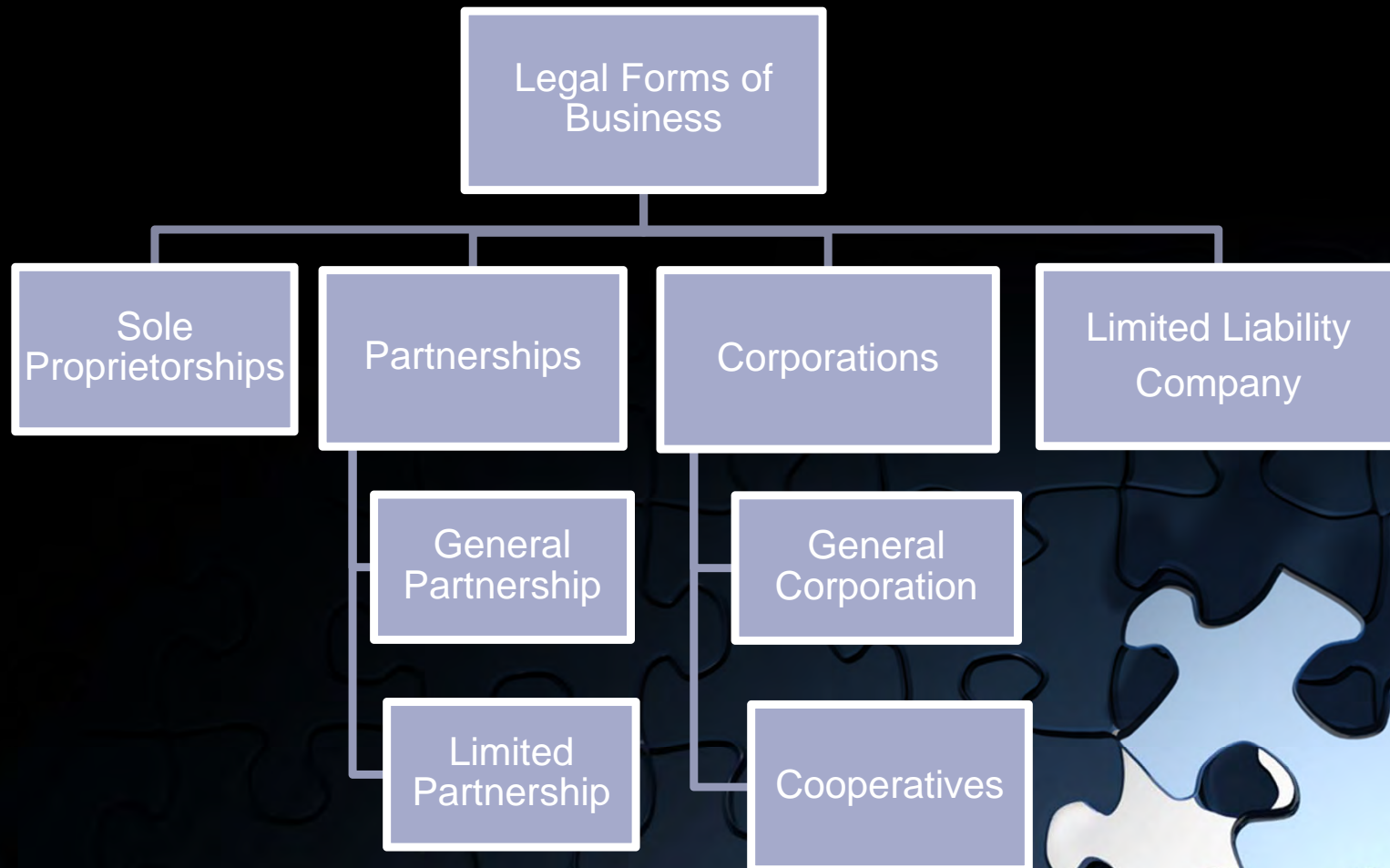




How Cooperatives Work: Creative Models to Increase Profits

Peggy Fogarty-Harnish

Legal Forms of Business



Why Business Structure Matters

- Defines who owns the business
- Clarifies management and how decision are made
- Organizes how earnings are distributed
- Protects personal assets
- Impacts taxation

- Goals and Objectives.
- Participants.
- Ownership, Governance, and Financial Risk and Reward.
- Legal Limitations on Various Legal Structures.



Why choose to form a Cooperative?

A business owned and controlled by the people who use its services.



• User Owner

• User Control

• User Benefit

The primary difference between cooperatives and other types of businesses is the objective. A cooperative seeks economic benefits for its members. While the investor owned business has the objective to make profits for its investors, cooperatives exist to meet member needs economically and efficiently.



Cooperative Principles

Adopted in 1996 by the International Cooperative Alliance

**Open, Voluntary
Membership**

Membership in a cooperative is voluntary and nondiscriminatory.

**Democratic
Control**

Each member receives one vote. This is in contrast to other corporations where the number of shares owned determines voting power.

**Member Economic
Participation**

Members contribute to, and democratically control, the financial resources of their cooperative.

**Autonomy &
Independence**

Cooperatives are independent, self-help organizations controlled by their members.

