

# OPPORTUNITY COOPERATIVES

A guide to using cooperatives for local investment in communities

Montana Cooperative Development Center  
2024

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## Acknowledgments and Thank you

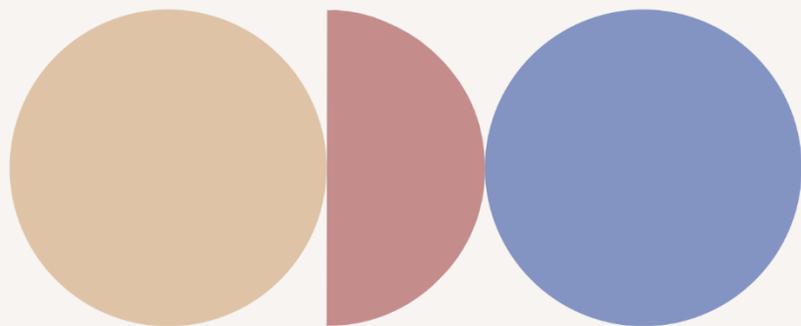
Montana Cooperative Development Center is excited to bring the Opportunity Cooperative (OC) program to Montana. OCs are also referred to as investment cooperatives or community economic development cooperatives. This program and toolkit were made available through the continued support of the Montana Department of Agriculture, United States Department of Commerce Economic Development Administration, and the hard-working team at MCDC.

## A note from MCDC

Montana Cooperative Development Center is dedicated to promoting the cooperative business model to address community and economic needs. The organization is celebrating its 25th year in 2024 and, as the only statewide cooperative development center, is excited to bring new resources to the communities we serve.

As you explore an opportunity cooperative for your community or project, please do reach out to the staff at MCDC on the website [www.mcdc.coop](http://www.mcdc.coop). Additional information on cooperative formation and management is available. The team at MCDC stands ready to assist new and existing cooperatives across Montana.

MONTANA  
**Cooperative**  
DEVELOPMENT CENTER



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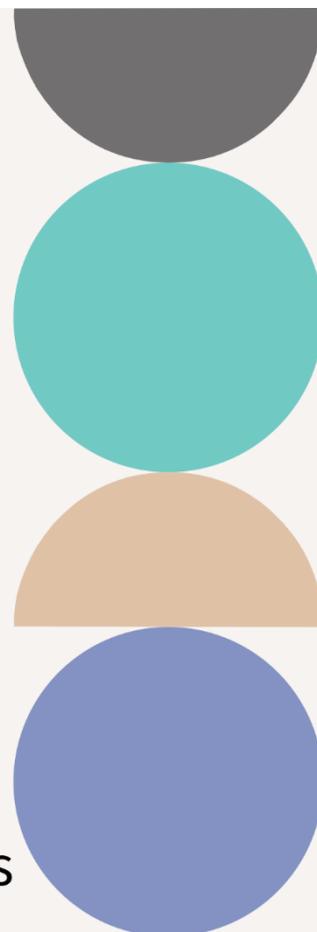
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# The Basics



**...collectively owned and democratically governed by their members with a focus on meeting the needs and interests of the membership.**



Montana's rural communities are renowned for their resilience and determination. With limited access to resources commonly found in urban areas and a history of disinvestment, there's been a growing necessity to reevaluate the methods through which rural communities establish thriving societies and empower their own residents. There is a deep sense of independence in small Montana towns. Historically the people who choose to live in frontier America have relied on each other and their own resources.

In response to the mounting pressures stemming from decades of neglect and the departure of talent from rural and frontier communities, local leaders, business proprietors, volunteers, and engaged community members have turned to a new solution: Opportunity Cooperatives, sometimes referred to as investment cooperatives or community development cooperatives. These cooperatives represent a novel and effective mechanism for promoting economic and business development in these areas by establishing a vital connection between local investors and local ventures needing financial support. They function as a cost-efficient, community-driven impact fund, serving as a source of community prosperity.

**Opportunity Cooperatives...**

|   |   |   |  |
|---|---|---|--|
| <p>are for-profit businesses owned by local community members who identify businesses, projects, and causes to invest in.</p> |    | <p>are a cost-effective, community-owned, and community-controlled impact fund</p>  |   |
|   | <p>are a new and innovative model for economic development that bridges the gap between local investors and local ventures.</p> |  | <p>enable residents to become partners in economic development, which leads to healthier and more sustainable communities and economies.</p> |

**...invest local money in local people and projects.**

Instead of relying solely on external developers or outside investors to address the issues of deteriorating infrastructure, community decline, inadequate business premises, lack of childcare, and affordable housing shortages, opportunity cooperatives empower community members to take proactive steps toward creating opportunities and achieving revitalization by offering an innovative remedy for these challenges.

Opportunity cooperatives (OC) are community impact funds made up of community members and investors who pool their resources to support projects and people in their towns. These cooperatives help preserve and enhance the places where people can live, work, and build families. OCs can mobilize local capital, foster entrepreneurship, and create opportunities for sustainable development. Opportunity cooperatives appeal to the rural values of self-reliance and pride in ownership. They can create well-paying jobs, increase the tax base, and increase the workforce by developing infrastructure like housing and childcare.

Opportunity cooperatives give people opportunities to get involved at a minimum level that empowers them without creating financial strain. While OCs can offer a return on investment, it is important to note that the primary goal is the benefit of the mission, not returns.

In 2018, the Montana Cooperative Development Center (MCDC) provided technical assistance to the Musselshell Rural Investment Cooperative, the first rural investment in the state. From that project, MCDC has developed best practices and resources for communities to follow, as found in this toolkit.

This toolkit provides an overview of the cooperative structure, outlines the cooperative development process, and includes an introduction to two types of investment cooperatives. In addition, there is a brief history of opportunity cooperatives and information on existing opportunity cooperatives around Montana and the country. The appendix contains supplemental information and case studies centered around the formation of OCs, enriching the toolkit's content and practical insights.

Additional resources are available in the appendix, and readers can access case studies and detailed information from MCDC's cooperative development partners via the QR code found at the end of this document, enriching the toolkit with practical insights.

## What is a Cooperative?

A cooperative is a business owned and democratically controlled by those who use its products, supplies, or services. Cooperatives are formed to meet members' specific objectives and are structured to adapt to members' changing needs.



**In simple terms, a cooperative is an enterprise created by a group of people who join forces and work together to solve a problem or reach a goal they all share.**

The traditional definition of a cooperative is:

***“A cooperative is an autonomous association of persons united to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.” - International Cooperative Alliance***

The primary objective of a cooperative is to serve its members rather than maximize profits for external shareholders. Cooperatives are owned and operated by a group of individuals or businesses who come together voluntarily to meet their common economic, social, and cultural needs and aspirations.

Cooperatives exist worldwide and in every sector, from agriculture to utilities. All cooperatives follow the same seven principles: voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training, and information, cooperation among cooperatives, and concern for the community.

## 7 Cooperative Principles



1

Voluntary and Open  
Membership



2

Democratic Member  
Control



3

Member's Economic  
Participation



4

Autonomy and  
Independence



5

Training, Education,  
and Information



6

Cooperation among  
Cooperatives



7

Concern for  
Community

Though cooperatives are a global form of business, they are controlled on the state level or state-level equivalent. This means that each state in the US has different cooperative laws that need to be reviewed. This specific toolkit focuses on Montana state law. Cooperatives, in concept, are interchangeable across state and country lines; they do require a strong understanding of local law to operate.

In Montana, a cooperative is a state-recognized business organized and operated as a corporation under applicable state laws of Chapter 35 of the Montana Code Annotated.

