10-13-16 Cooperative Legal Basics

Please stand by for realtime captions.

>> Ladies and gentlemen thank you for standing by. Welcome to the cooperative legal basics webinar. During the part -- during the presentation all participants will be in a listen only mode. Please use the chat feature located in the lower left-hand corner of your screen to ask a question. If you need to reach an operator, please press * 0. It is being recorded October 13, 2016. I would like to turn the program over to Meegan Moriarty legal advisor with RDF cooperative program.

>> Good afternoon and welcome to the world cooperative legal services webinar and legal basics. My name is Meegan Moriarty. I would like to introduce Andrew Jermolowicz , the deputy administrator.

>> Think you, and I would like on behalf of everyone to welcome you to today's webinar. We are happy we are able to host this. It's part of the series we are doing to recognize October as official cooperative month. We are very fortunate to have an recognize cooperative legal experts on our panel here today, and I think whether it is a new developing or existing cooperative it's critical to have an understanding of the framework within a cooperative model. So I will turn it back to our facilitator for today, Meegan , and we can get back to the webinar.

>> Like to introduce our leakers -- speakers, Marlis Carson is a senior for the former -- based on Washington DC and Todd Eckelsen is a partner in the Washington DC office of ship Hardin LLP. He's a graduate and has practiced in Maryland and the District of Columbia. I will turn it over to you guys now.

>> Thinks, Meegan. Welcome to the seminar. -- Thank you, Meegan. Welcome to the seminar, we will go over the basics of what a cooperative is , hopefully we clear up some conflict -- confusion and we are trying to make it a discussion here at this level so as you have questions go ahead and send them in and we will try to answer them as we go. At the end we will also have a question-and-answer session. First off, cooperatives are all around you. They are creatures of state law and they are businesses that operate and operate successfully in lots of different places. The model originated in the early 1800s in Europe really got started in the mid-late 1800s to the 1930s and interestingly I think there is a renewed vigor. We are seeing interesting uses of cooperatives. The co-op I think initially started as food processing consolidated into larger organizations and larger firms from what happened previously. It used to be local boards that basically you grew and process your own food and ate it. In the 1800s they were able to mechanize much of this and expand the size of the farm and mechanize also the processing. As farmers wanted to expand their businesses they looked for ways to be able to get together and cooperatively collect money, build the facilities and process the goods and hopefully also capture for the farmer a greater part of the food price then just the commodity price. So they were a way for them to get together and especially in the upper Midwest is where a lot of it started but it

quickly spread to lots of places and was used in a number of different applications starting locally and then there were consolidations of multiple cooperatives or federated cooperatives and now they have really merged into being major businesses, major insurance companies, retail entities, etc., retail entities, etc. I'm sure we will talk as we go forward, the USDA and rural development has seen the use of cooperatives and will hopefully talk further than that.

>> One thing we will address in a limited way are these so-called new cooperatives which do not operate under subchapter T and that little bit of code will become clear to you as we go through this process but they operate as partnerships. There have been recent developments for cooperatives to have more flexibility and when I say it in that circumstance and using a brand name to refer to a group of membership organizations of people who get together and decide what the process is that they are not typically traditional cooperatives. Really we are focusing on the traditional cooperatives.

>> You and I talked about mentioning a couple of the reasons that the flourish because farmers had to be price takers for example railroad were taking their grain and they had to take whatever price they were offer but if you could build an elevator and wait until the price was better you could take advantage of that scale.

>> That's exactly what happened so the expansion of the agricultural industry and more people living in cities, all of that made cooperatives inducible entity. Some of these you may recognize as being cooperatives send you may not. Great and cranberry juice, raisins the -- craisins are unbelievable and an example of co-ops coming together and coming up with a product that is new to the market.

