



Investing in Your Community's Future (With a Return)

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MCDC is an equal opportunity employer and provider.



Montana Cooperative Development Center

Mission: To promote and develop cooperatives to meet the economic and community need of Montana.

We serve all 56 counties and the 8 Federally Recognized Tribes as the statewide chartered Cooperative Development Center.

We are an economic development organization utilizing the cooperative business model to address needs of communities, businesses and individuals of Montana (and beyond).



Montana Cooperative Development Center

MCDC works with new and existing co-ops on:

- Project Planning
- Group Facilitation
- Legal Document Assistance
- Funding Sources Identification for Project Planning
- Operating or Capitalization Strategies
- Grant Writing Assistance
- Professional Referrals
- Board Training



Introductions



WHAT DO YOU WANT TO
LEARN TODAY?



WHY?



Co-op 101 Session





International Cooperative Alliance says a cooperative is:

An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

It is, in simple terms, 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.





- **Co-ops Are:**
 - Global form of business
 - State regulated in US
 - Globally guided by 7 principles
- **Per the International Cooperative Alliance:**
 - 3 million co-ops worldwide
 - 1.2 billion in membership
 - 12% of people on Earth are co-op members
 - Brazil has the most cooperatives
 - Co-ops employ 280 million people across the globe- that is 10% of the world's population
 - 72% of co-ops survive the first 5 years of operations vs. 43% of companies



7 Cooperative Principles

Cooperatives around the world are all guided by these principles.

1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open without discrimination, to anyone able to use their services, and willing to accept the responsibilities of ownership.



2. Democratic Member Control

Members actively participate in setting policies and making decisions. Elected representatives are accountable to the membership. One member, one vote is the basis.



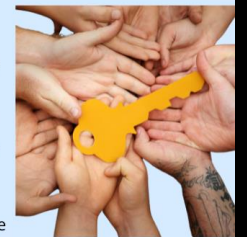
3. Members Economic Participation

Members contribute equally to, and democratically control, the capital of a co-op. At least part of that capital is usually common property of the co-op.



4. Autonomy & Independence

Cooperatives are autonomous, self-help organizations 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, Information

Cooperatives provide education and training for their members and communities so that they can contribute effectively to the development of their co-ops. They inform the general public about the nature and benefits of cooperation.



6. Cooperation Among Co-ops

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



7. Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.



Thank you for your support of our work
Montana Cooperative Development Center

A Cooperative is:

Member Owned

- As a co-op owner, you are concerned with not only about the financial situation of the enterprise but also if the cooperative is meeting the needs of its member-owners.
- You are not only a customer/user you are owner
- Equal ownership across all owners- one member one vote
- A cooperative can never have one member (or shareholder) in control

Member Controlled

- Participation in the decision-making is one of the primary ways co-op members exercise their right of ownership.
- Co-ops are led by member-elected board of directors.
- One vote for one member always
- The Board of Directors provide the governance and hired staff usually provide the management
- The Board works based on the memberships' feedback and engagement at annual meetings

Member Benefits

- Cooperative are designed to address the need of the members first and foremost
- Should always strive to make as much money as it spends
- Profits (if any) are distributed to members depending on how the cooperative is performing any given year.



Co-ops are autonomously owned by their members and capitalized first and foremost by members

Common Stock (Owner Stock):

- Has voting rights
- Return on amount of usage of the cooperative (patronage)-per bylaws
- Can run for and elect leadership
- Has active voice in management of the business
 - Part of the Democratic Ownership
- Should be supportive and engaged

Preferred Stock:

- Non-voting
- Investment Opportunity (wants to see the co-op succeed)
- Receives "dividend" first if co-op is profitable
- No additional ownership

Cooperatives can:

- 1) Create other cooperatives
- 2) Partner with other businesses and cooperatives
- 3) Own other businesses
- 4) Incubate other businesses
- 5) Receive tax benefits compared to other corporations

Cooperatives Cannot:

- 1) Be owned by another corporation/business/entity
- 2) Complete major changes without membership approval



Types of Cooperatives in Montana:



MCDC is the administrators of MCOC; an organization for all existing Montana co-ops of all sizes and industries



60+ Fuel/Farm Supply Co-Ops

CHS Refinery
Cooperative Ag Marketing Associations
Oldest form in Montana



45 Credit Unions



25 Rural Electric Co-Ops + 3 Electric Supply Co-Ops



8 Telecommunications Co-Ops



20+ Cooperative Associations

Producer/consumer hybrid co-ops
Retail services– grocery/hospitality/books
Housing, worker, investment cooperatives

