

Common Unity Community Transformation Park



Project Impact South Bend (PISB) (501c3)



Community Wide Federal Credit Union (CWFCU)



Blakeonomics (Financial Shared Services Cooperative-CWFCU)



Impact Economic Enterprises, Corp (IEEC)



Community Unity Community (CUC)

Organizing Blakeonomics CUC shared-services Cooperative

Blakeonomics CUC Financial Shared-Services Cooperative is a business organization owned and controlled by shareholders, private businesses (both for-profit and not-for-profit) and public entities that become members of the CUC cooperative to more economically buy and sell services, products and/or other businesses.

Members of the CUC shared-services cooperatives respond jointly to common economic and social problems. Both Urban and Rural Americans depend on community services provided by their local grocery stores, schools, hospitals, small businesses, churches, local governments, etc. These organizations and individuals can use CUC shared services cooperatives to promote the creation of wealth and lower their operating costs by jointly obtaining needed services and products.

Purpose CUC Economic Education Classes, Wealth Creation, Debt Reduction, Poverty Elimination

Blakeonomics CUC in affiliation with CommunityWide Federal Credit Union (CWFCU) provides financial savings and community economic classes on how potential members can join and/or organize a CUC shared-services cooperative for the purpose of economic education, wealth creation, debt reduction and poverty elimination.

Examples

Examples of shared-services cooperatives include groups of employers that formed alliances to buy health care insurance or to purchase health care services directly from hospitals and physicians. School districts can organize cooperatives to provide special education programs as well as purchase products for member districts. Hardware stores, restaurants, independent pharmacies, rural electric cooperatives, local food retailers, and natural food stores have formed shared-services cooperatives that operate as wholesalers. These cooperatives can serve most any type of business enterprise.

Basic Steps for Organizing a CUC shared services Cooperative

The basic organizing steps include holding an exploratory meeting, selecting a steering committee, surveying potential members, developing a comprehensive business plan, incorporating the cooperative, and implementing the business plan. During this organizing period, it is important to have an adviser who can assist potential members.

Cooperative Incorporation

Most shared-services cooperatives are legally organized as a cooperative or as a non-profit corporation that operates on a cooperative basis. Each of these organizational structures is distinct. The structure chosen depends on the needs of members and on State law. In some States, for example, public entities or non-profit corporations cannot form a cooperative business, but must organize jointly as a non-profit corporation that operates as a cooperative. This manual focuses on the formation of a legally incorporated cooperative. Groups interested in forming a nonprofit corporation will follow similar steps. However, the rules and procedures will differ. These groups should seek a specialist in non-profit organizations to help them organize.

Summary

The process of organizing and incorporating a shared-services cooperative is complex and time consuming. Potential members must perceive a real need and understand how a cooperative can meet that need. Potential members must also be willing to commit the time and resources necessary to start a cooperative. At the same time, potential members of a shared-services cooperative should realize that the cooperative structure may not be the answer to their problems. That determination can be made by following the basic steps outlined in this manual. These basic steps include conducting an exploratory meeting, selecting a steering committee, conducting an economic feasibility analysis, developing a comprehensive business plan, incorporating the cooperative, and implementing the business plan. Throughout this process, it is important to have an adviser who can assist potential members through each step of the organizing procedure. The benefits derived from a shared-services cooperative are usually worth the time, effort, and financial resources required to organize and begin operating. The success of these cooperatives is dependent on the support of and usage by the membership. Only the potential members of the cooperative can determine its fate both during its organization and later during its operation.

A CUC shared-services cooperative is defined as a group of private businesses or public entities that form a cooperative corporation to provide one or more services that enhance or increase the competitiveness of their operations. The role of these cooperatives is to provide services in response to the specific needs of member-owners. These organizations become an extension of the individual members' operation. These cooperatives can offer a wide array of services including purchasing of products or support services such as accounting, management information, staff education, insurance, and legal assistance. Services provided will depend on the needs of members.

Services are developed and designed as needed by the board, committees, and often, by the members themselves. Most cooperatives begin by offering a single service. New and more complex services may be added as the cooperative matures. For example, a cooperative may start by purchasing an item for its members because it is in short supply. In time, members may voice a need for different items, so the cooperative can respond by purchasing additional products for its members. The only limitation is the creativity of the cooperative's staff and members.