>> REI is a retail cooperative, Ace Hardware, that is a cooperative as well. The national rural electric Cooperative, many lines are co-ops and restaurant supply chain solutions is actually a cooperative of the restaurant that does the purchasing for the Yum! brand's restaurants, many of those cooperatively purchase. What exactly is that? I can say it's kind of like a corporation. It is state organized so there are state incorporation laws, it is a legal person recognized by the law, it has limited liability for members and has the typical organizational structure that a corporation has which is a Board of Directors, management who would elect the Board of Directors and management implements the policy. Also as far as the internal organization and procedures they are very similar to corporate procedures meeting notices, consent, indemnification, all of those things apply to cooperatives as they do to corporations.

>> The business judgment rule that protects the Board of Directors is applicable and is a valuable protection and running their organization.

>> Interestingly they are managed by professional management, usually folks who are not members of the cooperative who make the day to day business decisions.

>> So the lifecycle of a cooperative is similar to the lifecycle of a corporation. It comes into being upon a corporation and the statute of organization can be a cooperative particularly in multiple states. It is possible to operate on a cooperative basis but I know of some fairly substantial cooperatives organized under the general business Corporation act so it is not necessarily to be Incorporated under a co-op

statute, it depends on how you operate. They come into being by being Incorporated of filing like a corporation.

>> Meegan is working on a state incorporation, a state statute book.

>> 35 years ago we had a book being published on the different state statues Desha statutes that applied. That book is very out of date so we decided to gather that information and put it online. I'm recruiting researchers from all 50 states and if I'm lucky I will get tribal researchers as well and we're trying to gather all this information so that they can be compared provision by provision and the use of that is if your state does not have good cooperative law you can choose to incorporate under another state statute or if the legislature is considering changing their law they can go to the website and cherry pick the best provisions.

>> That will be a great resource because we will be able to look at the different cooperative statutes. The way it is set up which I happen to know is that it is broken down by a number of questions and characteristics so you will be able to look at immediately the statutory provisions and not only when you are trying to decide you want to incorporate ways that one can use, I think it would be terrific. They face many of the same, all of the same business issues that a corporation faces. Typical startup problems of capitalization, customer acquisition, operational issues, expansions, contractions, losses, gains, litigation, intellectual property, etc. They have the additional concern of customers and equity holders. And the interesting thing is that the customers and equity holders happen to be the same people in many instances. They are acting on behalf of their members and it would be farmers who are providing product that processes it. As far as the acquisition of product the customer is the members. It happens that the member is also the person who votes on the board of them directors and owns ultimate ownership of the cooperative. So in my view they are as fun as corporations with even an added twist. Collects have an interesting twist. In the ultimate lifecycle you should be planning for these things even if and hopefully never happens. Number one, they have to make profit. If they don't make profit they don't stay in business very long. You have to have more revenue than you have expenses. There are lots of instances where they are referred to as being nonprofit entities and that certainly deals with what they do with the profit at the end of the day whether they keep it or distribute it but you should not ever confuse it with the fact that they don't have to be profitable entities, they do have to be and can be profitable entities and can make a big difference.

>> The other interesting thing that a cooperative has is that they always have to balance the long-term versus short term intentions and that is, a major part of operations is the commercial relationship that it has with its members. They need to provide a commercial return to members in order to keep members coming in participating and making it that the members can be successful or members will leave the cooperative. And that has to be a current return. They also have to plan their business in such a way that they have long-term resources and capital so that they are always there. They have to be current member focus for commercial returns on a stable basis and that interesting analysis that adds to the intrigue. So members are the ultimate deciders and they are the ones who are ultimately at risk. Board of Directors is elected in many state statutes and it is required that members of the Board of Directors be members of cooperatives. You don't have outside people who come in and run the business. The vast

majority of people -- of the boards are composed of members of the cooperative. Directors are representational policymakers who do -- do with policy. Managers also have the important role of coming up with ideas to present to the Board of Directors. Usually in an agricultural cooperative it is forming or purchasing cooperative it is the businesses there purchasing for. Electrical or plumbing, the restaurant industry, to win a major cooperative requires that you have strong management who can bring to your member directors the ideas necessary to move the organization ahead.

>> Duties are the same with the customer twist. Members are both the customers and equity holders. That dynamic has built in issues because under many state conflict statutes you will have members who have commercial relationships that have to be taken into account. So as a practitioner you have to make sure there's adequate disclosure and directors know what is expected of them in your members understand that they will have sufficient information to make the decision while also protecting the confidentiality of internal discussions that the board needs to have to plan going forward.