### The Cooperative Advantage

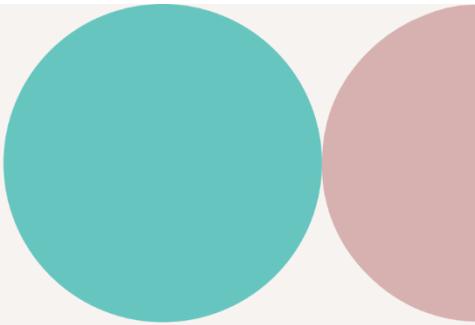
Many people care about their communities and can name things they'd like to see solved, created, or improved. However, these people often can't act on their own, whether due to a lack of capital, time, or expertise. They can volunteer at a nonprofit or donate money to a charity, but overall, they don't have a say in how those organizations are run or how their money is spent.

In a cooperative, all members pay the same fee based on the membership structure and have the same rights. It truly is a democratic entity. A member who paid for their \$100 common stock (ownership stock) has the same vote as a member who purchased \$1,000 of preferred stock (investment-only stock). United under a cooperative business, their impact is far greater than anything they could do on their own, and they are united by values of cooperation,

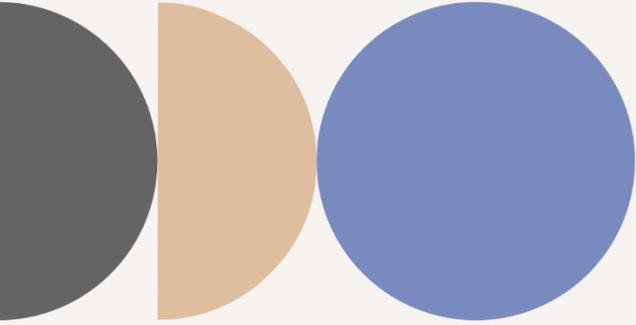
democratic control, and concern for the community. All members make major decisions regarding the cooperative, so everyone's voices are heard.

Opportunity cooperatives are particularly strong examples of the cooperative advantage because they pool community resources to directly fund community projects or areas of need within a community. In this cooperative investment model, people can fund the projects they want to see succeed.

Further information regarding the cooperatives can be found in Appendix A & B.



# **Opportunity Cooperatives**



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The concept of opportunity cooperatives has woven itself into the economic fabric of societies, offering a unique blend of communal investment and financial opportunity. In Canada, investment cooperatives have a rich history that stretches back decades, often catalyzing local economic growth and community empowerment. These cooperatives have supported businesses and nurtured a sense of shared ownership and responsibility among members. However, this innovative model's influence has not been confined to national borders. Cooperative economic developers in the United States observed Canada's successes and have embraced the community development cooperative approach, particularly in real estate to address the disinvestment of downtowns and rural communities.

In 1999, the Nova Scotia government introduced an innovative way to empower local people to invest in their community's economy through the Community Economic Development Investment Funds (CEDIFs). CEDIFs are an innovative initiative encouraging residents to support small local businesses and address financing challenges.

By pooling capital from local citizens, CEDIFs invest in local for-profit businesses through a revolving loan fund. The primary objective is to stimulate money circulation within the local economy, fostering investments in funds dedicated to supporting local companies.

## **Community and Social Return**

Opportunity cooperatives are driven by the collective strength of community members pooling their resources and have the potential to spark transformative change. On the financial front, OCs serve as catalysts for local economic development, wealth distribution, and the promotion of socially responsible investments. Additionally, OCs can financially empower individuals and provide a form of financial literacy that individuals might not otherwise have access to.

- **Local Economic Development**

A recurring concern voiced within communities is the challenges of securing capital and startup funding for local small businesses. Investment cooperatives offer a solution, empowering local communities to establish their own fund dedicated to supporting business projects in their community. Investment cooperatives can help address the financial gaps for small businesses, but most importantly, they also actively contribute to their community's social and economic development. This collaborative approach fuels business growth and catalyzes positive change, reinforcing the interconnectedness between economic prosperity and community well-being.

- **Community Empowerment**

Local investment in cooperative initiatives fosters community empowerment and enhances local capacity. With democratic control and community-based leadership, these cooperatives create a self-sustaining participatory model that builds resilience and strength from within.

- **Wealth Distribution**

Montana's Non-profit Association projects a \$37 billion intergenerational wealth transfer by 2030. Cooperative investments enable locals to reinvest that wealth in their community. A 2022 Small Business Economic Impact Study reveals that over \$0.68 stays in the community for every \$1 spent locally. Supporting local cooperative investments extends the duration of money circulating within the community.

- **Socially Responsible Investing**

Having an avenue for community members to invest locally is crucial in combating community apathy. Investment cooperatives, beyond offering modest returns, foster new businesses, revitalize areas, and address issues like housing and childcare. It empowers individuals to actively support their own community.

- **Education and Skill Development**

Cooperatives have seven guiding principles, one of which is care for the community. This cooperative principle encourages community engagement, allowing individuals to build leadership skills and continue contributing to their community. Members elect members within the cooperative to serve in leadership positions, and most cooperatives have strong educational programs in place for members to gain skill sets based on the cooperative mission.

Many long-lasting cooperatives have significantly donated to and sponsored community-based education. The electric and telephone cooperatives are known for their scholarships and sponsored youth trips to Washington, DC. Credit Unions in Montana have an active program for high school financial literacy and life skill development.

- **Cultural and Social Enhancement**

Investment coops are designed by the people who own and invest in them with the community's betterment in mind and are deeply woven into the local culture. Members may invest dollars in various ways, such as developing loan programs to support façade improvements or microloans for gap funding. Alternatively, the cooperative can purchase and renovate blighted buildings, attracting businesses that, in turn, contribute to community activities like youth sports, art, and cultural events.

- **Long-Term Stability**

Cooperatives are one of the oldest forms of business in the US, dating back to Benjamin Franklin. In Montana, cooperatives are celebrating over 100 years of operation. Cooperatives are perpetual forms of business with a natural succession plan for longevity built into their member ownership.

In an Opportunity Cooperative, cooperative members decide to fund different projects, and people in their community can see modest returns on their investments. While in Montana,

opportunity cooperatives are for-profit businesses, the biggest benefit of an OC is the social return—seeing the community grow and thrive. Opportunity cooperatives are referred to as “patient investment cooperatives,” meaning that the members and investors of the cooperative recognize that investing in their community is not a quick return but a patient investment with the most significant benefit of seeing the community grow, thrive, and become economically resilient. Members of OCs are community-focused investors who want to participate in long-term projects that will benefit the community at-large.

### ***Opportunity Cooperatives...***



can invest in real estate.



be the developer of projects.

invest in other cooperatives.



be a landlord or manager of properties.



create a loan portfolio.



invest in community projects.

incubate business development.



invest in companies.



***...are long-term, impactful investments.***

Opportunity cooperatives can have several potential uses within a community. This toolkit encompasses two distinct but impactful types of investment cooperatives:

- Real Estate Investment Cooperative (RIEC) and,
- Community Economic Development Investment Fund (CEDIF).

The **Real Estate Investment Cooperative** concentrates on collective investment in real estate properties, spanning both commercial and residential sectors. Members combine resources to engage in property acquisition, development, and management, fostering shared ownership and equitable access to real estate opportunities.

On the other hand, the **Community Economic Development Investment Fund (CEDIF)** operates as a financial cooperative, focusing on providing accessible and sustainable funding to community projects and businesses. The cooperative model involves members contributing to a collective fund, from which loans are issued to support various initiatives, creating a self-sustaining cycle of community investment. Together, these cooperative models offer powerful tools for community members to collaboratively address housing needs, stimulate economic development, and promote financial empowerment within their localities.

# Real Estate Investment Cooperatives



Real Estate Investment Cooperatives (REIC) purchase properties to restore, repurpose, and use for commercial or residential space. The cooperative structure allows individuals to participate in real estate investments with lower capital requirements, spreading the financial risk among members. Cooperative members have a say in the decision-making processes related to property selection, management, and potential divestment. Additionally, these cooperatives often align with social and community-oriented goals, promoting a sense of shared ownership and responsibility among members.

