



Unit 7 - Mini Cooperative Business Experience

Objective

The objective of this unit is for the student to acquire a basic knowledge and understanding of economic and business principles through the use of a "Learn By Doing" activity.

After completion, the student should:

1. Have a basic understanding of how to organize and operate a business.
2. Be familiar with the basic legal and financial documents needed to operate a cooperative business.
3. Have a basic understanding of how a cooperative functions and operates.
4. Be aware of how economic concepts apply to her/"his life.

Instructor Directions

1. Become familiar with the instructional information provided as well as the suggested reference materials.
2. Lead the activity using the handouts and/or suggested references. Follow the discussion guide questions and outline.
3. To maximize the learning experience, the instructor must act as a consultant to the business. This means the students must make the decisions and NOT the instructor. Thus, to demonstrate and make economic and business principles "come alive," the instructor must allow the students to make mistakes.
4. One of the roles the instructor should play is that of the government. The instructor is responsible for determining the environment in which the MINI COOPERATIVE must operate. Before organizing the MINI COOPERATIVE, the instructor must decide what rules or guidelines are necessary to conduct this activity. These rules or guidelines become laws that must be followed. As the activity progresses, the instructor may need to change or add laws as the situation warrants. This is one of the ways the instructor may program in various problems and situations that demonstrate economic and business principles. It prevents the simulation from becoming unrealistic.

Instructor Directions (continued)

NOTE: Make laws only when they are absolutely necessary to maintain good public relations in keeping the MINI COOPERATIVE within educational goals. The instructor must be able to distinguish between decisions made by the students that are acceptable and are not acceptable. It is important that students be permitted to make mistakes. Often mistakes provide valuable educational lessons for the participants.

Some of the "laws" you might want to consider are:

1. Eligibility for membership (target audience).
2. Age students must be to be elected and serve on the board of directors.
3. How long the MINI COOPERATIVE will operate.
4. Type and/or extent of activities the cooperative will undertake.
5. Financial reports required.
6. Limits on profits, patronage refunds, and dividends.

NOTE: Make laws only when they are absolutely necessary to maintain good public relations in keeping the MINI COOPERATIVE within educational goals. The instructor must be able to distinguish between decisions made by the students that are acceptable and are not acceptable. It is important that students be permitted to make mistakes. Often mistakes provide valuable educational lessons for the participants.

Unit 7 – Index and References

Teaching Tools

Instructor Discussion Guide

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Handout 7.2 - Articles of Incorporation

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Unit 7 PowerPoint Slides

Seventeen slides correspond to the Handouts.

Teacher References

CIR 7: How to Start a Cooperative

Video Reference: How to Start a Cooperative (VHS Color, 31 minutes)

Student References

CIR 7: How to Start a Cooperative

Unit 7 - Instructor Discussion Guide

Numbers in parenthesis refer to associated handouts (PowerPoint slides coincide with handouts to help with Instructor explanations).