**Continuous
Education**

Cooperatives provide education on the principles and practices of cooperative business so that members will be good decision makers and so the general public will better understand cooperatives.

**Cooperation
Among
Cooperatives**

Cooperatives work together at the local, regional, national and international levels to further economic democracy.

**Concern for
Community**

Cooperatives work for the sustainable development of their communities through policies accepted by their members.



Types of Cooperatives

Consumer Cooperatives

- are owned by the people who buy the goods or use the services of the cooperative. Ex. housing, electricity and telecommunications, credit unions, healthcare, childcare, and funeral services.

Producer Cooperatives

- are owned by people who produce similar types of products and collectively market them to improve their incomes. Ex. farmers, craftsmen, artisans

Worker Cooperatives

- are owned and governed by the employees of the business. Ex. restaurants, taxicab companies, timber processors and light and heavy industry.

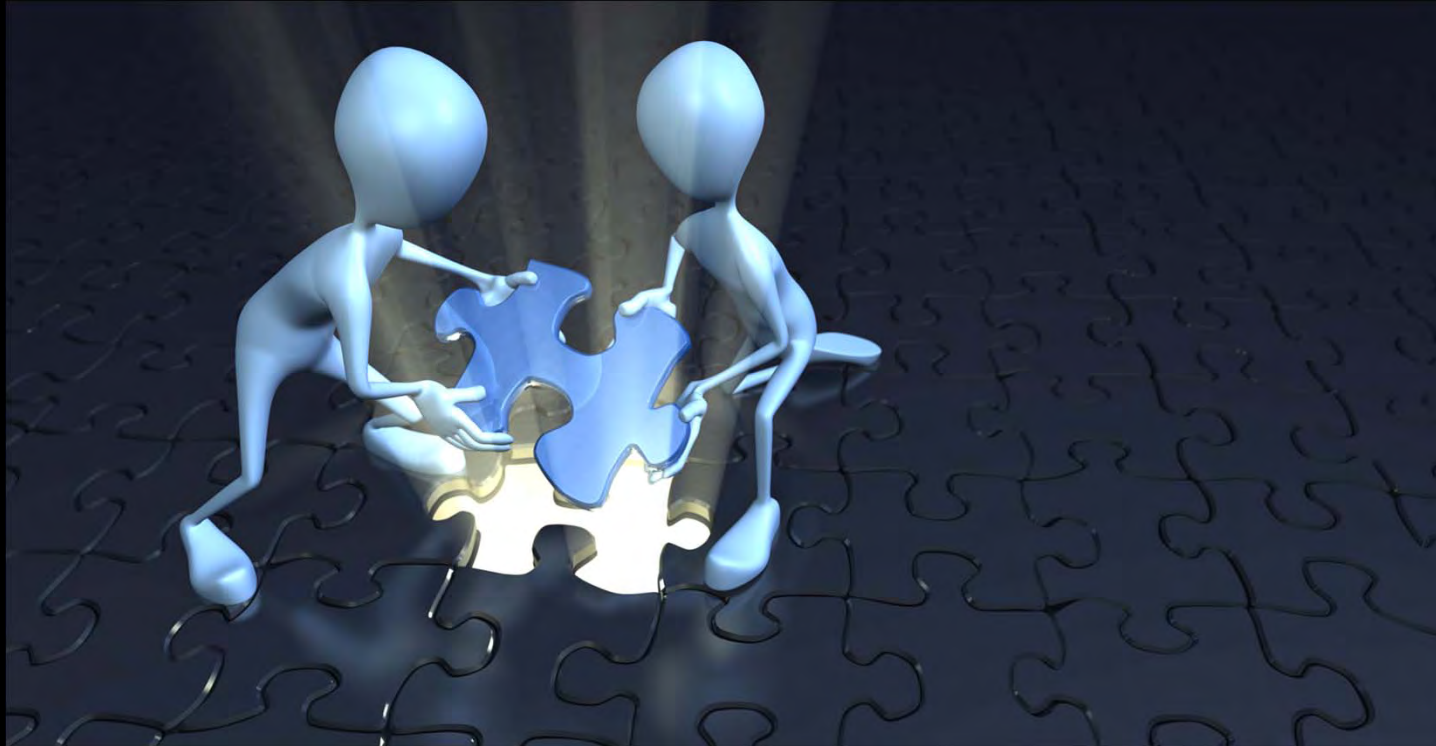
Purchasing/Shared Services Cooperatives

- are owned and governed by independent business owners and government agencies that band together to enhance their purchasing power. Ex. independent business owners, small municipalities and, in some cases, state governments that band together to enhance their purchasing power.

Co-ops range in size from small store-fronts to large Fortune 500 companies. In the U.S., there are 48,000 co-ops serving over 130 million members; two of every five citizens belong to a co-op.

Worldwide, some 750,000 co-ops serve 800 million members. In many ways, they're like any other business; but in several important ways they're unique and different.





Peggy Fogarty-Harnish

717-799-5989

pfogharn@yahoo.com

Keystone Development Center

... dedicated to sustaining communities, economies, and resources
in rural areas through cooperatively owned businesses

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