- **Commercial Investment Cooperative**

A commercial investment cooperative may concentrate on investing in commercial properties such as office buildings, retail spaces, industrial facilities, and other non-residential real estate assets.

The primary goal may be to raise capital to renovate the building, which would generate rental income and potential capital appreciation from commercial properties. Members may benefit from a share of the profits and potentially contribute to an area's economic development through local businesses' support.

In Alberta, the investment cooperative model has been able to “incubate” and “attract” businesses providing needed services for the community. The Sangudo Opportunity Development Cooperative has done this a handful of times, strengthening its community's overall vitality and resiliency. It has recently incorporated housing into its successful investment cooperative.

- **Residential Investment Cooperative**

Residential investment cooperatives center their investments on residential properties, including single-family homes, multi-family apartment buildings, or other housing units.

The main objectives for the coop may include earning rental income and capital appreciation from residential and or commercial real estate. Members may seek to address housing needs within their community, promote affordable housing, or simply diversify their investment portfolios with residential properties.

Whether the focus is commercial or residential, a real estate investment cooperative is a form of collective investment where individuals pool their resources to jointly invest in real estate properties. The main function of such cooperatives is to enable members to access real estate opportunities that might be challenging for them to pursue individually. This collective democratic approach allows members to share the risks, costs, and benefits associated with real estate investments.

Through their renovation and management activities, REICs contribute to the local economy by creating jobs, increasing property values, supporting local businesses, generating tax revenues,

fostering community development, retaining wealth within the community, and potentially incorporating social and environmental considerations into their projects.

Opportunity Cooperatives are not limited to one form of real estate investment. If their mission and values align with both commercial and residential properties, they will often incorporate them into their projects. The following examples showcase cooperatives that invest in both commercial and residential projects.

## Examples

**Further information on each of the following is included in the Resources as found following the QR code on the last page.**

- **Montana-Based Real Estate Investment Cooperatives**

### *Musselshell Rural Investment Cooperative*

During the spring of 2017, a dedicated group aiming to preserve the historic Central School in Roundup, MT, came across the investment cooperative model in Alberta. The group initially started collaborating with the regional economic development organization, Snowy Mountain Development Corporation (SMDC). This connection led them to the Montana Cooperative Development Center, where they received valuable support and guidance. The informal group transitioned into a steering committee, embarking on an exploration to establish the first-of-its-kind real estate investment cooperative in Montana, the Musselshell Rural Investment Cooperative (MRIC). To read a full case study on MRIC, please visit our resources QR code at the end of this document.

### *North Country Development Cooperative*

North Country Development Cooperative was incorporated in June 2016 in Whitewater, MT after their local bar and community center had been closed for several months and was being considered for purchase by outside groups. With no other businesses or community centers in the area, it was important that they maintain it. A small group of residents started the community development cooperative as an option for purchasing North 40 Bar to keep it in operation. With 35 members, they were able to fund the purchase of the business and location. With help from community members, they have kept that business running and supported their neighborhood ever since.

### *Gardiner Investment Cooperative (closed)*

The Gardiner Investment Cooperative (GIC) emerged as a grassroots response to the pressing housing shortage in Gardiner, Montana, a vibrant tourist community nestled near the north entrance of Yellowstone National Park. Recognizing the critical need for affordable housing, the business community came together with the vision of establishing a cooperative venture that would address the housing crisis.

GIC aimed to provide accessible housing solutions tailored to the needs of retaining the workforce for local businesses. While initial momentum and community support fueled the initiative, the absence of dedicated individuals willing to take on leadership roles and drive the organization forward hindered progress, and they were never fully incorporated.

However, GIC gave Montana a concept that is now being explored in other Towns and Cities to pool funding together to address critical housing needs. Their attempt has given a lasting concept for others to follow and stresses the importance of having leadership as a pillar in cooperative development.

#### *Musselshell Valley Development Cooperative*

Housing and commercial space had been ongoing challenges in the community of Harlowton. In the fall of 2022, a few residents participated in the Reimagining Rural event, a program through Montana State University Extension dedicated to community development in rural areas. Among the topics discussed at the event was the Musselshell Rural Investment Cooperative (MRIC) in the neighboring community of Musselshell County. The prospect of using the cooperative model as a way for the citizens of Wheatland County to pool resources proved to be highly inspiring and generated enthusiasm to further explore starting a real estate investment cooperative. Access the QR code at the end of this toolkit to read the full case study.

- **U.S. Based Real Estate Investment Cooperatives**

#### *Northeast Investment Cooperative of Minnesota (Minnesota)*

Established in 2011, the Northeast Investment Cooperative of Minnesota emerged from a collective of community members who grew weary of the sight of rundown and underutilized properties within their neighborhoods. Their patience for traditional developers to address these issues waned, prompting them to unite and take matters into their own hands. With a vision of empowering community members as proprietors and investors, they conceived a real estate development cooperative to procure and rejuvenate properties in their area. The cooperative's scope extends to revitalizing properties, fostering business incubation, and contributing to housing initiatives.

#### *Northwest Pennsylvania Investment Cooperative (Pennsylvania)*

The objective of the Northwest Pennsylvania Investment Cooperative is to enhance entrepreneurial prospects and enhance the economic vitality of Meadville, PA, and its neighbors. Pioneering this cooperative, a group of committed citizens established the state's inaugural investment cooperative. Their mission involves acquiring and refurbishing commercial real estate, ultimately offering affordable rental options to businesses and various social enterprises. In a significant milestone, the cooperative finalized the purchase of their first property in November 2021, which is pivotal in supporting a fresh venture known as Blissful Meads – a promising meadery and inviting tasting room.



# **Community Economic Development Investment Fund**

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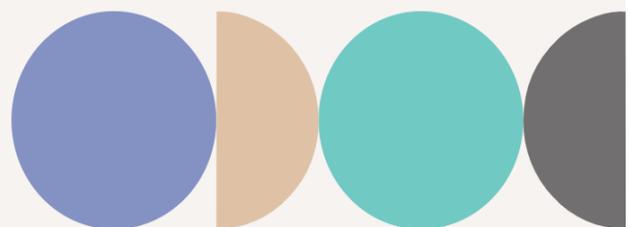
Community Economic Development Investment Fund (CEDIF) uses the revolving loan fund (RLF) model and direct investment to fund projects. Revolving loan funds are funds lent out to different projects for a set period, usually in the form of microloans. As the loan is paid back, interest on the loan grows the fund so it can be lent out again. CEDIF funds are often used to leverage other financing and can be considered “gap funds.” These gap dollars give local communities opportunities to support local economic development efforts while also ideally receiving a monetary return. Recipients of the loans can use the money to match requirements for other loans or grants, capital improvements on a business, working capital, and more.

In a CEDIF, the cooperative provides loans and makes investments that are vetted and fit within its mission. The cooperative should develop guidelines and have an active loan committee and process that oversees the decisions regarding loans and investments. The membership, through the annual meeting and the elected Board of Directors, should provide insights into the types of loans that the cooperative will finance and the types of projects the cooperative will invest in.

Members of an opportunity cooperative can expect modest returns on their investment. The return on a loan comes from interest paid and is then returned to the membership and preferred stockholders, as agreed upon in the cooperative by-laws and operational documents. Returns on a direct investment can come in the form of repayment, dividends, or sales. The terms are agreed upon between the cooperative and the project.

Whether they are called Opportunity Cooperatives, Opportunity Development Cooperatives, Community Economic Development Funds, or Investment Cooperatives, they are crucial in empowering communities to take control of their economic destiny, mobilizing local capital, and fostering sustainable economic growth. They represent a collaborative and community-driven approach to investment that goes beyond traditional financial models by directly involving residents and businesses in shaping the economic future of their locality.