- I. Procedure for organizing and operating the MINI COOPERATIVE:
 - a) Call a planning meeting of 8 to 15 persons representing the target audience.
 - b) At the planning meeting: ([Handout 7.1](#))
 - 1) Explain the MINI COOPERATIVE and some activities it could conduct.
 - 2) Determine if the group is interested in organizing a MINI COOPERATIVE.
 - 3) Elect a temporary chairperson, secretary, and treasurer.
 - 4) Hand out and discuss a proposed copy of the Articles of Incorporation and Bylaws. ([Handout 7.2](#) and [Handout 7.3](#))
 - 5) Discuss projects or activities that could be conducted. ([Handout 7.4](#))
 - 6) Suggest the amount of "earnest money" to be collected.
 - 7) Set date, time, and place for the organizational meeting.
 - 8) Discuss the need to appoint Steering Committees in the areas of bylaws, marketing, and membership. ([Handout 7.5](#))
 - 9) Provide a receipt book for the "earnest money" to the membership committee.
 - c) Publicize the organizational meeting. Send extra copies of notice to planning committee members.
 - d) Meet with temporary chairperson to plan the organizational meeting.
 - 1) Review agenda.
 - 2) Review parliamentary procedure, if appropriate.
 - e) Hold an organizational meeting. ([Handout 7.6](#))
 - f) Hold a board of directors meeting as soon as possible after the organizational meeting. ([Handout 7.7](#))
 - g) Hold additional board meetings as necessary.
 - h) Work with the manager on organizing activities and projects. ([Handout 7.8](#) and [Handout 7.9](#))
 - i) Work with the board on planning membership meetings. ([Handout 7.10](#) and [Handout 7.11](#))
 - j) Have board discuss with members stock and membership certificates ([Handout 7.12](#) and [Handout 7.13](#))
 - k) Procedure for dissolving the MINI COOPERATIVE:
 - 1) Have board of directors appoint an auditor (usually not a student).
 - 2) Treasurer provides report to auditor ([Handout 7.14](#))
 - 3) Auditor audits the books and prepares a balance sheet and operating statement ([Handout 7.15](#) and [Handout 7.16](#)).
 - 3) Board of directors meet and declare a patronage refund or dividend based on the auditor's report.
 - 4) If any funds are left after declaring patronage refund or dividend, the board should decide how these funds will be spent (see bylaws for guidelines).
 - 5) Final membership meeting. ([Handout 7.17](#))

Handout 7.1 - Planning Meeting Agenda

1. Call meeting to order.
2. Discuss ideas and purposes of the MINI COOPERATIVE as a learning experience.
3. Motion to organize.
4. Elect temporary chairman, secretary, and treasurer.
5. Decide who may belong.
6. Appoint steering committees in the areas of marketing, membership, and bylaws.
7. Set guidelines for the amount of money to be collected as "earnest money."
8. Set date, time, and place for the organizational meeting.
9. Have each committee meet.
10. Adjourn.

Handout 7.2 - Articles of Incorporation

Articles of Incorporation

_____ (name of business)
_____ (address)

ARTICLE I - Name

The name of the cooperative shall be _____.

ARTICLE II - Purposes

This cooperative is formed for the following purposes: To purchase, market, and sell for and to members, any supplies, refreshments, or services desired by the membership; to conduct any other business authorized or allowed by cooperatives organized under the laws of the State of _____; and to conduct these activities on a cooperative basis for the mutual benefit of members.

ARTICLE III - Powers, Limitations

This cooperative shall have the following powers:

1. To borrow money; to give a lien on any of its assets as security for loans; and to make advance payments.
2. To act as the agent of any member or members in any of the activities mentioned in Article II hereof.
3. To advertise and develop markets for items handled by the cooperative.
4. To buy, lease, hold, and exercise all privileges of ownership over such property as may be necessary for conducting the business of the cooperative.
5. To have and exercise, in addition to the foregoing, all powers, privileges, and rights conferred on ordinary corporations by the laws of this nation.

ARTICLE IV - Place of Business

The cooperative shall have its principal place of business in the city of _____, county of _____, and state of _____.

ARTICLE V - Duration

This cooperative shall start _____ 20 ____ and terminate on 20 ____.

ARTICLE VI - Directors

The board of directors of the cooperative shall consist of not fewer than _____ members elected from the membership of the cooperative.

ARTICLE VII - Membership

Any person _____ (specify restriction, i.e., age, group), regardless of race, color, sex, or national origin, shall be entitled to membership.

ARTICLE VIII - Capital Stock

Section 1. The authorized capital stock of the cooperative shall be _____ shares of common stock with a par value of \$_____ per share.

Section 2. The common stock of the cooperative shall be issued to and held by member patrons of said cooperative and no person, firm, or corporation shall own or hold at any time more than one share of such common stock or shall have more than one vote in transacting business of the said cooperative. The transfer of said common stock must be approved by the board of directors.

