorporation usually occurs before handling significant amounts of money, or when it's necessary to have a legal entity enter into agreements with members, lenders, or consultants. Groups should see legal counsel to determine the appropriate time to incorporate and to advise on the type of entity that should be formed.

As was covered in Session 1, cooperatives share functional attributes, and it is possible to operate on a cooperative basis while being incorporated under several different Minnesota statutes. Minnesota has two different cooperative statutes, and it possible to structure an LLC, business corporation, or nonprofit corporation to function using a cooperative plan.

B. Overview of legal entity options

The “Legal Entity Chart” handout provides an outline including common considerations involved in forming a new business.

Activity #1: Selecting a type of business entity

Co-op Profile: Assessing and selecting a business entity

Entity	Pro	Con
308A Co-op		
308B Co-op		
322B LLC		
308A Corporation		
317A Nonprofit Corporation		

The full statutes for each type of business can be found at the Office of Revisor of Statutes:
<https://www.revisor.leg.state.mn.us/pubs/>

To find copies of filing forms, check for business name availability, and eventually file for incorporation, visit the Office of the Minnesota Secretary of State: <http://www.sos.state.mn.us/>

C. Information and decisions necessary for incorporation

Incorporation can be completed very quickly, with just a few pieces of information. But, to prevent later fees from filing amendments and to reduce attorney fees associated with fixing organizing documents, it's advisable for the steering committee to carefully consider the special rules that distinguish cooperatives from other business types. The various laws governing business layout a default set of operating parameters, but many times there is flexibility in how the business will function, as long as these differences are described in the articles of incorporation or bylaws.

Before incorporating a new co-op it is often helpful for the steering committee, or initial members, to have an in-depth conversation on how the cooperative will decide to add and remove members. If a member is leaving voluntarily, that decision can be fairly simple, but how will the cooperative remove a member who does not want to leave? Should all the member's investment be paid into the co-op before they have voting rights, or is it acceptable for them to be track with a payment plan when they receive voting rights? When a member is leaving, will it be safe for the business to pay all of the member's investment back at once, or should there be a period of time the co-op is allowed to make payments, so paying out the investment doesn't cause a disturbance in the overall operations?

Activity #2: Adding and removing members

Co-op Profile: Adding and removing members

Situation	Process/Decision
How will you remove people that don't want to leave?	
Should member's investment be paid into the co-op before they have voting rights?	
When a member leaves, what is the duration of time their investment is paid back? All at one or over time?	

Capital structure is another area that should be carefully explored before incorporation. Will the co-op have stock, and if so, what kinds should be created, and how much should be authorized upon incorporation? Many co-ops with stock will have classes of voting and non-voting stock, to allow for members to hold additional equity in the business while still having one-member, one-vote. As was covered in Session 5, cooperatives that will require large amounts of capital to be raised may want to create a class of preferred stock, in which dividends are paid before member patronage is allocated. Definition of the classes, amount, value, and purchase requirements for stock are all part of the co-op's incorporation process.

E. Legal issues beyond incorporation – membership administration, expansion, industry-specific

Incorporation is just one important step in the process of formalizing the co-op as a business entity. Other legal documents may need to be created for operating the co-op, and these include membership applications, membership certificates, meeting notices, notices of patronage allocation, and waivers of

notice. Even prior to incorporation, some start-up cooperatives will have potential members sign an agreement for initial equity to be committed by potential members, but the capital will be returned to potential members if sufficient equity is not raised or if the cooperative is not formed.

Start-up cooperatives may need to borrow money from members, in which case member loan documents will need to be drafted. Members may need to sign an additional document, a subordination agreement, if the co-op expects to borrow funds from a loan fund or bank.

Soon after incorporating it's common for cooperatives to hire their first employee, often a general manager or project manager. Laws governing employment will apply to cooperatives in most cases, although there can be some exceptions if the cooperative is worker-owned. If a cooperative will have a significant involvement of members as volunteers providing labor it may be necessary for liability or workers' comp insurance to cover these volunteers. Again, it is advisable for the cooperative to consult with an attorney to ensure compliance with labor laws.