**Investment cooperatives carry risks that must be mitigated. Proper vetting of investments and loans is crucial for membership growth and the cooperative's longevity. Members and preferred stockholders should be aware of these risks when purchasing stock and during Annual Meetings.**



## Examples

Further information on each of the following is included in the Resources as found following the QR code on the last page.

- **Montana-Based Community Economic Development Investment Fund**

*Opportunity Development Cooperative of Petroleum County*

A few dedicated volunteers stirred discussions to establish an Opportunity Cooperative in Winnet, Montana, a community that is the main town within a County of 450 people. This visionary initiative aimed to pool the community's collective resources, bridging the gap in funding for crucial projects, fostering entrepreneurship, and potentially addressing the acute shortage of housing and commercial spaces. United by a belief in the transformative power of collaboration, they embarked on a journey to transform this idea into tangible progress. Their mission was clear: to infuse their community with renewed vitality, nurturing a spirit of resilience and optimism that would resonate for generations through the cooperative business model.

The Cooperative completed its incorporation in the spring of 2024 and is in the process of determining its first project. They are developing both a revolving loan fund and a direct investment in a recently closed local business. This is the first RLF-based focused investment cooperative in Montana, creating a new tool for rural and remote America.

- **Canada-Based Community Economic Development Investment Fund**

*Sangudo Opportunity Development Cooperative*

In 2009, the Sangudo Opportunity Development Cooperative (SODC) was established in Sangudo, Alberta, to boost business and investment opportunities in the community. Residents eagerly invested in local businesses, recognizing that such investments contribute to business growth and instill a sense of pride, vitality, community spirit, and reasons for both young and old to remain actively engaged in their community.

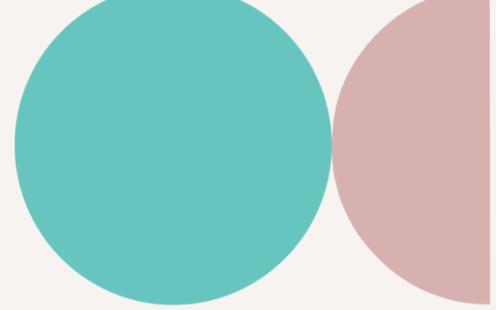
Their first venture involved establishing a meat packing company, and the cooperative subsequently expanded its investments to include an empty building leased to businesses. They also invested in a building to address housing needs and generate an income stream for the cooperative, enabling them to continue their invaluable work of community building and mutual investment.

*FarmWorks!*

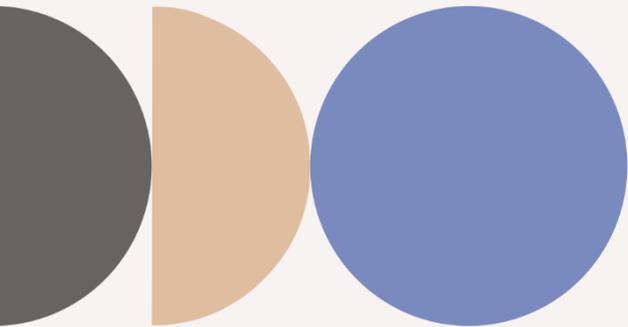
FarmWorks Investment Co-operative Limited formed from the collaboration of community leaders and citizens who shared deep concerns about addressing social, economic, and cultural needs. Their overarching objective was to enhance accessibility to a sustainable local food

supply, benefiting all residents of Nova Scotia. Through their efforts, FarmWorks sought to foster a thriving local food system that would serve the community's long-term interests, farmers, ranchers, and value-added producers, address food insecurity, and provide community members with locally grown healthy food.

Their vision is Healthy Farms, Healthy Food! Their mission is to promote and provide strategic and responsible community investment in food production and distribution to increase access to a sustainable local food supply for all Nova Scotians.



# Cooperative Development Process



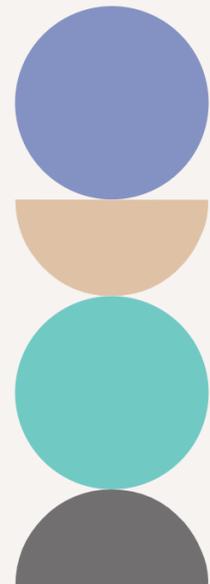
Forming a cooperative can be complex as it requires multiple people to join and collectively make decisions. A cooperative is a business run, operated, and owned by its members. By purchasing a membership share in an investment cooperative, each member not only becomes an owner but also directly contributes to capital and participates in the collective effort to generate returns and create value for all members.

The projects an investment cooperative supports are as unique to the coop as the community they serve. The initiatives an investment cooperative endorses are distinctive and tailored to the cooperative itself and the specific community it serves. These initiatives may involve capital investments in a community's real estate or housing inventory. Alternatively, the cooperative might choose to invest in social enterprises dedicated to enhancing the well-being of their communities. Investment cooperatives can also play a role in establishing revolving loan funds, providing crucial support to businesses through gap funding, startup assistance, and working capital loans or direct investment.

In Montana, opportunity cooperatives are **a for-profit business model**. While they intend to serve their communities, they are not charitable, instead, opportunity cooperatives are **community-based, patient investments** where members get returns in the form of community development, social returns as well as dividends. Investment cooperatives enable residents to become accountable partners in locally-driven economic development, which leads to healthier and more sustainable communities and economies. In other words, local money won't be invested in stocks and mutual funds but, more importantly, in local projects and people. Cooperatives, though not charity-driven, are driven by the purpose of the members and mission first. They are not driven by profit for shareholders.

Cooperative associations, like opportunity cooperatives, provide two forms of stock—common and preferred. Common stock or membership share is where the democratic process is most seen in cooperatives. Common stock allows a member the right to have a voice, run for office, and engage in the overall structure/governance of the cooperative. Preferred stock, or investment stock, allows a business, individual, or other entity to purchase investment

**Opportunity Cooperatives are community-based, patient investments where members get returns in the form of community development, social returns as well as dividends. They enable residents to become accountable partners in locally driven economic development, which leads to healthier and more sustainable communities and economies.**



shares into the cooperative. This unique form of capitalization is identified and designed during the planning phase. Preferred stockholders do not have any additional voting or preference rights compared to any other member. It simply means that if the cooperative is profitable, the preferred stockholders receive a return first.

## Phases of Cooperative Development

The Montana Cooperative Development Center has identified five distinct phases of cooperative development. Each phase comprises multiple steps and actions that should be completed before advancing to the next phase. In many cases, some steps can be carried out concurrently. It is the responsibility of each cooperative project to determine which steps are appropriate and necessary for building a successful cooperative.

Below is an outline of each phase. MCDC will assist cooperative groups throughout these phases, but it is ultimately the duty of the steering committee to execute the necessary steps to establish a successful cooperative. For more information, please see the Phases of Cooperative Development in Appendix C



Montana has four types of legal cooperatives in Montana, *for this toolkit's purposes, the following process refers to a for-profit Cooperative Association in Montana Code Annotated Title 35 Chapter 15. [Incorporation Law: 35-15-201](#)*

- **Introductory Phase**

The introductory phase is the first step in developing a cooperative initiated by a group interested in solving a community problem or increasing opportunities. This phase aims to help the community/group understand the cooperative model, identify community partners to form a steering committee, and understand MCDC's supportive technical and educational role in the development process.

This phase begins with an initial meeting to provide information about the cooperative business structure and development process. Cooperatives emerge from the efforts of individuals seeking to collaboratively address matters of significance to them using a democratic approach. This phase may involve multiple meetings and informational sessions to gather enough collaborators to formalize a steering committee. If there is enough interest and a steering committee is identified, the project will transition into the Exploratory Phase

- **Exploratory Phase**

At the beginning of the exploratory phase, the steering committee will formalize and ensure that each member understands the cooperative business model and is well-versed in the committee's respective roles and responsibilities. During this phase, the committee will begin to explore the feasibility of the cooperative business through community outreach, facilitated meetings, and general research.