Examples of shared-services cooperatives include:

Health Care: Some employers have formed alliances to buy wholesale insurance, retail businesses such as hardware stores, restaurants, independent pharmacies, rural electric cooperatives, local food retailers, and natural food stores. These cooperatives operate as wholesale businesses. They may also provide services such as advertising, strategic planning, and volume purchasing discounts.

Educational service agencies - Regional and State agencies have been established by school districts to provide various services. These agencies negotiate lower prices for supplies, health insurance, and legal and other services

through volume purchases. They also provide supplementary or special education programs, teacher training, and administrative services.

Structure and Operations *

The goal of shared-services cooperatives is to purchase or provide products and/or services for its members at a total cost that is less than the combined costs that individual members would incur themselves. The goal is to generate savings captured through lower administrative costs, quantity purchasing discounts, and assured levels of business with vendors and suppliers. By purchasing cooperatively, individual businesses or governmental entities can increase the efficiency of their buying activities. Because these organizations are formed as a cooperative, they have several structural and operational characteristics that make them different from other types of businesses:

- 1) A CUC shared-services cooperative is owned by the shareholders, private businesses or public entities that use it. For example:
 - a. A pharmacy shared-services cooperative is owned by the independent pharmacies that purchase prescription drugs and/or over-the-counter products through the cooperative.
 - b. An office supply cooperative is owned by the businesses that purchase office products through it.

The member-owners of the cooperative may be responsible for paying fees and assessments, participation in the governance and operation of the cooperative, and using its services. Membership support via patronage is important because without it the cooperative may not succeed.

- 2) A CUC shared-services cooperative is controlled by the private businesses or public entities that own and use the business. The cooperative is controlled by its member-owners through a board of directors (elected democratically from among the member-owners) and through participation in membership meetings and committee work. The board sets the overall operating policies, approves the annual budget, oversees its operation, and distributes the benefits derived from use of the cooperative. The board also hires professional management to handle the day-today operations of the cooperative. The manager hires needed staff and implements the board's policies.

3) A CUC shared-services cooperative operates to provide benefits to its members as users, not as investors. While the goal is not to generate a return on investment, operating budgets are developed so expected income exceeds expected operating costs. The cooperative, like any other business, needs to cover costs and generate an excess to cover expansion and unforeseen emergencies. Operations of shared-services cooperatives are financed through capital provided by member- owners and debt capital. Ownership capital **is** defined as the money a cooperative obtains without having a legal obligation to repay it. Initial investments by members are part of the cooperative's ownership capital. Debt capital is money borrowed from a financial institution with a legal liability to repay the funds. A CUC shared-services cooperative usually generates income through its fee structure. Part of the earnings generated when income exceeds costs of operation can be retained by the cooperative as ownership capital. The rest is refunded to members based **on** their use of the cooperative, not **on** their investment in the cooperative.

Benefits

The joint ownership and operation of a CUC shared-services cooperative offer some major benefits to its member-owners.

Empowerment/Control

By owning the organization that provides services and products, members of shared-services cooperatives can exercise more control over a major component of their business, namely the price and quality of services and products they wish to buy.

Stability and Reliability

Shared-services cooperatives provide members with a stable, long-term organization to meet various needs. The cooperative needs the commitment of its members, but at the same time offers a constant, supportive access to products and services.

Networking

A CUC shared-services cooperative offers members an opportunity to meet and discuss problems and topics of mutual concern. This can occur at all levels of the members' organizations. In some instances, ad hoc committees of members' employees define and recommend solutions for specific issues. For example, a committee of janitors might evaluate cleaning products or speech therapists might develop training programs.

Flexibility

Shared-services cooperatives are often flexible in the types and magnitudes of services. Services offered are based on the needs and wants of members. As members' needs change over time, cooperatives can respond by adjusting their services. The ability to respond to change depends upon the purpose and objective of the organization.

Challenges

Although the advantages discussed make shared-services cooperatives a viable alternative for many businesses and public entities, potential members must recognize and consider the challenges encountered in organizing and operating this type of cooperative.

Financial

Some cooperatives lack the capital to develop and implement new programs when needed. Members have responsibility for capitalizing their business. For newly organized cooperatives that depend upon grants as a source of income, financial stress can be critical when this funding ends and no other source is in place.