>> There are a bunch of issues that only a lawyer could love. There is a whole set of statutes some of which are very old and there are active areas and laws. Tax can be evident in a couple of ways to the tax code with its own interesting implications. Your telephone and electrical co-ops add another layer to what you typically find in 1381 to 88. Than 50 100 614 are credit unions that are very different text structure and operate on a cooperative basis. Even with agricultural you have section 5.1 and I guess some of the earliest kinds of cooperatives, it is a strict way of running an agricultural cooperative that needs to be dealt with. The other difficulty that they do to us is sometimes do not think through cooperatives and instead say this is kind of like a corporation so you will have a state corporation statute, for example I've worked quite a bit in Arkansas with a marketing cooperative statute is fairly short but one of those sections says if we do not deal with it here, look at the corporation law and bring that over which sounds good but you get into interesting problems like Oregon who provides an extra vote for every share they hold. When you have a one member and one will cooperative and a shareholder with 10,000 shares that gets to be a problem. Similarly the conflict statutes, I know the appraisal right statute does not work quite well with cooperatives. So that shorthand makes life interesting. Equally sometimes other drafters of other statutes like to pull in a cooperative statute as a reference point. The ad marketing act of 1929 is referred to, 521 under the securities act of 1933 provides an exemption from the registration requirements of the Secretary law . The securities act of 1934 provides an exemption so even their if you are 521 you can issue stock without it being subject to registration but they don't have to report under that particular exemption. You have to make sure you understand how those cooperatives may affect the exemptions you're looking for. Always check the statute. We headed instance preparing this presentation where Marlis Carson and I wrote something that was frankly wrong and not as precise as it should have been.

>> Meegan caught it. We had to adjust one of our slides to make it actually work. There was recently an instance where an accountant called her to say some growers were operating as a cooperative and he thought they were not doing their tax return correctly. He said they are intended to be a co-op but not getting the benefits. Can you give me some guidance on this? So I gave him some people who could help and said if you just want to look at the tax code and he interrupted me and said no, I'm not going to read it. So clearly that was not his motto but it's a good one for most people.

>> And that's a good one because --?

>> Because there are some unique features of cooperatives and we want to run through five of them with you. They are complicated and we want to give you a basic overview of what makes a co-op different.

>> We will look at Democratic control, subordination of capital, allocation of earnings based on patronage. Subchapter T and the ability to borrow from the farm credit system.

>> Starting with Democratic controlled by members, it's probably the most significant difference. Any publicly traded corporation voting power is based on the number of shares but in most of them each member has one vote regardless of the amount of equity. -- Which would allow high-volume users --

>> They have to cap it, they have to cap at 5% so that no member can individually control the cooperative because that would violate on a cooperative basis.

>> Democratic-controlled, the decisions that impact a co-op approving or rejecting major changes to the operations, we've seen an example with one of our members in the Midwest that wanted to make a significant change and Agosta we built to all the members of the co-op. They truly have power in making those decisions.

>> This changes the dynamics of a cooperative because you have to develop consensus. You can't just go to a few of your largest members even though they are very important, but in order to move forward you have to get consensus. You can't just go and get votes from a small number, being a great take over to the defense.

>> In a strange way it kind of the powers management because it is hard to develop clicks -- cliques so they are able to define the debate and get to the directors to be able to decide how this works.

>> I think it also forces management to educate members so that if there is a good business reason to pursue an idea you need to educate them as to what that is.

>> It takes time.

>> The next significant feature is subordination of capital. This means that the cooperative is controlled and if financial interests are owned by members and not investors. Return on investment is not the overriding goal. They are looking to provide a significant return on the business that members conduct.

>> They have to be in the moment and get that real commercial return or you are in big trouble.

>> Can members vote on management as an staff? Maybe you want to address that?