The exploratory phase should increase awareness of the cooperative business model, clarify the cooperative's vision and goals, gain an understanding of the community's current economic and social landscape, and clarify the purpose and need for an investment cooperative.

Awareness of the cooperative business model equips the steering committee with the knowledge and tools necessary to make informed decisions, establish a cooperative in compliance with legal requirements, and develop a business plan that aligns with cooperative principles and values and creates profit for the cooperative.

An important step during this phase is clarifying the cooperative's vision and goals. MCDC will facilitate a vision and brainstorming session with the steering committee to refine the goals, expectations, and anticipated timeline. This session will serve as a foundation for understanding the necessary tasks to advance cooperative development and the level of commitment expected from members. Additionally, it will play a pivotal role in identifying the most suitable investment model aligned with the committee's objectives.

During this stage, the committee might find it necessary to conduct community surveys to determine whether there is sufficient interest to attract membership. Community surveys are valuable for gathering essential information to assess interest, build community involvement, and make informed decisions in the early stages of developing a cooperative business. The

steering committee will decide on the degree of formality or informality required for the community engagement surveys. Understanding the current economic and social landscape of their community is crucial for cooperative models, as it informs strategic decisions, mitigates risks, and ensures the cooperative's contributions align with community needs and aspirations.

After clarifying the vision and goals, gaining insights into investment cooperatives, assessing feasibility, and conducting preliminary community engagement initiatives, the steering committee must establish practical goals for cooperative development and a timeline.

In this phase, the committee might also conclude that the investment cooperative model is unsuitable for their objectives. Steering committee members may have divergent goals, with some expressing enthusiasm for the model but insufficient support from stakeholders and the community. Following the exploration process, the committee may decide to pursue an alternative business model.

If the group decides to proceed with cooperative development, the group will enter the Planning Phase.

- **Planning Phase**

The planning phase is the most important and often longest phase of cooperative development. In this phase, the investment cooperative business is planned. The committee will further determine the feasibility of the model of the investment cooperative they decide on, gather financial information, create a business plan, structure governance, write preliminary bylaws, and determine if planning and/or feasibility dollars are needed. A thorough planning phase sets the cooperative up for success. In contrast, an improperly planned cooperative will cause problems down the line, like having to rewrite bylaws or develop additional marketing strategies to recruit more members. Or, in the worst-case scenario, a failed cooperative can result if planning is rushed or left uncompleted.

The committee must determine, depending on the investment cooperative model they intend to establish, whether a more comprehensive feasibility study or a more thorough and formal community engagement process is necessary. A successful steering committee engages the community at every stage of development to ensure that the cooperative's goal accurately reflects what the community needs. This reflects one of the seven cooperative principles: Concern for the Community.

An important part of some cooperative planning can be a formal feasibility study. The study can provide important information to help the committee decide if the project will succeed and details that can help engage community stakeholders. However, a formal study can be expensive to conduct. Many successful groups engage in more grassroots efforts, as described above, to determine feasibility.

During the planning phase, the steering committee will initiate the creation of essential planning documents, including the business plan and bylaws. MCDC will be ready to provide technical support during this process through template documents, resources for financial planning, guided meetings, and more.

### *Business Plan*

Business planning will evaluate the feasibility of the cooperative business and the project's viability and establish a comprehensive framework for all aspects of business operations. MCDC will continue to offer support during business planning sessions and facilitate connections, providing professional technical assistance to navigate necessary financial and business planning information. This will give the committee insights into future expenses and assist in troubleshooting capitalization issues.

As a rule of thumb, revenue from the membership (common stock) should finance the first one to three years of the cooperative business. Hence, it's important to market the cooperative effectively and proactively. Marketing materials are part of the planning process as the cooperative begins to incorporate membership recruitment will be critical. Marketing products should inform potential members of the mission, the cooperative model, and membership benefits. Identifying and completing the initial aspects of marketing is a crucial step to include in the planning process and as part of the business planning phase, as it gives credibility to the cooperative for membership and financial support through grants, loans, and preferred stock (investment).

### *Bylaws*

Bylaws serve as the cooperative's governing framework, outlining essential elements such as the number of board members, election procedures, the function of advisory committees, and the criteria and advantages associated with membership. It is crucial to be thoughtful and deliberate in crafting bylaws to ensure compliance with Montana state law. The Montana Cooperative Development Center will supply the steering committee with bylaw templates tailored to the investment cooperative model.

Bylaws feed into the overall incorporation documents as well. The steering committee drafts the bylaws for the membership to approve at the first membership meeting. However, the information developed for bylaws is often found within the articles of incorporation that are part of the organization phase.

- **Organizational Phase**

After thorough planning, community outreach, and marketing preparation, the steering committee can move into the organizational phase. During this phase, the committee will incorporate the business, finalize all legal documents, including the subscription agreement and incorporation documents, recruit members, and determine funding needs.

### *Subscription Agreement*

A subscription agreement is a legal contract used in cooperative business formations to document prospective members' commitment to purchase membership shares or equity in the cooperative. This agreement outlines the membership cost, the membership's voting rights, and how many shares of common and preferred stock will be offered. Once those factors are determined, MCDC will provide the committee with subscription agreement templates.

### *Incorporation Documents*

Incorporation documents, commonly known as articles of incorporation and written securities exemption, constitute the fundamental legal records that formally establish the corporation as a distinct legal entity. After the steering committee has finalized the draft bylaws and subscription agreements, MCDC will aid in completing the incorporation documents. These, along with the bylaws and subscription agreement, should have a final legal review before submission

Once all documents have been reviewed, the steering committee members sign and file the intent to incorporate documents with the Secretary of State and the Written Exemption with the Securities Office. They then officially become commissioners who can collect subscription agreements for the cooperative. ***However, they cannot yet receive payments for subscriptions until full incorporation.*** If enough subscriptions are collected to finance the cooperative as outlined in the business plan, the committee members can move forward with steps to incorporation. If not, it is recommended that the business plan be revisited. A steering committee that has dedicated enough time to creating the business plan and staying in contact with potential members should not have an issue meeting membership expectations—this is why a strong business plan and community outreach are so important.

Before the cooperative is fully incorporated and can collect money from subscription agreements, it must hold an initial membership meeting and report it to the Secretary of State per Montana law. At the first membership meeting, the members will vote to adopt the draft bylaws and elect a board of directors. Montana law requires the commissioners to give written notice to all members ten days before the first meeting. Usually, commissioners become the cooperative's temporary board of directors for the first year of operations.

After the first meeting, the cooperative is legally required to make a full report of the first meeting to the Secretary of State. [MCA 35-15-204](#)

Once the report is completed and approved by the SOS, and the cooperative obtains an EIN from the IRS, it is considered fully organized and may engage in business.

- **Operational Phase**

Once the cooperative is incorporated, the board of directors holds its first meeting, collects member subscription fees, and begins to plan for business operations. This includes voting for the board officers and committee members, arranging start-up and operational capital, setting board policies, and determining hiring and personnel practices. MCDC has experienced economic development staff members who engage in this phase to assist the cooperative with moving into operations.

The new board should also complete board training, including strategic planning, policy development, and defining governance versus management. MCDC provides these types of training as part of the services to the Montana Cooperative Community.

The final phase focuses on ensuring the cooperative's long-term sustainability and growth. The board of directors will work on evaluating the cooperative's performance, continuing member engagement, and planning for future growth and development.

## **Role of the steering committee**

As outlined in the cooperative development phases, the steering committee is the foundation of the cooperative before, during, and after. The steering committee guides the cooperative through the five phases: introductory, exploratory, planning, legal, and operational. MCDC supports the committee through these steps, but each cooperative is unique and requires active decisions from its members. At each phase, the committee must evaluate if the cooperative model fits their project.