Competition Among Members

Cooperation among members is a vital element of the cooperative philosophy and spirit. If members are in the same type of business and serve the same customers, the chances of members being competitors outside of their cooperative increase. The need to share services in a cooperative business structure may help to increase cooperation among members.

Lack of Membership Support

Members need to support their cooperative by purchasing supplies and services from it. If members see their cooperative as a competitor or fail to use its services, the cooperative will have difficulty implementing and sustaining new programs. Without member support, a cooperative's financial stability may falter.

Starting a CUC shared-services Cooperative

- The idea for a cooperative begins with a group of people discussing a common problem and how to solve it.
- The time needed to start a cooperative depends on many factors—leadership skills, the complexity of the proposed plan, and availability of capital.
- Time can range from several months to several years. However, with commitment, focus, and careful planning, the odds are good for successfully organizing a CUC shared-services cooperative.
- The basic steps involved in organizing a CUC shared-services cooperative are discussed in this section. Depending on the circumstances, some steps may occur in a different order or simultaneously. Regardless of the project, the process involves identifying needs, measuring interest, determining financial feasibility, and organizing legally.
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Basic Steps To Organize a CUC shared-services Cooperative

1. Hold exploratory meeting of owners of businesses or public entities to determine a need for forming a cooperative. (This may be a telephone conference.) Vote on whether to continue.
2. Select a steering committee.
3. Conduct an economic feasibility analysis.
 - a. Survey potential members to determine needs.
 - b. Conduct market analysis to identify sources of services and products.
 - c. Prepare and analyze financial projections.
 - d. Discuss the findings and vote on whether to proceed.
4. Develop a business plan based on the assumptions and results of the financial analysis. Conduct a meeting to discuss the plan and vote on whether to proceed.
5. Prepare necessary legal papers and incorporate.
6. Adopt bylaws and elect a board of directors.
7. Implement the business plan.
 - a. Complete membership signup.
 - b. Finalize agreements to acquire capital. Finalize all other agreements such as a purchasing agreement.
 - c. Hire the manager.
 - d. Acquire facilities, hire employees, and begin operating.

Leadership and Advisers

A cooperative should be developed by its potential members. These individuals must choose leaders from their ranks to devote the time and energy to make the cooperative a reality. Most groups will also need a sponsor or technical assistance provider to help them throughout the planning and development process, as well as in the first stages of

operation. An adviser should be familiar with how to form a cooperative and discuss its legal, economic, and financial aspects.

A sponsor or technical assistance consultant may provide a range of services in helping to organize a CUC shared-services cooperative. They include:

- Provide information on alternative choices.
- Define needs and interests.
- Determine the feasibility of a cooperative.
- Secure professional services (e.g., attorney, accountant, etc.).
- Develop a financial plan, including member capital, government, commercial, and community capital sources.
- Assist with incorporation and other legal matters.
- Develop business or operating plans.
- Create educational programs for members and the board of directors.

Cooperative members should work as closely as possible with the sponsor/adviser during the organizational process. However, the cooperative should avoid becoming overly dependent on a sponsor, especially once it is established and operating. Members and the board of directors must become knowledgeable enough to run the affairs of the cooperative. Likewise, sponsors/advisers must understand that their role is to advise and support. Decisions must come from members.

Exploratory Meeting

An exploratory meeting is held with people whose needs might be met by a cooperative. Meetings can be publicized through word-of-mouth, announcements at other meetings, telephone, letter, newspapers, or other available means. The outside adviser should be invited to this initial meeting. Discussion topics should include:

- Economic need(s).
- How the proposed cooperative might meet the identified need(s).
- Cooperative principles, terminology, and operations.
- Advantages and disadvantages of a CUC shared-services cooperative.
- Member commitment to finance and patronize the cooperative.

A representative from a successful cooperative could also be invited to explain its operations, benefits, and limitations. At the first meeting no commitments are made to become a member or set policies. If the group decides to pursue a more detailed study, a steering committee should be selected.

Steering Committee

The steering committee's job is to guide the group through the cooperative development process. The committee should consist of people who are interested in the proposed cooperative and can make sound business judgments. Steering committee members often go on to become members of the cooperative's first board of directors. The steering committee has two main responsibilities.