>> Indirectly you have to vote on who is going to be your director. Management would report to the Board of Directors so it would be usually unusual -- for members to staff the organization but one of the things that I like is that when I get in front of, many of minor agricultural cooperatives, but when I talk to them about sophisticated transactions, they are there and many have just come in from the field. These

are guys who work for a living. So we are not talking about multiple levels from staff. Many of them report directly to the Board of Directors you can probably do that really quickly by talking to the board of directors. It happens to be a guy you probably see in the coffee shop because he is just like you are. You don't vote on them directly that you have a much easier and straightforward way to affect those issues.

>> The board may directly pick that person.

>> They usually have quite a bit of contact with the members for that possibility so he has to be doing the discussions with the members not only for an ultimate return but for the day to day business.

>> Moving on to the third aspect is subchapter T. Everyone likes to read internal revenue so it is the tax treatment established nearly 100 years ago that enables flexibility and efficiency in the model and was codified more than 50 years ago. The passes the earnings through to members without double taxation. So they are taxed only ones and that is at the member's tax rate.

>> I will tell you that many of the state statutes are based on statutes that were passed in 1918. I know this because I had an instant -- instance of tax exemption for cooperatives where the state statute was based on the tax, I had to go back and research the committee reports and floor discussions to be able to come up with ideas as to how it applied in particular states. So while it was codified, there are still remnants of it in state statutes so it will not be impossible to have to do some research in pretty old volumes to figure out what is going on.

>> It is an old one but good one.

>> I'm going to just explain a little bit about how earnings are allocated we often use the word patronage which you probably do not hear much except maybe in the context of co-ops, but we are talking about how much business a member conducts. For a marketing co-op, patronage is based on the amount of products which can be milk, almonds, livestock, grain, cranberry, and any number of agricultural products. Patronage is based on the amount of input the producer purchases so that could be seed, fertilizer, I grunt me services or all the things you might equate to producing a product.

>> It can also be your purchasing cooperative and the purchases that you make. How many switch boxes, how much conduit and the patronage may be based on hours worked. May be very slightly based on the type of work that you do. So it is a flexible concept and is kind of the measuring stick by which you decide what everyone's contribution to the cooperative is. That's also how the process gets distributed.

>> I wanted to give an example of how you would allocate earnings which is an example from my world. A citrus co-op sold $1 million of fruit and Todd pointed out that this is not of expensive -- expenses of the amount that they received but let's say that former Joe provided 10% of that fruit. He would receive $100,000 in patronage dividends. How they get paid gets a bit more complicated and we will get into that. I also wanted to add that if you want to get into the details of taxation and accounting I would encourage you to check out the national Society of accountants for cooperatives and at their website

they have tons of information and resources and do a lot of online webinars that can help you get familiarized.

>> When you are talking about the net $1 million the distribution you were talking about is the distribution of that year's profit. In order to take full advantage of those materials you have to distribute the patronage of a single year within a .5 months. If you distribute that nine months later you don't get to see that. It really is, co-ops operate on a year-to-year basis that is important for that process to occur and they have a limited period of time to make decisions about what money will be paid out and I think that's another important thing to take note of.

>> There are several payment options under subchapter T . They can make a cash distribution to the member and that payment is deductible to the co-op and included in taxable income or it can retain the cash, credit it to patron equity accounts an issue with notices of allocation which are called qualified or nonqualified. For what is known as a qualified written notice at least 20% have to be paid out in cash in order to provide the member with funds to pay any taxes and we will explain that further in the next slide.

>> The members probably want the cash to be coming out in management who wants to have more money to be able to do things with it so what do you have to do to make those decisions?

>> That is where your Board of Directors comes in and deciding what the capital needs are at the time.

>> I think that's what you mentioned at the beginning, your strategy for the co-op. I will tell you that even within co-op membership there are differing views. A young farmer would like to have, he didn't get much but he would like to have the money so the co-op can plan when he's going to be there. There may be someone nearing the end of their particular interaction who was about ready to go out to be able to capitalize on a good your business or otherwise. The internal dynamic challenges the boards of directors particularly at times where there are fluctuations. There are losses, games, various things that are happening but it is an interesting discussion and fascinating to be part of.