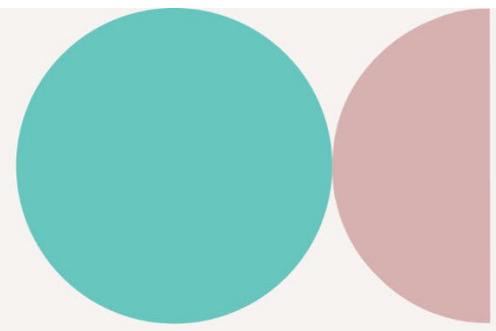
Incorporation typically takes 6 to 24 months, depending on the committee's activity level. Weekly or biweekly meetings can shorten this timeline. MCDC will facilitate some meetings, but the committee must handle pre- and post-meeting tasks like research, emails, and drafting plans. MCDC provides technical assistance but doesn't join the committee, leaving decision-making to the committee members.

A committed steering committee is crucial. Members should understand their roles and be ready to dedicate time and energy for a smooth process. A steering committee typically has 5-7 members to ensure efficient decision-making. For individuals intrigued by the project but hesitant to commit to steering committee responsibilities, the cooperative may establish an advisory committee or collect contact information for potential future members.

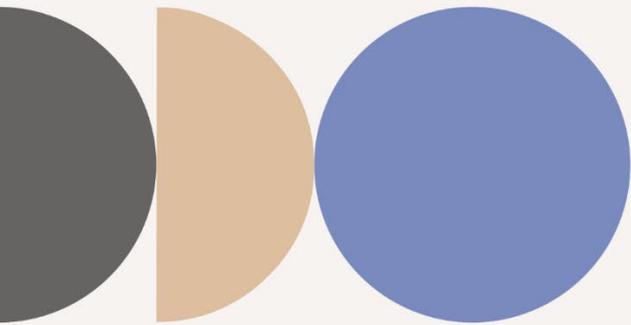
No single member should dominate; decisions are democratic from the start, with each member's voice equally important. It is highly recommended that the steering committee assign roles like notetaker and scheduler to leverage members' strengths. The committee manages the project, setting deadlines, assigning tasks, and tracking progress. MCDC does not act as the project manager.

During the organizational phase, the committee selects incorporators to file necessary documents. These incorporators become commissioners, collecting subscription agreements and selling shares, often becoming the first Board of Directors. The committee must assess feasibility, either through formal studies or community feedback. MCDC can help prepare surveys and facilitate meetings but does not write feasibility studies. The committee drafts the business plan and financial projections, including membership recruitment and marketing plans. MCDC provides planning tools and reviews. The committee also drafts bylaws, subscription agreements, and articles of incorporation, with templates and assistance from MCDC.

Engaging potential members through marketing efforts like social media and community presentations is essential. Commissioners then collect subscription agreements to raise capital. Steering committee members are expected to become cooperative members after incorporation. Non-eligible or non-committed individuals can join an advisory committee. The committee should reflect the cooperative's diversity, including different ownership classes and regional representation. It's beneficial to include members with business planning or cooperative industry experience. All members must actively participate, sharing the workload equally. Steering committee members should be a reflection of the future cooperative members and should regularly seek community feedback.



# Appendices



# Appendix A: Cooperative Advantage



## The Cooperative Advantage

*The cooperative business model offers a flexible and inclusive approach that aligns business objectives with community and social needs.*

### 1. Member Ownership and Control

Cooperatives are owned and governed by their members, who are also the primary beneficiaries of the cooperative's activities. Each member has an equal say in decision-making, regardless of their financial contribution, allowing for inclusive and participatory governance. This democratic structure ensures that the interests and needs of the members are prioritized, fostering a sense of ownership and empowerment.

### 2. Shared Risks and Rewards

As members, individuals pool their resources and share both the risks and rewards of the cooperative enterprise. This collective approach helps mitigate individual financial burdens and spreads risk across the cooperative, making it more advantageous for starting or operating a business.

### 3. Economic Benefits

Cooperatives distribute profits to their members based on their participation, rather than on capital invested. This ensures that benefits generated by the cooperative are shared equitably among its members. Cooperatives often focus on providing goods or services to their members at reasonable prices. This economic advantage helps improve the financial well-being of the members and can contribute to the local economy.

### 4. Stability and Longevity

Cooperatives tend to have a long-term perspective, prioritizing sustainability and the well-being of their members over short-term profits. This stability allows cooperatives to weather economic downturns and adapt to changing market conditions more effectively. As member-focused organizations, cooperatives have a vested interest in maintaining their operations and serving their communities over the long run. The cooperative business model is typically more resilient to economic fluctuations or industry challenges.

### 5. Shared Services and Access

Through collective action, cooperatives can access supplies, services, resources, and expertise that might be challenging for individual members to acquire on their own. This can include securing bulk purchasing power, accessing shared facilities or infrastructure, or benefiting from joint marketing efforts. The cooperative structure facilitates collaboration and the pooling of resources for the benefit of all members.

## 6. Social and Community Impact

Cooperatives often prioritize social and community objectives alongside economic goals. They aim to address the needs of their members and contribute positively to their communities. The cooperative business model promotes cooperation, inclusivity, and equitable distribution of benefits, which fosters social cohesion, promotes local development and job creation, and supports sustainable practices.

## 7. Member Engagement and Education

Cooperatives emphasize member education, providing training and resources to enhance their members' knowledge and skills. This focus on education helps empower individuals to actively participate in decision-making, understand the cooperative's operations, and contribute to its success. This democratic learning process can have long-lasting personal and professional benefits for members.

## 8. Collaboration and Networking

Cooperatives foster collaboration and cooperation among members and with other cooperative businesses, by pooling resources, knowledge, and expertise. Members and the business benefit from shared learning, support, and effective political action. The principle of cooperation among cooperatives allows for networking opportunities where members connect with other cooperatives, organizations, and stakeholders with similar objectives, which can lead to increased market access, innovation, and mutual support.

It's important to note that the advantages of the cooperative business model can vary in each state, industry, region, and individual cooperative. However, the seven fundamental principles of cooperation, shared ownership, and member focus remain consistent, underpinning differences between other business models and the advantages of the cooperative business model.

## Appendix B: Cooperative Overview



### What is a Cooperative?

A cooperative is a business owned and democratically controlled by those who use its products, supplies, or services. Cooperatives are formed to meet members' specific objectives and are structured to adapt to members' changing needs.

***“A cooperative is an autonomous association of persons united to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.” – International Cooperative Alliance***

The primary objective of a cooperative is to serve its members rather than maximizing profits for external shareholders. Cooperatives are owned and operated by a group of individuals or businesses who come together voluntarily to meet their common economic, social, and cultural needs and aspirations.

A cooperative is a state-recognized business organized and operates as a corporation under applicable state laws of Chapter 35 of the Montana Code Annotated.

### Types of Cooperatives

Cooperatives exist in all business sectors, such as utilities, agriculture, telecommunications, financial, retail, professional services, housing, and childcare. Cooperatives can take various forms of membership—a few examples are consumer, worker, producer, and multi-stakeholder cooperatives. Each type has its unique characteristics, but they all share the fundamental principles of cooperation and democratic control.

Montana has over 170 cooperatives ranging from rural electric cooperatives to agriculture cooperatives to consumer cooperatives to credit unions. Here is a list of the most common cooperatives formed in Montana:

**Consumer cooperatives** are owned and governed by the customers of the cooperative who benefit from the products or services offered by the cooperative. Examples of consumer cooperatives include food cooperatives, credit unions, and housing cooperatives.

**Worker cooperatives** are owned and managed by their employees. Workers have an equal say in the decision-making process, and profits are typically shared among the members based on their contributions to the cooperative.