- The first is judging whether the proposed cooperative is likely to succeed and benefit its members.
- Secondly, if it does, the committee prepares a specific, detailed business plan for the new cooperative. The committee's first function is to select officers, either at the close of the general meeting or shortly afterward.
- Next, in cooperation with the adviser, establish a deadline for completing a business analysis, including a target date for a member survey. Progress should be checked at periodic meetings.
- **Economic Feasibility Analysis** Needs, level of interest, and financial situation of prospective members by conducting a survey. The questionnaire should focus on identifying the types of products or services needed, as well as include questions about quantity, quality, suppliers, and costs. A sample potential membership survey is found in Appendix A.
- **Market Analysis** The committee will evaluate the potential sources of products and services for members and compare the type of product, the quality, and prices for potential suppliers.
- ***Financial Analysis -This*** is the most important part of the economic feasibility analysis because it will help potential members know how much it will cost to provide desired services and how much income must be generated to cover those costs. This, in turn, will help potential **members** and others decide whether or not the proposed cooperative is financially feasible. The financial analysis is based on basic operating assumptions including needed facilities, operating costs, capitalization, and financial requirements. The level of services to be offered and/or the volume of products to be purchased through the cooperative must also be estimated. The financial analysis should cover two broad areas-capitalization and operational feasibility.

- **Capitalization** is the amount of money needed to start and maintain the cooperative over the long run. The steering committee needs to recommend a plan of capitalization including:
 - 1) deciding whether the capital structure is to be stock or non-stock;
 - 2) estimating the amount of member **equity capital**; and
 - 3) estimating the amount of debt capital and potential sources.

The capitalization plan should include the amount of needed reserves and the method of providing them. The capital structure for a cooperative in most States may be stock or non-stock.

In a **capital stock organization**, members are issued stock certificates as evidence of their capital subscriptions. More than one type of stock may be issued, but usually no more than two are necessary. The first stock (common stock) issued is one share per member to show membership and voting rights. The additional stock (preferred stock) may be issued to show further capital investment.

A **non-stock organization** issues a certificate (usually a revolving-fund certificate) to show capital investment of members. Many non-stock cooperatives raise some or most of their original member capital via a membership fee.

Equity capital - the amount of money members invest in the cooperative can come from:

- initial membership fees,
- additional cash investments,
- and from transacting business with the cooperative.

The initial equity capital requirements from each member will be determined by:

- the projected cost of facilities,
- estimated day-today volume of business,
- **and the estimated number of members and their volume of business with the cooperative.**

Investing initial capital is a basic member responsibility and each member's share of initial capital should be large enough for the members to realize that he/she has a financial stake in the business to protect. Members should invest in proportion to their expected use. Some members may be able and willing to contribute more than their share. If so, they should be allowed to do so through purchase of preferred stock. There are several sources of debt capital for shared-services cooperatives.

- Cooperatives can borrow from private banks,
- National Cooperative Bank,
- Various local and regional development funds,
- State and Federal sources, including USDA's Rural Business
- Cooperative Development Service.
- Debt capital can be short term or long term. Short-term debt is usually used to finance operations. Long-term. Debt is used to acquire assets.

The second part of the financial analysis:

The development of projected cash-flows, income statements, and balance sheets. These will be the basis of analyzing the operational feasibility of the proposed cooperative. Important components of this part of the financial analysis are estimates and other supplies needed. The steering committee and adviser should determine what items should be included and their probable cost, based on operating assumptions.

- The level of business activity will be critical in determining operating costs. In most businesses, per-unit operating costs tend to decline as the volume of business increases. If the operating income shows little or no margins over estimated costs, the committee should estimate what volume is needed for acceptable returns.
- Income is usually generated through a cooperative's fee structure. A cooperative can employ a variety of techniques including flat annual fees, usage fees, rebates, and member assessments. The goal of a cooperative's fee structure is to generate income to cover operating costs and to acquire assets, but in a manner that is fair to all members. As the number and complexity of programs and services offered by the cooperative increase, so will the complexity of the fee structure.

Source of Income

Another source of income is service and product markups or margins. Cooperatives that act as a wholesaler usually use these as a source of income.

