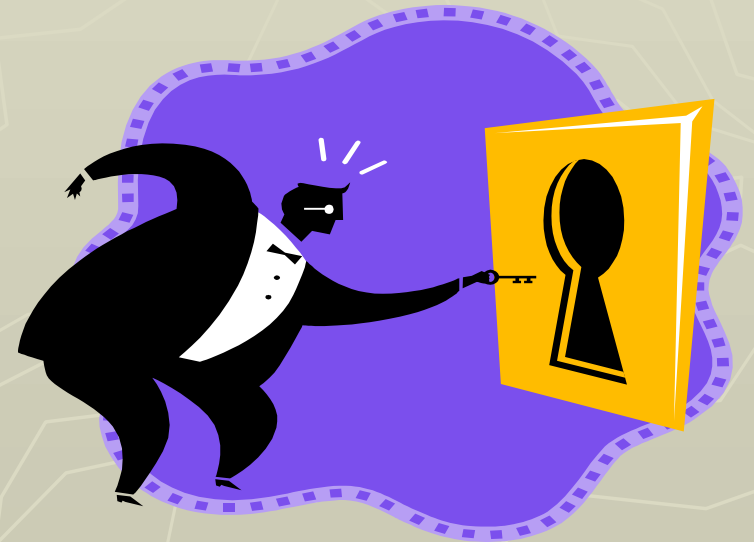


Cooperative Business

Keys



Presented By:

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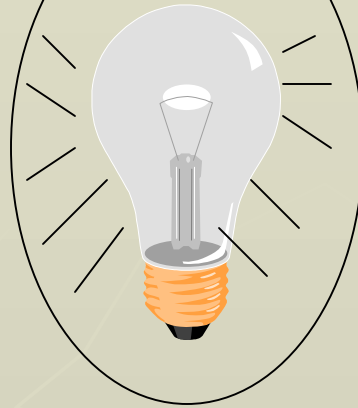


Keys to Success

- ▶ Focus on what a customer needs
 - No field of dreams approach
- ▶ Understand the business
 - Details matter
- ▶ Know what budget you will need
 - No Money = No Business
- ▶ Plan for mistakes
 - Make mistakes on paper
 - Murphy was an optimist
- ▶ Keep it simple
 - Ask questions
 - Look for Alliances



THE IDEA



IDENTIFICATION

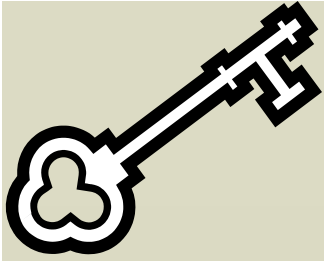
THE PROJECT CYCLE

DELIBERATION

IMPLEMENTATION

EVALUATION

OPERATION



IMPLEMENTATION

- ▶ Committed leadership
- ▶ A sound idea
- ▶ A clear vision
- ▶ "Skin on the table" – owner investment
- ▶ Access to other capital (debt financing)
- ▶ Communication
- ▶ Patience
- ▶ The marketplace is the final judge



Business Plan

“A business plan is a written description of your business's future.”



Business Plans Contains

(from the SBA)

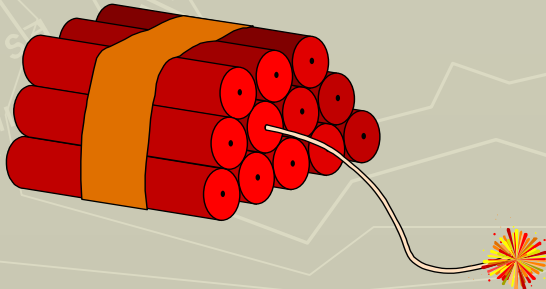
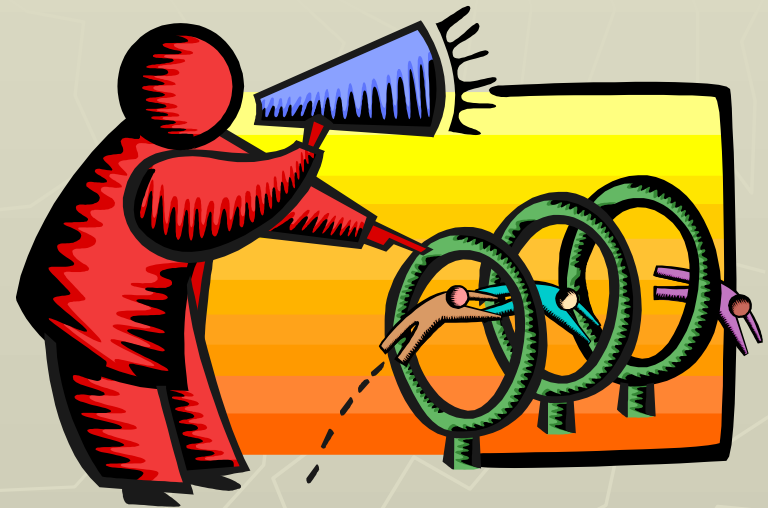
- ▶ The description of the project
- ▶ The market plan
- ▶ The financial plan
- ▶ The management plan