Handout 7.2 - Articles of Incorporation (continued)

IN TESTIMONY WHEREOF, We duly elected board members set our hands on this _____ day
of _____, 20____.

Handout 7.3 - Bylaws

Bylaws

_____ (name of cooperative)

ARTICLE I - Purposes and Powers

The purposes for which _____ (name of cooperative) is formed and the powers which it may exercise are set forth in the Articles of Incorporation.

ARTICLE II - Membership

Section 1. Qualifications. Any person (specify any restrictions, i.e., age, group, etc.), regardless of race, color, sex, or national origin, and who agrees to be a patron of the cooperative, and who pays such membership fees and meets such other conditions as prescribed by the board of directors, may become a member of the cooperative. This cooperative shall issue a certificate of membership to each member, which shall be in the form prescribed by the board of directors but shall not be transferable.

Section 2. Suspension or Termination. If, after a hearing, the board of directors finds that a member has ceased to be an eligible member, it may suspend his/her rights as a member or terminate his/her membership. Upon termination of membership in the cooperative, all rights and interests of such member in the cooperative shall cease and such a member shall be entitled only to payment or credit not to exceed the par value of his/her common stock certificate.

ARTICLE III - Meeting of Members

Section 1. Annual Meeting. The annual meeting will be held _____ (specify time and date).

Section 2. Membership Meetings. Membership meetings of the cooperative will be held _____ (specify when, e.g., second Monday of each month).

Section 3. Special Meetings. Special meetings of the members of the cooperative may be called at any time by order of the board of directors.

Section 4. Notice of Membership and Special Meetings. Oral, written, or printed notice of every membership and special meeting of members shall be prepared and given, announced, or mailed to each member not less than (specify length of time) before such meeting. Such notice shall state the objectives, the time, and the place of the meeting. At special meetings, no business shall be transacted other than that referred to in the meeting notice.

Section 5. Voting. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon. Voting by proxy (shall or shall not) be permitted.

Section 6. Quorum. Fifty-one percent of the members present shall constitute a quorum.

ARTICLE IV - Directors and Officers

Section 1. Number and Qualifications of Directors. The cooperative shall have a board of ____ members. Each director shall be a member of the cooperative in good standing. If two-thirds of the members at a regular meeting find, following a hearing, that any director is not performing duties adequately, that person shall cease to be a director.

Handout 7.3 – Bylaws (continued)

Section 2. Election of Directors. At the organizational or annual meeting of the members of the cooperative, directors shall be elected. (specify how directors will be elected, i.e., at large, representing groups or geographic areas, etc.). All directors shall be elected by secret ballot.

Section 3. Term of Office. The term of office shall be _____ (length of time).

Section 4. Adult Resource. At least one adult shall be invited to serve as a resource person to the board of directors.

Section 5. Election of Officers. The board of directors shall meet within (specify time) after the organizational or annual meeting and shall elect by ballot a president, vice president, secretary, and treasurer, each of whom shall hold office until the election and qualification of his/her successor unless earlier removed by death, resignation, or for cause. An officer may be removed at any time by a two-thirds vote of the board of directors. When an office is vacated by death, resignation, or removed for cause, the board of directors at its next meeting shall elect by ballot a successor.

Section 6. Duties of Officers and Manager. The duties of the president shall be to preside at all director meetings, preside at all cooperative member meetings, and such other duties as may be prescribed by the board.

The vice president shall work with and act in the absence of the president.

The secretary shall see that the membership roll is in order and keep the minutes of all board and membership meetings.

The treasurer shall keep the record of all business transactions and provide the auditor all financial information necessary for preparing the final operating statement and balance sheet at dissolution of the cooperative.

The manager shall perform such duties and shall exercise such authority as the board may assign to him/her. This person shall be responsible for the efficient conduct of business operations. He/she shall render reports in the form and manner prescribed by the board. He/she shall appoint, supervise, and dismiss any staff carrying out the functions of the cooperative.