- They buy products from manufacturers or distributors and resell them to members. Cooperatives that use markups often have a minimum markup policy. When setting the price for members, the cooperative will add to its cost a minimum fee to cover operating costs, working capital, and a contribution to reserves.
- Fees are usually set annually by the organization's board of directors. The board determines the cooperative's budget for the coming year. Based on the budget, the board determines what income is needed to cover operating costs and to provide working capital and prudent reserves.
- Members are then charged a fee based on the level of income necessary to meet projected program and service obligations.

Because the economic feasibility analysis looks into the future, it must be based on assumptions concerning the cooperative's operating costs, cash-flow, capital needs, operating procedures, etc. The results of the analysis (the cooperative is feasible or not feasible) are only as good as the assumptions used. Potential members must meet to discuss the study results and the assumptions used. If considered reasonable and potential members vote to approve them, the assumptions will become the basis of the business plan.

Business Plan

This will outline the structure and operations of the cooperative. A good, detailed plan is important because it will present a picture to potential members of how the cooperative will operate and what it will offer. The plan will also be needed when financial institutions are approached concerning credit lines and other financing. The business plan should cover:

1. Products and services to be provided.
2. Technical and operational plans.
3. Management of the cooperative.
4. Facilities.

Each topic is important and must be thoroughly covered if a sound business plan is to be developed. For example, the business plan must specify what services the cooperative will offer and/or what products the members can purchase through it. This decision will be based on the results of the potential member survey. Specific information concerning the technical and operational aspects of the cooperative is also important. This should include the general operating policies for personnel, finance, pricing, program development, etc., as well as activities such as accounting and buying. Related to this is what facilities and equipment are needed so that the cooperative can operate efficiently for its members.

Finally, the role and responsibilities of the cooperative's manager and staff should be discussed. Once the business plan is completed, potential members should review and evaluate the plan. They should be able to determine what the cooperative will look like, how it will operate, and what it will do. Next, they should discuss the business plan and decide whether or not to proceed.

Incorporation

If the potential members approve the plan and vote to continue the process, the next step is to legally incorporate the cooperative.

State Incorporation Statutes

Most corporations, including cooperatives, are formed under a State law. State incorporation statutes grant specific powers (e.g., to market, purchase, manufacture, etc.) and general ones (all powers necessary to conduct business). Every State has at least one statute that may be used to form a cooperative corporation. These statutes vary widely, in topics covered by each statute and in specific requirements for each topic. State business corporation law will apply to fill in the gaps in coverage if not in conflict with the cooperative incorporation statute. Statutes usually describe the association formation process, including number of incorporators required, association name, capital structure, and how long the association may exist. Mandatory and discretionary provisions of the articles of incorporation and bylaws are described in some detail by most statutes. Statutes may also describe qualification for membership and documents of membership (e.g., stock certificates), and define the rights of membership.

Voting rights given to individual members

No single feature of cooperative incorporation statutes sets them apart from other incorporation statutes more than the voting rights given to individual members. Effective democratic control by members is an essential characteristic of cooperative associations. Most cooperative incorporation statutes establish rules to assure such control. These rules relate to voting rights and voting methods. Most States limit the voting rights of individuals (or individual businesses) to one vote per member. However, some States allow voting rights based on the amount of business (patronage) conducted with the association. A few States place a limit on voting rights if based on patronage. For example, an individual may be limited to only five votes regardless of his/her patronage level.

Legal Papers

As part of the incorporation process and before a cooperative can begin to operate, several legal documents and contracts have to be drafted. Have an attorney draft the various documents. At a minimum, an attorney should review any documents drafted by others.

Articles of incorporation

Describe the type and scope of the cooperative's activities and include principal place of business, purposes, powers, etc. Model articles of incorporation are found in Appendix B.

Bylaws

Describe how the cooperative will conduct business, and usually include membership requirements, membership rights and responsibilities, how voting is conducted, etc. Bylaws establish formal lines of decision making and authority as well as financial and managerial guidelines. Model bylaws are found in Appendix C.

Membership Certificate or Common Stock is a legal proof that a patron of a cooperative is a member. Each member is issued one when accepted as evidence of entitlement to all of the rights, benefits, and privileges of the association.

Revolving Fund Certificates (other names may be used) are the member's receipt for certain capital investments that will eventually be returned. In the meantime, these funds retained by the cooperative are used as capital.