>> It goes back to the importance of educating directors to what is going on in general and over the life of the co-op.

>> If it is coming to the point where you have to invest money to implement new technologies or you know that it is coming to each his full life and someone can build houses on it, all of that factors in and watch even more carefully than lots of people. You have lots of people who have better ideas than you do. It's fascinating.

>> We are going to take a look at the payment top -- options so a qualified allocation is deductible and taxable to the patron in the year it is paid out and a nonqualified allocation is taxable in the years earned. It is not taxable to the member when it is received that is taxable when receiving a cash payment. They give flexibility and tax planning as Meegan pointed out while still retaining the single tax treatment. Distribution is based on business of nonmembers taxable to the co-op and the member.

>> If you distribute money than maybe based on business with your patronage you can distribute it in a way that it gets taxed like a dividend. The patronage dividend is deductible, there are ways that you can not comply with that and therefore not get the deductions so you revert to the cooperative and then texted again to the members. So I double taxation.

>> There may be accounting reasons why you want to do it that way. If you have a bunch of losses that need to be taken care of. You say it is taxable to the co-op that is going to introduce a time difference. It is not taxable to the member of the year received the figure redeemed. That is not the same value that it would be if you got the current deduction so how do you manage all of those things?

>> That is a good question, if you have the answer I would like to hear that.

>> It is something they struggle with and there are reasons why you do a nonqualified allocation. It depends on the balancing of current distribution versus long-term survival of the cooperative. There is a whole bunch of planning that can happen and you have the political overlays of people who want their cash now versus those who are happy to differ it when may be -- may be in a better position to take advantage of that. Those are the people who think their way through that but it is like playing chess on a multilevel board. There are lots of ways to consider that. This is in addition to all of the corporate tax planning that you can do about accelerating expenses and managing all of this stuff. I like co-ops.

>> It does offer them great flexibility and as we look toward tax reform, one of our jobs is to be sure that they remain in the code because we like that flexibility. That is the big advantage for co-ops.

>> Depending on whether there were major changes on an income-based taxation system to consumption-based taxation is going to require all of us to be thinking about how it is that they work and are developed in a model which makes sense for businesses to be around, many for 100 years.

>> That may be a whole separate webinar. [Laughter]

>> You will see because this is tax law of course there are exceptions. He mentioned electric and telecommunications and their income is exempt and at least 85% of it is from providing service to their members. Credit unions without capital stock organized and operated for mutual purposes and without profit are tax exempt and cooperative hospital service organizations are also tax-exempt under section 501(c). -- 501 (e).

>> You better read the statutes and the private letter rulings because each of these, while there is a common discussion among all of these and patronage and things like that, those words are used in different environments and may have slightly different meanings depending on the statutes. While it is possible to use precedent from subchapter T when you are talking about an electrical cooperative it may not translate directly. It may be that you can get something close but you cannot use it as a direct arrangement. By the same token don't ignore electrical cooperatives and precedent when you are working on a subchapter T because there may be precedent that could be helpful for the argument you are making. To the differences on those depend on state?

>> 501(c) is federal internal revenue and see five our membership organizations. That is not really a cooperative. It is between charity and the business cooperative. C 12 our telephone and electricals and see 14 are your credit unions. It does not depend on state, those are references to the Internal Revenue Code. When I say it does not vary by state, that is correct but within each of those exemptions state law may provide different requirements that you have to take into account as well.

>> This person is also asking which is best for an agriculture co-op?

>> They would not follow under -- fall under those exemptions. We were pointing out that some organizations operate as cooperatives but under different sections of the code., Co-ops do not fall under exemption statutes. They file their taxes under subchapter T . It gives the major benefit, the major benefit it has is a deduction for payments made to members based on their patronage from the business done with them and for them. Both of them, marketing and purchasing cooperatives usually organize under, there's often an agriculture marketing application and don't have the overlay of the see 14 -- maybe 521 although it is pretty restrictive and not used as much as it used to be Desha

>> 521 is agricultural but it got restrictive rules and is separate from the subchapter T governance of agricultural cooperatives.

>> So that highlights the differences and the complications.