All businesses must navigate laws and regulations in their industry. Food businesses will need to understand the many city, state, and federal laws that apply to their work. Other businesses may have fairly little regulation but a need to understand complicated contracts in order to secure new clients. In Session 8 we'll be joined by business assistance and regulatory services staff from the City of Minneapolis that will help explain their roles in aiding start-up businesses, including sharing of resources that will help orient your new business in its early stages.

Handouts

Handout #1: Legal entity chart

Handout#2: Profit distribution

Homework

- Activity #2 can be used as homework for the group, but can be started in small group discussion if time allows;
- Capitalization: using the source and use chart created during session 5, identify policies or agreements that need to be in place between the members, cooperative, and outside parties if investing or borrowing funds.
- Prepare co-op profile presentation

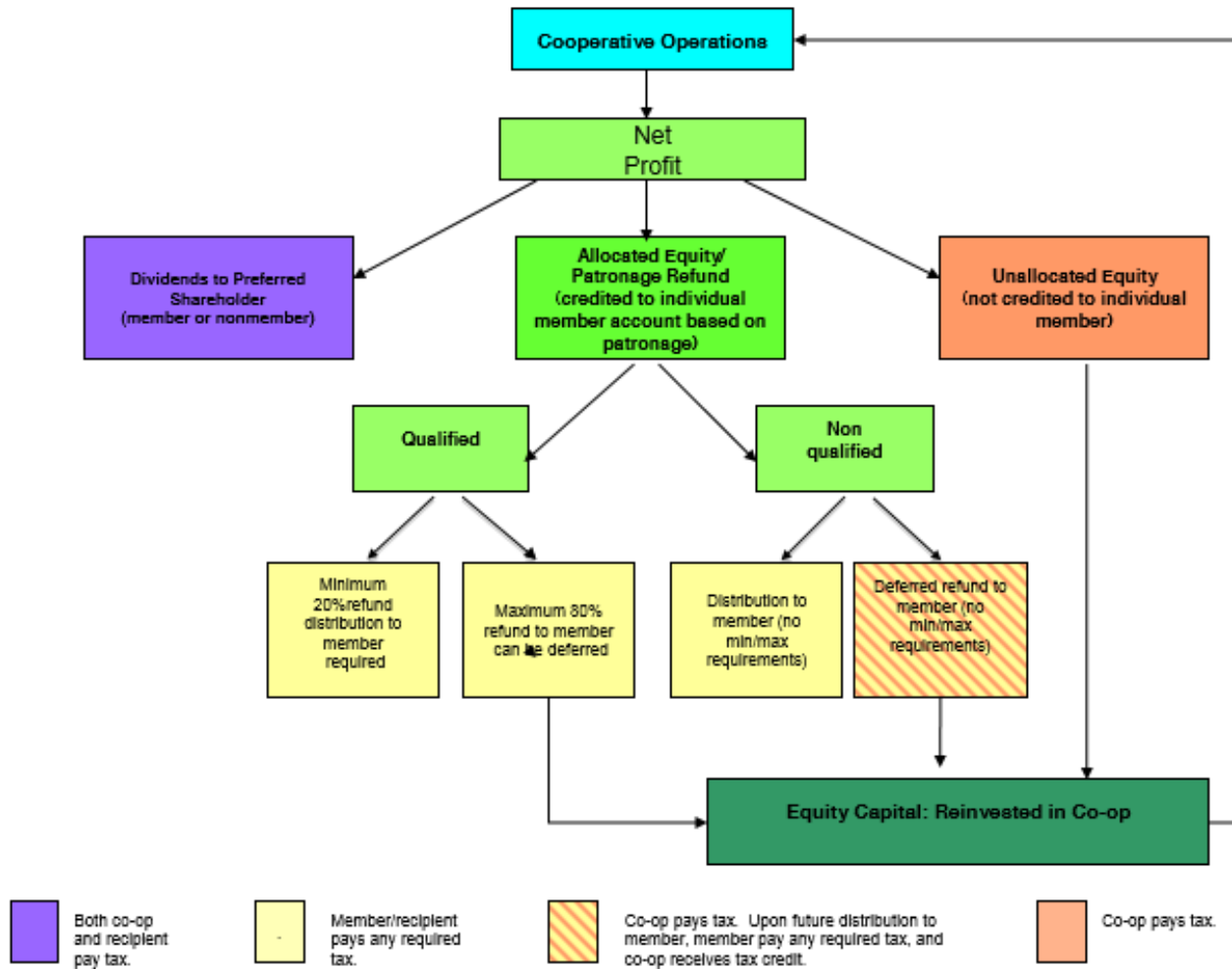
Session 7, Handout #1: Legal entity chart