A Purchasing Agreement includes a specific commitment by the member to buy a specified amount of products from the cooperative. If this is included, then the cooperative has a more solid foundation on which to make its business decisions.

Process of Incorporation

This gives the cooperative a legal identity. Therefore, once the group decides to proceed, the cooperative should be legally incorporated under the appropriate State law. Assistance should be sought from an attorney familiar with the incorporation process. Prior to filing the articles of incorporation, the steering committee must approve them. The committee usually becomes the incorporators and does the filing, after making sure all requirements are met. Requirements include evidence of the minimum paid-in capital, evidence of a minimum payment on stock subscriptions if the corporation is to be a stock cooperative, and, in most States, signed acknowledgement of the articles by some or all of the committee members as incorporators. The attorney files for the corporation charter. A fee to record the articles of incorporation must be paid when filed. The fee varies by State. Once chartered by the State, the cooperative usually has 30 days to adopt bylaws. Additional tasks must be accomplished at the time of incorporation such as selecting the bank where the cooperative's appropriate accounts can be established and implementing appropriate accounting procedures to maintain accurate records of membership payments and organization expenses.

Adopt Bylaws and Elect Board of Directors

Once incorporated, a charter membership meeting should be held to adopt bylaws and elect an initial board of directors. The steering committee members frequently become the board of directors, because they are familiar with all aspects of the new cooperative. The board of directors is the democratically elected decision making body of the cooperative. Cooperative boards vary in size, although most have between six and nine directors. Cooperatives usually require that all directors be members of the cooperative, although some State statutes allow cooperative boards to include nonmember directors. The chief responsibilities of the board include safeguarding the cooperative's assets, distributing the benefits of the cooperative, planning the cooperative's future, hiring, directing, and appraising the cooperative's manager, and setting cooperative policies.

The day-to-day responsibility for decision making and operations, however, generally rests with hired management.

Board Composition and Nature

The nature and composition of the board is defined in the cooperative's bylaws. They describe director eligibility, method of selection, term of office, and board organization. Directors meetings are usually held monthly or every other month. An agenda is developed for each meeting and minutes are kept.

Directors may be compensated to cover their expenses for attending board meetings if approved by members and allowed by the bylaws. Director selection methods may vary with a cooperative's size, structure, and function. Usually the bylaws describe how directors are selected. State statutes may also contain provisions related to director selection. Larger cooperatives may use a nominating committee of three to five directors to assist with the selection of board candidates. The selection of the nominating committee itself is determined by the bylaws.

Cooperatives have developed various systems to produce equitable representation of their membership. Many cooperatives elect directors "at-large" the entire membership can vote directly to fill each board position and each director represents the entire membership. Some divide the cooperative's territory into geographic districts with nearly equal membership numbers. Directors are then elected by district. Others establish roughly equal territories based on volume of member business.

Delegation and Guidance Structures

Directors elect from among themselves a chairperson (or president), vice-chair (or vice president), secretary, and treasurer to serve as corporate officers and to help them conduct orderly meetings. The officers elected to the board have a variety of responsibilities:

- **President:** Calls and chairs meetings of the board and of the general membership, acts as official representative of and spokesperson for the cooperative, and personally reviews financial activities of the cooperative. The president usually cosigns checks and documents.
- **Vice-President:** Serves in the absence of the president and assists the president.
- **Secretary:** Maintains written records-such as minutes, leases, corporate papers, and contracts - and handles all official communications. The secretary also takes and distributes the minutes of all meetings.
- **Treasurer:** Maintains or supervises the financial records of the cooperative. The treasurer usually cosigns checks and other legal documents.

Some cooperatives will also elect an executive committee which handles many routine director responsibilities. Other board committees may be formed to oversee important aspects of the cooperative such as finance or member relations. The board must develop and approve policies for the cooperative. Directors should also review specific operating policies recommended by management. Written policies are important to a board because they reflect the philosophy of the cooperative and serve as guidelines for actions it takes to meet its goals.

Cooperative boards may establish advisory committees to seek counsel or special insight on specific issues or programs that may otherwise lie outside their range of expertise. Advisory committees are often established to examine a particular member need, important aspects of cooperative operations, program development, and program delivery. Directors may or may not sit on advisory committees. In either case, committees report directly to the board.