Opportunity
Development
Co-Ops (ODCs)
AKA: Investment
Co-Ops



Montana Cooperatives are incorporated under Section 35 of the MCA's

Cooperative Association (for profit)- Chapter 15
Investment Co-ops

Agricultural Association (not-for-profit)- Chapter 16
Must file for the exemption- NOT CHARITABLE

Cooperative Agricultural Marketing Association (not-for-profit)- Chapter 17
Must file for the exemption- NOT CHARITABLE

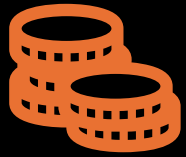
Cooperative Utilities (not- for profit) – Chapter 18
• Electrical and Telecommunications

Every State has different laws- make sure to work with your Co-op Development Center

Additional codes for out of state cooperatives and credit unions



What is an Opportunity Development Cooperative?



An ODC is a for-profit co-op, made up of local community members, who identify businesses, projects, or causes into which they choose to invest as a co-op.



ODCs are a new and innovative model for rural and urban economic and business development that effectively bridge the gap between local investors and local ventures in need of financing.



Opportunity Co-Ops are a cost-effective, community-owned, and controlled impact fund.



They 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.



How does an ODC work?

- An Opportunity Development Co-op is formed like a typical cooperative. Potential members form a steering committee and go through the process of incorporating a co-op.
- ODC's can form around a pre-identified project or find their investment opportunities after incorporation.
- Investment Cooperatives can sell both common stock (ownership) and preferred stock. We recommend keeping their common stock affordable so more community members can invest and impact their economic future.

What does an ODC invest in?

- The projects an Investment Cooperative supports are as unique to the co-op as they are to the community they serve. Capital investments into area real estate or housing stock
- Invest in social enterprises that aid in the well-being of their communities.
- Establish revolving loan funds to help businesses with startup and working capital.





What is the return on investment?

- Investment Cooperatives are structured as Chapter 15 cooperatives in Montana and Montana law allows up to 8 percent annual returns to members.
- Each member's yearly return will be modest, the community's economic/social benefits can be significant if the cooperative is operating successfully.
- Investment Cooperative members are community-focused, patient investors that want to invest in long-term projects that will benefit the community at large.
- In general, investments will sustain businesses, finance innovative products and projects, and solve problems facing their communities.
- *In other words, money won't be in stocks and shares, but in projects and people.*

Benefits of an Opportunity Development Cooperative



ODC's are directed by local leadership and use community-based financing.



Co-op members direct how their funds will be used to have the greatest impact on their community



ODC's can spark economic development, creates jobs, aid in business succession and support new entrepreneurs.



ODCs ensures local communities thrive by growing local leadership, empowers community members, and builds community pride



ODC's help communities discover ways to increase their wealth and well-being by organizing and directing resources.



ODC's have lasting positive impacts where it counts most- at home!

WAYS TO USE INVESTMENT COOPERATIVES



Invest in Real Estate



Create a Loan Portfolio



Invest in companies



Invest in other Cooperatives



Incubate business development



Invest in community projects.



Be the developer of projects



Be the landlord/
manager of
properties



SOLVE COMMUNITY
NEEDS!

History of Opportunity Development Cooperatives

- 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).
 - Operating by pooling capital from local citizens, CEDIFs invest in local for-profit businesses within the community through a Revolving Loan Fund.
 - The CEDIF offers individual investors a 35% tax credit on investments into local communities
 - RRSP tax deferral for investing to provide capital for loans to enterprises and individuals scaling up or launching agricultural and food-related businesses in NS.
- In 2009, the Sangudo Opportunity Cooperative (SODC) was established in Sangudo, Alberta, with a mission to boost business and investment opportunities in the community
 - FarmWorks Investment Co-operative Limited was incorporated as a for-profit Co-operative on May 18, 2011 as a RLF program to promote and provide strategic and responsible community investment in food production and distribution in order to increase access to a sustainable local food supply for all Nova Scotians





Wolfville, Nova Scotia The FarmWorks Investment Cooperative



FarmWorks Investment Co-operative Limited was incorporated as a for-profit Co-operative on May 18, 2011 by an association of community leaders concerned about social, economic and cultural needs.

FarmWorks promotes and provides strategic and responsible community investment in food production and distribution in order to increase access to a sustainable local food supply for all Nova Scotians.

FarmWorks Community Economic Development Investment Fund (CEDIF) enables Nova Scotians annually to purchase common shares in a diversified portfolio of businesses that yield meaningful financial returns on investments.