Section 7. Vacancies. Whenever a vacancy occurs on the board of directors, other than the expiration of a term of office, the remaining directors shall appoint a member to fill the vacancy until the next regular membership meeting. At the next membership meeting _____ (specify how the vacancy will be filled). The election shall be conducted by secret ballot.

Section 8. Board Meetings. In addition to meetings mentioned above, the meetings of the board of directors shall be held at such times and places as the board or president and secretary may determine upon oral or written notice, not fewer than (specify length of time) before the meeting.

Section 9. Compensation. No member of the board shall occupy any position in the cooperative on a regular salary.

Section 10. Quorum. A majority of the board of directors shall constitute a quorum at any meeting of the board.

Handout 7.3 – Bylaws (continued)

ARTICLE V - Duties of Directors

Section 1. General Powers. The board shall direct the business affairs of the cooperative and shall exercise all the powers of the cooperative except such as are reserved by law, the articles of incorporation, or these bylaws conferred upon or reserved to the members. The board shall not adopt such policies, rules, and regulations inconsistent with law, the articles of incorporation, or these bylaws.

Section 2. Appointment of a Manager. The board of directors shall have the power to appoint a manager, define his/her duties, and fix compensation. The manager shall not be a member of the board of directors.

Section 3. Auditor. The board of directors shall appoint an adult auditor to audit the treasurer's books and present a certified operating statement and balance sheet to the directors.

ARTICLE VI - Dissolution

Upon the dissolution of this cooperative, all debts and liabilities of this cooperative shall be paid according to their respective priorities.

Distribution of savings may be made at the recommendation of the board of directors and subject to the majority vote of the members on all or any portion of the savings and may be distributed in any of the following ways:

1. Declare patronage savings be returned to all patrons in proportion to their use.
2. Declare patronage savings be returned only to those patrons who are members of the cooperative in proportion to their use.
3. Declare an equal patronage savings be returned only to those patrons who are members of the cooperative.
4. Set aside funds toward a banquet or some other activities determined by membership at the time of dissolution.
5. Any combination of the above listed.

Upon unanimous recommendation of the board of directors and unanimous vote of the membership, all or any part of the membership fees and/or net margin and/or savings of this cooperative may be given to any worthwhile cause in keeping with the purpose of the _____ (name of sponsoring group) .

ARTICLE VII - Amendments

Bylaws may be amended or altered at any regular or special meeting of the members called for that purpose, by a majority of the members voting thereon.

Handout 7.4 - Ideas for Cooperative Projects and Activities*

Garden seed sale

Citrus fruit sale

Flower arrangement/corsage sale

Crafts sale

Auction to sell members' exhibits

Candy/nuts/bake sale

*Money normally used for high salesperson could be the maximum amount available for patronage refund with each participating member receiving money based on participation.

Handout 7.5 - Committee Work Descriptions

Marketing Committee - this committee shall study the various projects that the group is interested in and will then make a recommendation at the organizational meeting as to which project or projects should be undertaken. This committee may find it necessary to conduct a survey to assess the need for the projects being considered.

Membership Committee - this committee will encourage eligible persons to attend the organizational meeting. This committee is responsible for collecting the "earnest money" and for handing out receipts to those providing the "earnest money" equity.

Bylaws Committee - this committee will read and discuss the bylaws and make recommendations necessary to make them complete; e.g., when membership meetings will be held, the number on the board of directors, etc.

Handout 7.6 - Organizational Meeting Agenda

1. Call meeting to order (temporary chairperson who was selected at planning meeting).
2. Read the minutes of the earlier planning meeting.
3. Provide an explanation of the organizational meeting's purpose.
4. Committee reports.
 - a. Marketing committee.
 - b. Membership committee.
 - c. Bylaws committee.
5. Motion to organize.
6. Approve bylaws.
7. Set the membership fee.
8. Elect the board of directors.
9. Set time and place for organization meeting of the board of directors.
10. Other items. (optional)
 - a. Select name and logo for business.
 - b. Discuss an educational program to implement.
 - c. Other business.
11. Adjourn.