See attachement

Session 7, Handout #2: Legal entity chart

Source: University of Wisconsin

Cooperative Net Profit Distribution



Session 8: Resources and moving forward

Participant Outcomes

Participants will understand who and what are the local resources to support them in their co-op development process, include how to navigate city departments. There will also be an opportunity to ask follow-up questions regarding co-op projects.

Session Outline

The primary content of this session is organized around the following topics:

- A. Ecosystem of local and online co-op resources
- B. Navigating City of Minneapolis Departments
- C. Co-op profiles presentation
- D. Issues forum and discussion
- E. Evaluation

Session Content

A. Ecosystem of local and online co-op resources

There are a number of co-op development and business professionals within the City of Minneapolis and surrounding area that can help to make your co-op business a success. **Handout #1: Local co-op development resources.**

B. Navigating City of Minneapolis Departments

Business Assistance

Site search

Search for available land, commercial or industrial properties in the metro area via an online tool from the Minnesota Commercial Association of Real Estate (<http://www.mncar.org/public-commercial-listing>) or call Miles Mercer at 612-673-5043.

Business finance

The City offers a wide array of financing programs, ranging from \$1,000 to \$10 million, for Minneapolis businesses as well as staff assistance in selecting the appropriate program.

(<http://www.minneapolismn.gov/cped/ba/businesssupport> or call Business financing programs: Call 612-673-5072.)

Developmental Review

- Minneapolis Business Licensing can help you determine whether you need a license from the City, and if so, the type of license and process for seeking one. (<http://www.minneapolismn.gov/licensing/index.htm> or call 612-673-2080)
- The Minneapolis Development Review Customer Service Center can help if you are seeking approval or a permit for a construction, remodeling or renovation project. Service Center staff can help you

navigate the process and efficiently obtain all reviews, licenses, permits and inspections.
(<http://www.minneapolismn.gov/mdr/index.htm> or call 311 or 612-673-3000)

- Find food safety resources, a plan review process overview, and more information under the Food, Lodging, and Pools section of the Minneapolis Health Department.
(<http://www.minneapolismn.gov/health/inspections/index.htm>)

C. Co-op profile presentation

Participants will present their co-op profiles to their classmates.

D. Issues forum and discussion

Open discussion with participants about what questions they have and their next steps moving forward.

E. Evaluation

Handouts

Handout #1: Local co-op development resources

Handout #2: Online resources

Session 8, Handout #1: Local co-op development resources

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The Traveling Cooperative Institute (TIC) is a series of trainings and consultations, that provide young people with entrepreneurship skills to empower youth to build their own cooperatives and intrapreneurship best practices to support young cooperative employees or members to push their existing cooperative to innovate. Additionally, TCI consultants also work with Baby Boomers business owners nearing retirement who could sell their businesses to their youthful workforce through a cooperative conversion.

Cooperative Development Services

www.cdsus.coop
CDS also actively engages with new cooperatives and organizations operating in a cooperative manner to launch new business ventures and plan for long-term viability.