These investments provide subordinated debt financing for farms, food processors, and value-added food producers, helping to increase the viability and sustainability of agriculture and the security of a healthy food supply.



Let's watch a video: <https://www.farmworks.ca/about>

Sangudo Opportunity Development Coop

<https://youtu.be/lNacrPFx6B4>



“We stopped by the new home the co-op invested in. Situated on a hill, the house is in a great location with a large yard and is very well finished. The investment in new housing is designed to spruce up the hamlet with new developments and inspire residents to take pride in their homes. It’s also a symbol of optimism for the community and putting a young family in the home will cement that sentiment.”

*Investing in Community: The Sangudo Opportunity Development Co-op
by JACK THOMPSON*





Investment projects we are engaged on:



Montana Cooperative Development Center

MCDC is actively engaged in building the foundation for transformational investment cooperatives in Montana through strategic partnerships and collaborative efforts.

The types of Investment Cooperatives:

- Community Economic Development Investment Fund, Real Estate Investment Fund, Women's Equity Investment Fund

The projects:

- Musselshell Rural Investment Cooperative
- Gardiner Investment Cooperative (closed)
- Petroleum County Development Cooperative
- Upper Musselshell Development Cooperative
- Women's Investment Cooperative



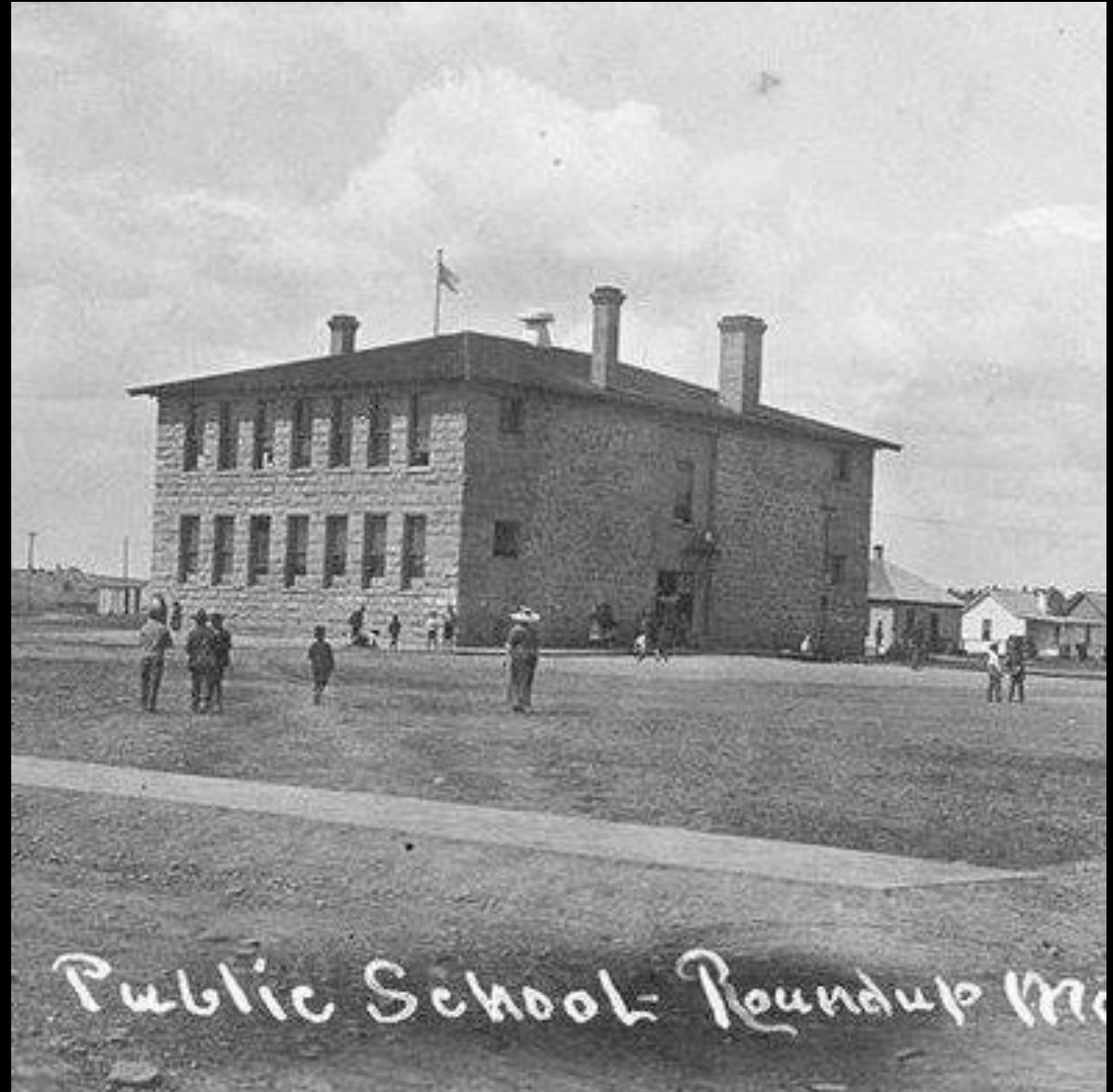
Musselshell Rural Investment Cooperative