>> The bottom line is --

>> If this gets you interested check out the slide and you can read all you'd like. And also if you are interested in learning it, reading the instructions of the tax form is very helpful. When the IRS asks for input we always respond because we want them to get it right. How you fill out and allocate income --

>> They have done some good work and gotten some language into the instructions that clarify issues and regulation and statutes in a way that makes sense for people and have been followed by the courts and Internal Revenue Service.

>> That is thanks to people like Todd to give us time and help us with those kinds of comments.

>> I would also like to mention that we have not really talked about state taxation but it generally follows code.

>> I had to do research on bed but it went back to the 1918 Internal Revenue Code.'s so that multi-directional chess game also has a time component and the law that is currently in place may be similar to a law in place in 1944.

>> Our state statute project is going to address the state taxation very briefly but will address the state taxation of cooperatives so that could be a reference for you. Somebody had asked about accessing the information. We are going to launch it on October 26. We do not have all of them researched. So please contact me if you are interested in doing research for your state. I can easily give you a list of the different states.

>> Meegan is still trying to motivate certain of the state researchers like Maryland to make sure we get our stuff. It will take a long time to pull all of these together.

>> I think what you are saying is that if it is ongoing that's the beauty of what she is working on, it will no longer be a static document. It will be a live resource that people have on a regular basis but it is kind of like a co-op with multiple people contributing to a goal.

>> When you are looking at this information, that is a starting point and a summary. You need to consider what it looks like in your particular situation so it is always important to talk to lawyers who are familiar with cooperative law because you are getting a sense for how truly complex it is.

>> Really getting in and getting to know people in the area, we always check each other and say what are your thoughts on this? It is complicated if you have a community of people. There are other provisions like membership issues and organizations that the IRS raises to do with cooperative deductions. It is an interesting animal and you need to get a group of people that you can trust and work with.

>> I want to make a plug for the five-part series that Don Frederick did. It is on income tax and it is a great resource. It is really unfair to say it is being updated, Don is a legend so I've had to recruit a whole bunch of very smart people so it is something we hope to get it around late spring. It is a work in progress. You can still access it --

>> Every co-op practitioner has this on their shelf. I have to get new ones, you can access the online, they are free, it is the single best source of information. Quick background, I check it probably on a daily basis. We checked it yesterday.

>> Meegan found our mistake.

>> We went to Don and corrected our slides.

>> On the next slide I wanted to mention the Farm credit system which is a unique aspect of co-ops, the ability to borrow to the system which is celebrating its 100th anniversary, so happy birthday. The mission of the system is to support communities and agriculture and governed by customers and shares profits to dividends just like we have been talking about here today.

>> The Farm credit system, including for 500 $500 million credit facility, we had ultimately 20 banks within and a couple from outside who put this together. The Farm credit system will make loans to individual producers, enough to buy a tractor which is not cheap and they go all the way up to several hundred million dollars. It has its own rules and regulations.

>> Check the statutes.

>> We've come to the overview of what we talk about but I wanted to, maybe we can have a discussion about the quirks of cooperatives. A couple that I've highlighted, this membership versus stockholder model ties in with the commercial and investment return but it drives so much of what happens because

you have to do consensusbuilding and provide your members with the current commercial return and if there is an additional return so much the better. In a cooperative membership is looking to have that cooperative continue for a number of years so that the businesses they are involved in prosper and benefit from it, not to get an investment return from ultimately selling out.

>> That temptation is always there and as we talked about a company with a lot of built in brand value --

>> I got a call and the person said I'm a vice president of acquisition from a major soft drink company. He said you do co-op work? And I said yes I do. And we are in the process of looking at a cooperative. I said I'd be happy to help you but before we get started let me tell you that if you are talking about acquiring a cooperative that I knew was in the related business, they had a brand name that was very successful. The brand itself had a value of several million dollars and within the cooperative the fact that they had a substantial value as we can to some discussion that the membership was having about is now the time when we sell our brand and realize the great benefit to distribute our members?

>> Many of us can retire with built in value. We will not be able to effectively market our products and get as high a commercial return which is important because we plan to be around for a long time to be able to commercially benefit from having access to value.