Why Businesses Fail

Start-up

- ▶ Insufficient Operating Capital
- ▶ Inability to Obtain Credit
- ▶ Unsatisfactory Sales Outlets
- ▶ Competition (prices too low)
- ▶ Inexperienced and Inefficient Management



Why Businesses Fail

Research and development

- ▶ An Achilles heel for small businesses
- ▶ Finding the right product/market takes R&D
- ▶ Start-up enterprises need capacity to make mistakes



A COOPERATIVE IS NOT:

 A religion

 An end in itself

 A rigid blueprint

 A silver bullet for all problems

A COOPERATIVE IS:

- A business
- Owned and democratically controlled by the people who use its services
- Whose benefits are distributed equitably on the basis of use

A COOPERATIVE IS A BUSINESS

- ✎ Not a social club or public service organization
- ✎ Must follow sound business practices

MEMBER OWNERSHIP

- Non co-ops focus on the bottom line; co-ops focus on member needs
- Members must provide equity, usually in proportion to use for the business to succeed
- Members must take ownership by utilizing the services offered by the cooperative

North Carolina Statutes

	North Carolina Cooperative Corporation	North Carolina Limited Liability Company
Tax	Taxed as corporation, through Form 1120C, but subchapter T coops (most) have single-level income tax through deductibility of patronage allocations, which are taxed only to members. Section 521 (exempt) coops may also deduct <u>non</u> -patronage-sourced income, but are more restrictive.	Taxed as partnership
Capitalization	Common/membership stock and preferred. N.C. S. §4-148. Common stock may only be sold to producers.	No limits; very flexible. §57C-4-01.
Return to Members	8% limit on preferred if §521 or Capper-Volstead co-op.	No limits; per agreement of members. §57C-4-01.
Management	One member/one vote, unless federated. (Then by <u>agreement</u> .) 54-148.	Members can divide management in accordance with Articles and Operating Agreement. 57C-3-20
Members	Only agricultural producers can be members or common stockholders. 54-145.	Flexible.
Securities Law Registration	Largely exempt, under state Blue Sky law. 78A-16, -17.	Some exemptions may apply. 78A-16.
Transfer limits	Limited transferability of common/voting stock. 54-148.	Assignable unless limited by articles/agreement. Other members must allow admission. 57C-5-02,04
Miscellaneous	May do marketing contracts. Antitrust exemption. §54-141,-152.	Cannot name “cooperative.”

Board Policy Manual

I. Board Policy Manual Overview



II. Board Job Descriptions

- ▶ Participation
- ▶ Serve on committees
- ▶ Be informed
- ▶ Disclose conflict of interest
- ▶ Inform board of corporate opportunity
- ▶ Uphold confidentiality
- ▶ Adhere to bylaws
- ▶ Understand role in personnel situations

III. Officer Responsibilities

- ▶ President
- ▶ Vice President
- ▶ Secretary
- ▶ Treasurer

IV. Board Committees

- ▶ Executive
- ▶ Compensation
- ▶ Budget/Audit/Finance
- ▶ Long Range Planning
- ▶ Shareholder Relations/Communication
- ▶ Crop Research/Market Development
- ▶ Nominations
- ▶ Personnel
- ▶ Production
- ▶ Board Policy

Duties of Board & Officers

- ▶ Duty of Care
- ▶ Duty of Loyalty
- ▶ Duty of Obedience
- ▶ Other Board Requirements

A “New” governance

- ▶ “Cradle” vision
- ▶ Explicitly address fundamental values
- ▶ Force an external focus
- ▶ Enable an outcome-driven organizing system
- ▶ Separate large issues from small ones
- ▶ Force forward thinking
- ▶ Enable proactivity

“New” governance (Cont.)

- ▶ Facilitate diversity and unity
- ▶ Describe relationship to shareholders
- ▶ Define a common basis for discipline
- ▶ Delineate the board’s role in common topics
- ▶ Determine what information is needed
- ▶ Balance undercontrol and overcontrol
- ▶ Use time efficiently

Law of the Workplace

- ▶ Equal Employment Opportunity
- ▶ Citizenship or legal immigrant status
- ▶ Americans With Disabilities Act
 - Applies if there are more than 15 employees
 - Employee must be able to perform the essential function of the job
- ▶ Sexual harassment

Board records

- ▶ Minutes are not minutes until approved
- ▶ Minutes should reflect:
 - Key decisions
 - Important discussion
 - “No” votes, when requested

Next Steps

- ▶ Ongoing Board Training
- ▶ Employee Policies/Handbook
- ▶ Business Planning



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