- Musselshell County population 2020: 4,682
- Co-op created to invest in the developer's project and other community projects in the valley.
- Multiple parallel economic development initiatives:
 - City, County growth policies, downtown master plan, historic preservation plan.
 - TIF district
- Co-op formed in 2018



Goals, Challenges & Progress

- Address affordable and quality housing and commercial real estate
- Preserve historic school and create an anchor economic development project
- One share of the developer's project worth \$25,000
- 3 million renovation estimated costs
- Ownership/common stock \$1,000 share
- Project stalled due to financing issues and covid.
- Renovation has started summer 2023





Partners

Partners:

- Regional EDO, SMDC
- Volunteer, RCP
- Innovation Symposium
- Developer/Architect

Video:

[Musselshell_Rural_Investment_Cooperative.mp4](#)



Community Economic Development Investment Fund (CEDIF)

- Petroleum County, MT
- Winnett Population 2020: 108
- County Population: 464
- Least populous county in Montana and the eighth-least populous in the United States
- In 2016, the citizens voted to raise taxes to not dissolve the county



Petroleum County Development Cooperative



Goals

- Create an investment cooperative to support other ongoing projects and economic progress in the community
- Preserve the community and culture of ranching and working together
- Establish strong partnerships and engage the younger generation of ranchers and families

Progress

- Formed Steering Committee
- Planning phase
- Working on financials and bylaws.
- In final stages of incorporation- public meeting

Partners

- SMDC
- ACES – Agriculture Community Enhancement & Sustainability



Real Estate Investment Cooperative Harlowton, MT Upper Musselshell Development Cooperative

- Wheatland County population 2020: 2,069
4% decrease since 2020
- Railroad and Agriculture community.
Railroad pulled out in 1974
- Designated persistent poverty county
- The median income for households renting
homes is reported as \$37,447
- According to Montana Budget & Policy Center
minimum wage worker would be required to
work 63 hours per week to afford a two-
bedroom home at the fair market rent rate



Upper Musselshell Development Cooperative

Goals

- Create investment cooperative to raise capital
- Renovate dilapidated housing and commercial real estate
- Affordable housing for the community members
- Affordable commercial space for entrepreneurs

Progress

- Initial Incorporation Papers are filed
- Pushing 100 subscription pledges – moving into final incorporation
- Board Training being scheduled for April, 2024
- Multiple Stakeholder Component: Common Stock (resident), Preferred Stock: non-local stock, local commercial stock, non-local commercial stock, non-local individual stock

Partners

- SMDC
- Trust Montana



More Examples Outside of Montana



Minneapolis, Minnesota

Northeast Investment Cooperative of Minnesota

Founded in 2011 by a small group of community members who were tired of looking at poorly used property in their neighborhood and waiting for traditional developers to fix it.

They decided to do something about it. They envisioned a way for community members to become owners and investors in a real estate development cooperative that would buy and rehab properties in their community.

They are working on building rehab, business incubation, and housing projects.

Fair State Brewing Co-op, Aki's BreadHaus,

www.neic.coop

<https://youtu.be/jiNz1p5TI9Q>



Creston and District Community Investment Cooperative

“We are redirecting our community capital back to local businesses and projects.”

- Serving communities from Yahk to Riondel, the Investment Co-op directs new, or pre-existing, investment capital from local residents into local ventures with community impact.
- The Investment Co-op will provide short-term capital to businesses looking to launch or expand and assist these ventures in establishing a supportive customer base and a sustainable operation for their concept.
- Formed in 2016 with 107 members. First loan was in April of 2017.

COMMUNITY
INVESTMENT CO-OP
GROWING BUSINESS TOGETHER



Discussion and Questions



“There is immense power when a group of people with similar interests gets together to work toward the same goals.” ~Idowu Koyenikan



Thank you!

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