Handout 7.7 - First Board Meeting Agenda

1. Call meeting to order (temporary chairperson).
2. Introduction of board members.
3. Elect officers of board.
4. Officers take elected positions (President then runs meeting).
5. Discuss need for incorporating and approve stock certificate and membership card.
6. Discuss need for a manager.
7. Authorize hiring a manager.
8. Discuss hiring procedure.
9. Set any policies.
10. Plan next membership meeting.
11. Other items related to the operation of the cooperative.
12. Adjourn.

Handout 7.8 - Vacancy Announcement (for manager position)

POSITION: Manager

POSITION LOCATION: _____ (address of cooperative office)

NATURE OF POSITION: To provide leadership for conducting the activities of _____.
In carrying out these duties, the individual is responsible to the board of directors of the cooperative.

SPECIFIC DUTIES INCLUDE:

1. Carry out plans of the board of directors and follow its policies.
2. Maintain good relations between the cooperative and its members.
3. Report to the board of directors at board meetings about the activities of the cooperative and outline any special problems or items that need board consideration.
4. Appoint and supervise staff as needed to carry out the operations of _____.

BASIC ELIGIBILITY REQUIREMENTS:

Preference will be given to candidates who have experience in organizing and conducting activities, events, and business enterprises.

SALARY: Commensurate with experience

EQUAL EMPLOYMENT OPPORTUNITY: Applicants will be considered without discrimination for any non-merit reason such as race, color, religion, sex, national origin, politics, marital status, age, or membership in an employee organization.

RETURN APPLICATION TO: _____ (name of person to receive applications)

_____ (name of business)

_____ (address)

APPLICATIONS MUST BE RECEIVED BY: _____ (date)

Handout 7.9 - Application Form (for manager position)

Name _____ Birth Date _____

Address _____ County _____

City _____ State _____ Zip Code _____

Name of School _____

Grade in School _____ or Year Graduated _____

1. List youth organization activities such as offices, degrees, awards, committees, etc.
2. Describe FFA and/or 4-H projects, or other business projects conducted.
3. Why are you interested in the position of manager?
4. Do you understand the duties of a manager that are listed below? Yes No
 - A. The board of directors decides what the cooperative will do. The manager decides how it can best be done (this is subject to board review).
 - B. Maintain good relations between the cooperative and its members.
 - C. Report to the board of directors at board meetings about the activities of the co-op, outline any special problems or items that need board consideration.
 - D. Responsible for the efficient operation of the cooperative.
5. Do you feel you can perform the duties of the manager listed above? Yes No

Applicant's Signature _____ Date Signed _____

Handout 7.10 - Agenda for Membership and Board Meetings

1. Call to order (President).
2. Reading of minutes (Secretary).
3. Treasurer's report (Treasurer).
4. Manager's report (Manager).
5. Committee reports (Chair of each committee).
6. Old business.
7. New business.
8. Adjourn.
9. Educational program.

Handout 7.11 - Membership Meeting Ideas

1. Video or PowerPoint presentation relating to cooperatives and business.
2. Invite local cooperative manager to discuss the duties and responsibilities of being a manager.
3. Invite director of nearby co-op to discuss the duties and responsibilities of being a director.
4. Field trips to local businesses (cooperative and/or proprietary).
5. Work sessions on projects.
6. Speaker on preparing for a job interview.
7. Program on careers.
8. Invite local banker to discuss how to write a check, different types of savings accounts, balancing a checkbook, services provided by banks, how a bank functions, etc.
9. Program on developing a marketing and advertising program.
10. Speaker on how new products are developed and test marketed.