>> I have been retained by some of the parties in that discussion so if you are talking about blank cooperatives I have to tell you I'm already involved. He pause for a second and said okay, goodbye and hung up. So they had heard about the discussion and the result of a decision to sell the brand would be that it is less effective in marketing those products. The new brand owner would probably be able to capitalize on that and maximize value for stockholders but it would have been to the detriment of the cooperative members. We have an example.

>> Ultimately they did not sell the brand.

>> We had sort of the opposite result in California and they said we have this great brand, the convince farmers to take this big payout and convince them they would take all their products and give them the market price for that. Some members did get a payout.

>> The next year.

>> Immediately not getting the price that they needed.

>> There were huge screens from the members and some litigation was talked about that because the cooperative changed the membership had an immediate effect and significant reduction in the commercial return that they got from their businesses.

>> Co-ops really are non-accumulative but cannot be nonprofit. What they do is to not necessarily accumulate the revenue because they are paying current tax on it if they do. What they can do is to get money out to their membership which they can use in their own businesses. The issues about how to plan for major capital investments and planning technology changes, how you put it to do different marketing types of things, you have already gone to your members to get most of your capital. It's tough

to go back and ask for more capital because they have already invested in you but they continue to be exposed to a concentration of investment in an industry they are invested into. The nonprofit versus non-accumulative issue is a big one and a challenge.

>> That is a way to help address the problem, that it exists and is willing to lend, whereas other commercial banks may not be.

>> The customer stockholder balance we've talked about, when you see some of the biggest companies in the world, sometimes they do not make those lists because the net amount of money may be huge in the sales but not big in the return on equity. The commercial returns should be counted in the return on equity as well.

>> New co-ops where we talk about the state statute group, I know that NCSC center representative and they came up with a new and revised statue -- statute but is a partnership but the net result is usually putting in the flexibility, you are taxed as a partnership not as a subchapter T cooperative.

>> But you still have the cooperative name which some of us who have been representing traditional cooperatives feel a little upset about it. That is a way that you can look into, when someone talks about it one that distributes on a cooperative basis or a co-op that is a form of a partnership that does things on subchapter K, it would be more like a partnership and we will leave it to Megan to do something like that.

>> Restaurant services, again, examples all around you of co-ops that are successful and return to their members, significant returns and are as sophisticated as any other corporation with this interesting overlay that makes them great fun to advocate -- advocate. We have maybe one or two minutes if someone had a question, I guess we could talk about that but otherwise there is contact information and co-op lawyers all around you as well. If you can get access to any of us or the national cooperative business Association which is another group.

>> Thank you for the opportunity. If you have any questions for us --

>> I was thinking we were named the webinar it's complicated.

>> I also want to throw out there that it is my job to do a little promotion. Referring you to the website where we have co-op applications, I encourage you to take a visit. If you are interested in co-ops we have probably a couple of hundred of publications are out there and that's also where we will host the bimonthly rural cooperative magazine. It is free and we have contributed articles, usually a legal corner every month, a great magazine and I encourage you to login and sign-up.

>> The other application is the cooperative accountants and that he comes available to their members. Take advantage of those resources and those who want to advocate on behalf of those cooperatives.

>> We had a couple that I will let you respond. Love recording be available?

>> They should be available, correct?

>> The slides and recording will be available in the coming days either today or tomorrow so expect that coming from us.

>> There's one question we have here about someone from a small rural community who would like to know more about how to grow co-ops to be more profitable.

>> That's the trick. I would say take advantage of these publications that are available and that will give you the basis to be able to do that. Then go talked -- talk to experience practitioners. It's very possible to get access to some of the best minds and we are able to have conversations to help you talk about the issues. I know that beer pumps -- pops, there are even consulting groups that are trying to find the developments around the country. Get on the Internet, we would be happy to talk to you.

>> Do you have another webinar coming up that you would like to plug?

>> Email me and if you want more information I would be happy to respond. Thank you so much for participating in this webinar.

>> That does conclude today's webinar, you may now disconnect. [event concluded]