**Producer cooperatives** are formed by agricultural producers who join forces to collectively market their products or obtain better access to inputs and resources. Individual producers work together to buy supplies and services and sell, market, and distribute their products. Producers save costs and acquire access to goods that would otherwise be unavailable or too costly alone. This type of cooperative allows small-scale producers to compete more effectively in the market.

**Community development cooperatives** or investment cooperatives are community impact funds made up of local community members and investors who identify businesses, projects, or causes into which they choose to invest together.

**Multi-stakeholder cooperatives** involve multiple groups, such as consumers, producers, employees, and community members, who collaborate to meet their shared needs and goals. This model allows diverse perspectives and interests to be represented within the cooperative.

**Shared service cooperatives** provide shared services and resources to their member organizations. They are formed when multiple organizations or individuals, typically from the same industry or sector, collaborate to establish and operate a cooperative entity to meet their common needs. The member organizations of a shared service cooperative typically benefit from economies of scale, reduced costs, increased efficiency, and improved quality of services.

## Cooperative Structure

By pooling resources, sharing risks and rewards, and promoting democratic decision-making, cooperatives create sustainable and equitable enterprises that prioritize the well-being of their members and the communities they serve.

- **Control:** Management is controlled by a board of directors who are elected members. Each member has only one vote regardless of the amount of equity a member has in the cooperative.
- **Capital:** Equity comes from membership rather than outside investors. The member's liability is limited to the amount they have invested.
- **Earnings:** Earnings and losses are allocated to the members based on the use of the cooperative during the year, not equity held. The allocation may be distributed in cash or retained as additional equity.
- **Taxes:** Earnings are taxed once, either as the cooperative's income when earned or as income of the members when allocated to them.
- **Life:** A cooperative is designed to have perpetual existence. Members can routinely join or resign without disrupting ongoing operations.

## Guiding Values and Principles

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity.

Members of cooperatives believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Cooperatives must follow their country and region's laws; however, communities worldwide use the same **Seven Principles** to guide their cooperatives. Adopted from the Rochdale Principles, these principles encompass cooperative values. The Seven Principles serve as a framework for all cooperative organizations to operate in a democratic, transparent, and socially responsible manner.

## The Seven Cooperative Principles

### 1. Voluntary and Open Membership

Cooperatives 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-ops are democratically controlled by their members, who set policy and make decisions for the cooperatives. Members have equal voting rights—one member, one vote. Members can never have more than one vote in a cooperative, regardless of longevity or investment.

### 3. Member Economic Participation

Members equally contribute to and democratically control the capital of the co-op. Members can receive a limited distribution of capital through patronage or dividends in proportion to the amount of business conducted through the coop rather than capital invested.

### 4. Autonomy and Independence

Cooperatives are autonomous organizations democratically controlled by their members. If they enter into agreements with other organizations or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

### 5. Education, Training, and Information

Cooperatives provide education and training for members, board members, managers, and employees to contribute effectively to their cooperatives' development. They inform the general public about the nature and benefits of cooperation.

### 6. Cooperation Among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, regional, national, and international structures.

### 7. Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members. Cooperatives exist to benefit members and the communities they serve.

## History of Cooperatives

The concept of cooperation can be traced back to various ancient civilizations, where people collaborated to achieve common goals, such as agricultural tasks or building projects.

The modern cooperative movement is often attributed to the Rochdale Pioneers, a group of tradesmen in Rochdale, England. In 1844, they established the Rochdale Society of Equitable Pioneers, an early consumer cooperative store to buy and sell basic goods at affordable prices.

The Rochdale Pioneers introduced key principles such as democratic control, open membership, and the distribution of surplus among members. They established the Rochdale Principles, now known as the seven cooperative principles, that are still in use today.

The electrification of America by electric cooperatives played a significant role in the cooperative movement in the United States. This effort, known as the Rural Electrification Administration (REA) program, had a transformative impact on rural communities and contributed to the growth and relevance of the cooperative movement in the country. The cooperative movement expanded to include various sectors, such as agriculture, credit, housing, and worker cooperatives.

The cooperative movement remains active and diverse in the modern era, with cooperatives operating in a wide range of sectors, including agriculture, finance, healthcare, education, housing, childcare, community impact, and more.

Throughout its history, the cooperative movement has demonstrated its ability to empower individuals and communities, promote economic democracy, and provide sustainable solutions to various societal challenges. Cooperatives have been instrumental in fostering a sense of community, promoting social responsibility, offering alternatives to traditional business models, and contributing to the economic development and resiliency of communities.

# Appendix C: Phases of Cooperative Development



## Phases of Cooperative Development

The Montana Cooperative Development Center (MCDC) offers low-cost and free technical services for new cooperative development. MCDC has identified five distinct phases of cooperative development. Each phase comprises multiple steps and actions that should be completed before advancing to the next phase. In many cases, some steps can be carried out concurrently. It is the responsibility of each cooperative project to determine which steps are appropriate and necessary for building a successful cooperative.

Below is a concise outline of each phase and its associated steps. MCDC will assist cooperative groups throughout these phases, but it is ultimately the duty of the steering committee to execute the necessary steps to establish a successful cooperative.

### Phase 1: Introductory

The introductory phase marks the first step in your cooperative journey. This phase offers an opportunity to gain a foundational understanding of cooperatives and the role of MCDC in the development process.

#### Steps in this phase include:

- 1) Complete a *Technical Assistance Request form* with MCDC.
- 2) Review materials about cooperatives.
- 3) Hold initial meetings with MCDC.
- 4) Identify potential steering committee members.

#### Questions to answer before moving to the next phase:

- 1) Are three or more individuals interested in serving on the steering committee?
- 2) Is a cooperative the most suitable business structure for this concept?

### Phase 2: Exploratory

The Exploratory Phase is the most critical phase in cooperative development. This phase determines whether the project is feasible, viable, and sustainable as a cooperative.

#### Steps in this phase include:

- 1) Provide cooperative education to ensure all steering committee members comprehend the cooperative business model.
- 2) Form the official steering committee responsible for building the cooperative.
- 3) Create a shared cooperative vision through group meetings, communications, and conversations.
- 4) Conduct feasibility studies, market analyses, community interest surveys, and community meetings as necessary.

**Questions to answer before moving to the next phase:**

- 1) *Does this project have adequate community support or interested members?*
- 2) *Is this a viable business?*
- 3) *Is a cooperative the best structure for this business?*

**Phase 3: Planning**

The Planning Phase is the longest and most involved phase of cooperative development, during which the steering committee will draft business plans, bylaws, marketing plans, and materials.

**Steps in this phase include:**

- 1) *Establish the development plan and timeline.*
- 2) *Draft the business plan.*
- 3) *Develop financial projections and pro forma.*
- 4) *Create a draft funding scenario.*
- 5) *Determine membership and preferred stock prices.*
- 6) *Draft the bylaws.*
- 7) *Develop a sustainable membership recruitment and marketing strategy.*

**Questions to answer before moving to the next phase:**

- 1) *Do the business plan and financials indicate this is a feasible and sustainable business?*
- 2) *Are there enough potential members to start the cooperative?*
- 3) *Is a cooperative the right structure for this business?*

**Phase 4: Organizational**

The Legal Phase comprises two parts in Montana. This phase involves submitting your documents to the appropriate agencies and engaging your future members.

**Steps in the first part include:**

- 1) *Prepare legal documents, including Intent to Incorporate, Securities Exemption, and subscription agreements.*
- 2) *Conduct a legal review of all documents.*
- 3) *File documents with appropriate state agencies.*
- 4) *Collect subscription agreements from potential members.* Important note: The cooperative cannot accept any money at this stage as it is not fully incorporated.