Latino Economic Development Center

<http://ledc-mn.org/>

LEDC core functions include establishing, stabilizing, and expanding businesses through orientations, classes, development consulting, technical assistance, and access to capital for new, and existing entrepreneurs. In addition they revitalize or develop community “public markets” and commercial corridors.

Session 8, Handout #2: Online resources

Cultivate.coop

http://cultivate.coop/wiki/Main_Page

Data Commons Project – Connecting the Cooperative Economy

<http://datacommons.find.coop/>

UWCC - Cooperatives: A Tool for Community Economic Development

<http://www.uwcc.wisc.edu/manual/cover.html>

U.S. Federation of Worker Cooperatives

Education & Resources

<https://usworker.coop/worker-coops/>

Democracy at Work Institute, Resource Library

<http://institute.coop/resources>

Example Business Plan, Clean Power Cooperative Business Plan

<http://www.abcsolar.com/pdf/businessplanforco-op.pdf>

Worker Co-op Toolbox, on California Center for Co-op Development website

http://www.cccd.coop/files/worker_coop_toolbox.pdf

ORGANIZATIONS SERVING COOPERATIVES

Ag Marketing Resource Center

<http://www.agmrc.org/agmrc/default.html>

American Worker Cooperative

<http://www.american.coop/>

CDS Consultants Cooperative Resource Library

<http://cdsconsulting.centraldesktop.com/cbld/doc/3154572>

CoBank

<http://www.cobank.com/>

Cooperative Fund of New England

<http://www.coopfund.coop>

Cornell University Cooperative Enterprise Program

<http://cooperatives.aem.cornell.edu/>

CooperationWorks!

www.cooperationworks.coop

Cooperative Grocers' Information Network: CGIN

www.cgin.coop

Cooperative Grocer Magazine

www.cooperativegrocer.coop

Grassroots Economic Organizing

<http://www.geonewsletter.org/>

Democracy Collaborative, Community Wealth Building Resources

<http://community-wealth.org/>

Evergreen Worker Co-op online resources

<http://www.evgo.com/>

National Association of Housing Cooperatives

<http://www.coophousing.org>

National Center for Employee Ownership

<http://www.nceo.org>

National Cooperative Bank

www.ncb.coop

National Cooperative Bank Development Corporation

www.ncbdc.coop

National Cooperative Business Association (NCBA CLUSA)

www.ncba.coop

National Cooperative Grocers Association: NCGA

www.ncga.coop

National Council of Farmer Cooperatives

www.nfc.org

National Credit Union Foundation

<http://www.ncuf.coop/>

National Farmers Union

www.nfu.org

National Federation of Community Development Credit Unions

www.natfed.org

National Rural Electric Cooperative Association Consulting Group

<http://www.nreca.org>

National Society of Accountants for Cooperatives

www.nsacoop.org

Network of Bay Area Worker Cooperatives

<http://www.ourbiz.biz>

North American Students of Cooperation

www.nasco.coop

Ohio Employee Ownership Center

<http://www.oeockent.org/>

University of Saskatchewan Center for the Study of Cooperatives

<http://www.usaskstudies.coop>

University of Wisconsin Center for Cooperatives

www.uwcc.wisc.edu

US Dept of Agriculture

Agriculture Marketing Service

<http://www.ams.usda.gov/>

Cooperative State Research, Education and Extension Service

<http://www.csrees.usda.gov/>

Farm Service Agency

<http://www.fsa.usda.gov>

Rural Development

<http://www.rurdev.usda.gov/>

Business & Cooperative Programs

<http://www.rd.usda.gov/about-rd/agencies/rural-business-cooperative-service>

US Federation of Worker Cooperatives

<http://usworker.coop/>

Immigrant Worker Owner Cooperative: A User's Manual

<http://community-wealth.org/sites/clone.community-wealth.org/files/downloads/WrkrCoopManual%205-31-12.pdf>