Handout 7.12 - Stock Certificate Example

<i>Stock Certificate for</i>	
<hr/>	
Serial Number	Number of Shares
<hr/>	
<p>This is to certify that _____ is the owner of _____ fully paid and non-assessable share(s), par value of \$_____ each, of the common stock of the _____. This certificate and the share(s) represented hereby, are subject to all terms, conditions, and limitations of the Articles of Incorporation and all amendments hereto. In witness whereof, the said cooperative has caused the certificate to be signed by its authorized officers and its cooperative seal to be hereto affixed.</p>	
<p>This _____ day of _____ A.D. 20_____</p>	
_____ President	_____ Secretary

Handout 7.13 - Membership Certificates

<p style="text-align: center;"><i>Membership Certificate</i></p> <p>Year _____ No. _____ This certifies that _____ is a member of _____ Cooperative and is entitled to all rights, benefits, and privileges of the organization.</p> <p>_____ _____ President Secretary</p>	<p style="text-align: center;"><i>Membership Certificate</i></p> <p>Year _____ No. _____ This certifies that _____ is a member of _____ Cooperative and is entitled to all rights, benefits, and privileges of the organization.</p> <p>_____ _____ President Secretary</p>
<p style="text-align: center;"><i>Membership Certificate</i></p> <p>Year _____ No. _____ This certifies that _____ is a member of _____ Cooperative and is entitled to all rights, benefits, and privileges of the organization.</p> <p>_____ _____ President Secretary</p>	<p style="text-align: center;"><i>Membership Certificate</i></p> <p>Year _____ No. _____ This certifies that _____ is a member of _____ Cooperative and is entitled to all rights, benefits, and privileges of the organization.</p> <p>_____ _____ President Secretary</p>
<p style="text-align: center;"><i>Membership Certificate</i></p> <p>Year _____ No. _____ This certifies that _____ is a member of _____ Cooperative and is entitled to all rights, benefits, and privileges of the organization.</p> <p>_____ _____ President Secretary</p>	<p style="text-align: center;"><i>Membership Certificate</i></p> <p>Year _____ No. _____ This certifies that _____ is a member of _____ Cooperative and is entitled to all rights, benefits, and privileges of the organization.</p> <p>_____ _____ President Secretary</p>

Handout 7.14 - Treasurer's Report

Balance as of _____

Receipts:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Total Receipts _____

Expenses:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Total Expenses _____

Handout 7.15 - Operating Statement

Operating Statement

_____ (name of business)

_____ (city)

_____, 20__ to _____, 20__ (period covered by statement)

Income

*Sales _____

*Less cost of Sales _____

Gross Margins _____

Expenses (list expenses involved in operating business)

Printing tickets _____

Receipt books _____

Posterboard and pens _____

Advertising _____

Telephone _____

Salaries & wages _____

Legal & auditing fees _____

Travel _____

Taxes _____

Depreciation _____

Repairs _____

Insurance _____

Miscellaneous _____

Total Operating Expenses _____

Net Income _____

Handout 7.16 - Balance Sheet

Balance Sheet

_____ (name of cooperative)

_____ (city)

_____, 20____
(date)

Assets

Current assets

Cash _____

Accounts receivable _____

Inventory _____

Prepayments _____

Total current assets _____

Other assets

Investments _____

Total other assets _____

Fixed assets

Land _____

Buildings _____

Equipment _____

Less depreciation _____

Total fixed assets _____

TOTAL ASSETS _____

Liabilities & Capital Equities

Current liabilities

Accounts payable _____

Accrued expenses _____

Short term loans _____

Patronage refund pay _____

Total current liabilities _____

Fixed liabilities

Long term loan _____

Total fixed liabilities _____

Total liabilities _____

Handout 7.16 - Balance Sheet (continued)

Net worth or members' equity

Capital stock _____

Allocated reserves _____

Total members' equity _____

**TOTAL LIABILITIES AND
MEMBERS' EQUITY** _____

Handout 7.17 - Final Meeting Agenda

1. Call meeting to order.
2. Reading of minutes.
3. Treasurer's report.
4. Auditor's report.
5. Manager's report.
6. President's report.
7. Committee reports.
8. Old business.
9. New business.
10. Motion on how to disperse any remaining funds.
11. Motion to dissolve.
12. Adjourn.