Implement Business Plan

Once the board is elected, it meets and makes assignments for implementing the business plan. Officers of the board are elected and directors assigned to committees. Target dates should be established to help motivate those responsible to accomplish their tasks on time. The following are the steps to implement the plan:

- **Acquire Capital** Sufficient capital must be raised before the cooperative can actually begin operating. The first step is to collect the initial capital investment from potential members. If this occurs earlier in the process, potential members will become more committed to the idea of a cooperative. (If the cooperative does not incorporate, this capital can be returned to the investors.) At the same time, the new board (with assistance from the adviser) must develop a loan application package for acquiring debt capital. This includes acquiring long-term debt to purchase capital assets such as a warehouse or equipment and obtaining a line of credit to finance short-term operating costs.
- **Hire Manager** The most important part of implementing the business plan is hiring the cooperative's general manager who plays a significant role. The manager is responsible for day-to-day operations. Manager candidates need to be judged in these areas: education, experience, ability to work with people, industry expertise, knowledge of business practices, and knowledge of the unique characteristics of cooperatives.
 - The general manager is given power by the board to employ, train, and discharge all other personnel.
 - Managers are also responsible for directing daily business activities,
 - carrying out the board's policies,
 - setting goals and making short-range plans,
 - keeping complete accounts and records,
 - developing the annual operating budget,
 - and providing the board with periodic reports.

Questions may arise regarding the division of responsibilities between the board and management. In general, the criteria for separating board and manager responsibilities are based on:

- The time period-long-run decisions (after 3 years) are the board's responsibilities,

- Short-run decisions are handled by management;
- idea decisions are handled by the board and
- action decisions by management; and
- policy development is made by the board but implemented by the manager.

Hire Employees, Acquire Facilities, and Begin Operations The manager hires other employees such as support staff, service providers, buyers and negotiators, and others as necessary within staffing guidelines established by the board. The staff needs to be educated about what a cooperative is and how it operates. Staff members also should be competent in their assigned task and be flexible enough to assume multiple tasks as needed.

Acquiring facilities, equipment, and supplies is a task that takes time and much thought. If the cooperative must build a warehouse or other facilities, this is a more critical decision than if the cooperative only needs office space. The manager should act as an adviser in these types of decisions.

Summary

The process of organizing and incorporating a CUC shared-services cooperative is complex and time consuming. Potential members must perceive a real need and understand how a cooperative can meet that need. Potential members must also be willing to commit the time and resources necessary to start a cooperative. At the same time, potential members of a shared-services cooperative should realize that the cooperative structure may not be the answer to their problems. That determination can be made by following the basic steps outlined in this manual. These basic steps include conducting an exploratory meeting, selecting a steering committee, conducting an economic feasibility analysis, developing a comprehensive business plan, incorporating the cooperative, and implementing the business plan. Throughout this process, it is important to have an adviser who can assist potential members through each step of the organizing procedure. The benefits derived from a CUC shared-services cooperative are usually worth the time, effort, and financial resources required to organize and begin operating. The success of these cooperatives is dependent on the support of and usage by the membership. Only the potential members of the cooperative can determine its fate both during its organization and later during its operation.

The purposes for which this cooperative is formed are:

1. **To engage in any lawful commercial business, servicing, or manufacturing business** including among other things the purchasing and selling of businesses, business supplies, products, services and equipment which shall be supplied upon the cooperative plan.
2. To the fullest extent possible, to provide its members and others with an assured available product and supply at a reasonable cost of all such materials, supplies, equipment, products, and accessories.
3. To initiate, encourage, and support the research, design, development, and standardization relating to all kinds and types of materials, supplies, equipment, products, and accessories used by its members.
4. To do all such acts and things as may be useful, necessary, or convenient for the accomplishment of the purposes herein expressed, provided, however, that all of the operations of the cooperative shall be on a cooperative basis, both for-profit and not-for-profit as applicable and for the primary use and benefit of its shareholders and members.

The enumeration of the foregoing purposes shall not be held to limit or restrict in any manner the general powers of the cooperative, and the cooperative shall be authorized to exercise and enjoy all the powers, rights, and privileges granted to or conferred upon a cooperative of the character of this cooperative by the laws of the State of Indiana, now or hereafter in force.

Shareholders/Members/Volunteers – Capital Stock