**Question to answer before moving on:**

- 1) *Have you gathered enough subscription agreements, as determined by the business plan?*

**Steps in the second part include:**

- 1) *Hold the first membership meeting to adopt bylaws, elect the board of directors, hold the first board meeting, and elect officers.* Important note: It is required to give written notice to all subscribers ten days before the first membership meeting.

- 2) Fully incorporate the cooperative by submitting proof of notice of membership meeting, Names and ranks of board members, and adopted bylaws.
- 3) Obtain EIN from the IRS once the Secretary of State has granted the business license.

### **Phase 5: Operational**

The Operational Phase is the final phase during which the cooperative commences operations, and the newly elected board can begin implementing the business plan.

#### **Steps in this phase include:**

- 1) Set up accounts.
- 2) Collect membership fees.
- 3) Draft policies.
- 4) Apply for funding.
- 5) Acquire facilities.
- 6) Hire a general manager.
- 7) Procure goods and materials.
- 8) Continue to recruit new members.

The cooperative development process is unique for each cooperative. Montana Cooperative Development Center has outlined the phases and steps in the process to help each project move smoothly through the development process and create a sustainable cooperative. MCDC does not guarantee that every cooperative project will be successful, that is up to the steering committee and the future members of the cooperative!



## Guiding Questions for Establishing an Opportunity Cooperative

For an Opportunity Cooperative Steering Committee to lay a solid foundation for the cooperative, consider the following guiding questions. These questions are designed to stimulate discussions and provide a starting point for the steering committee's deliberations. The committee should engage in comprehensive conversations and decision-making processes to shape the investment cooperative in alignment with its unique objectives and member preferences.

### 1. Purpose and Vision

- What is the primary purpose and long-term vision of the cooperative?
- How does the coop aim to benefit its members and the community?
- What specific investment goals or sectors will the coop focus on?
- What type of investment do you intend to form to meet the purpose, vision, and needs of the community you are forming to serve/support?

### 2. Membership and Participation

- What criteria or qualifications will be required for membership?
  - Education requirements- will the board require that a class be taken?
  - Other criteria or qualifications?
- What are the expectations for the level of membership participation and decision-making?
- What are the grounds and procedures for member suspension/expulsion?
- What are the plans for continued membership?

### 3. Investment Strategy

- What investment strategies or principles will guide the cooperative's decision-making process?
- What type of projects will the cooperative invest in?
  - Residential properties? Commercial properties?
  - What type of loans? What sectors are targeted?
- Will the cooperative focus on a specific industry, region, demographic, or type of investment?
- How will the cooperative assess and manage risk?
- Will the cooperative manage investments?
- Will the cooperative manage properties?
- Other considerations?

### 4. Cooperative Financials

- How will the cooperative's capital be raised?

# Appendix D: Opportunity Cooperative FAQ



## Opportunity Cooperative FAQs

### What is an opportunity Cooperative?

Opportunity Cooperatives, also known as investment cooperatives are a new and innovative support system for rural economic and business development that effectively bridges the gap between local investors and local ventures in need of financing. They are a cost-effective, community-owned, controlled impact fund that generates community wealth.

### How do opportunity cooperatives work?

Community members and stakeholders pool their resources to secure long-term, stabilizing, and transformative investments for the mutual benefit of the members' community. Investment cooperatives invest money in a project that will generate income (dividends or interest), which will be paid back to the cooperative for the continued benefit of members and the mission of the cooperative. The investment cooperative model is focused on long-term investment rather than a quick profit.

### Are there different types of investment cooperatives?

Yes, there are multiple types of opportunity cooperatives and different ways to use opportunity cooperatives to meet community needs. Opportunity cooperatives can purchase property, provide loans to local businesses, and directly invest in projects.

*Real Estate Investment Cooperatives (REIC)* are an investment tool that allows residents to collectively buy, rehab, and manage commercial and residential properties. Community members and other stakeholders from the cooperative pool resources to purchase or invest in community-owned real estate.

REICs enhance local ownership and build community wealth. Instead of waiting for developers or a group of outside investors to address dilapidation, community decay, lack of business space, and affordable quality housing, they use cooperative principles for community-driven decision-making to support economic development.

*Revolving Loan Funds (RLF)* is a local funding source with the goal of providing loans to assist with local economic and community development projects. RLFs are a lending and investment cooperative model that provides gap funding for members, businesses, and the community. RLFs may be used for businesses and projects that provide value to the community and the mission of the cooperative.

### Why would I invest in an opportunity cooperative?

By working collectively and collaboratively, co-op members participate in solutions and find opportunities to support local development. It is a collaborative, community-driven, democratic way to generate grassroots community wealth.

### **Who decides what projects to invest in?**

Opportunity co-ops are run democratically, like all other cooperatives. The members and board of directors determine how investments are made. That process is created when the cooperative is formed and can be updated with input from the members.

### **What kind of return is expected for the investor?**

Like other traditional investments, any investment in a cooperative is considered a risk. You are not guaranteed a return or a specific rate of return on investment. Dividend returns in cooperatives are limited by state and federal law to a maximum of 8%. The social benefit and return, not the monetary gains, are often the reasons someone will make an investment in a cooperative. The investment cooperative model is typically focused on long-term investment rather than a quick profit.

### **Who can be a member of an opportunity cooperative?**

Membership is a collective group of people and stakeholders who are voluntarily united to work together toward a common goal using the democratic process. Membership is determined by the stakeholders that form the cooperative, and like any cooperative, it can include, Individuals, businesses, nonprofits, foundations, and government stakeholders.



# Appendix E: Steering Committee Guiding Questions



## Guiding Questions for Establishing an Opportunity Cooperative

For an Opportunity Cooperative Steering Committee to lay a solid foundation for the cooperative, consider the following guiding questions. These questions are designed to stimulate discussions and provide a starting point for the steering committee's deliberations. The committee should engage in comprehensive conversations and decision-making processes to shape the investment cooperative in alignment with its unique objectives and member preferences.

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- Will the cooperative focus on a specific industry, region, demographic, or type of investment?
- How will the cooperative assess and manage risk?
- Will the cooperative manage investments?
- Will the cooperative manage properties?
- Other considerations?

### 4. Cooperative Financials

- How will the cooperative's capital be raised?

- Will there be multiple levels of membership?
- Will there be multiple levels of preferred stock?
- How will the cooperative distribute profits or dividends to the members?
- How will the cooperative handle losses?
  - Will the cooperative need to partner with other organizations for funding, such as non-profits, city, county, or state?

## 5. Legal

- What measures will be taken to protect members' interests and ensure transparency and accountability?
- Will the cooperative need legal and accounting professional advice on legal and tax matters?
- Other considerations?

## 6. Education, Support, and Relationships

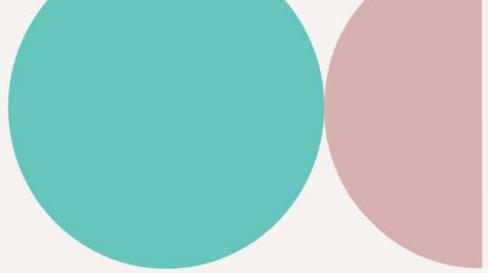
- How will the cooperative provide education and resources to the members to enhance their understanding of the investments and the cooperative principles?
- How will the cooperative provide education to the Board of Directors?
- Other considerations for education, support, and relationships for the members of the cooperative?

## 7. Growth and Expansion

- What plans or strategies will the cooperative form for growth and expansion over time?
- Will the cooperative seek opportunities for joint ventures, partnerships, or alliances with other organizations?
- How will the cooperative assess and adapt strategies to changing market conditions and member needs?
- Other considerations?

Sources and further information





This publication was made possible with funds from the State of Montana and in partnership with the US Department of Commerce -Economic Development Administration.

MCDC is an equal opportunity employer and provider.

The materials presented here are for guidance and do not replace professional services. Legal and accounting professionals are recommended when building a cooperative.

