



HARVESTING CLEAN ENERGY

Community Ownership Models: Keeping Local Dollars Local “The Law of Coops”

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THE COOPERATIVE MODEL OVERVIEW

- **Tried and True Structure for Project Development**
- **Increased Opportunity for Community Involvement**
- **Governance**
- **Tax Attributes**
- **Capitalization**



THE COOPERATIVE MODEL HISTORICAL USE

- **Marketing Cooperative**
 - **Members pool commodities**
 - **Purpose: Higher prices for pooled products**

- **Supply Cooperative**
 - **Members pool purchasing power**
 - **Purpose: Competitive pricing of inputs for operations**





THE COOPERATIVE MODEL

“VALUE ADDED” COOPERATIVES

- **Pooling of Investor Funds**
- **Delivery Agreement as a Condition to Membership:
Uniform Marketing and Delivery Agreement**
- **Delivery Obligations Tied to Equity Investment**
- **Purchase of Manufacturing Assets by Cooperative to
Further Process the Members’ Commodities**
- **Return on Investment Proportional to Deliveries to the
Cooperative: Patronage**



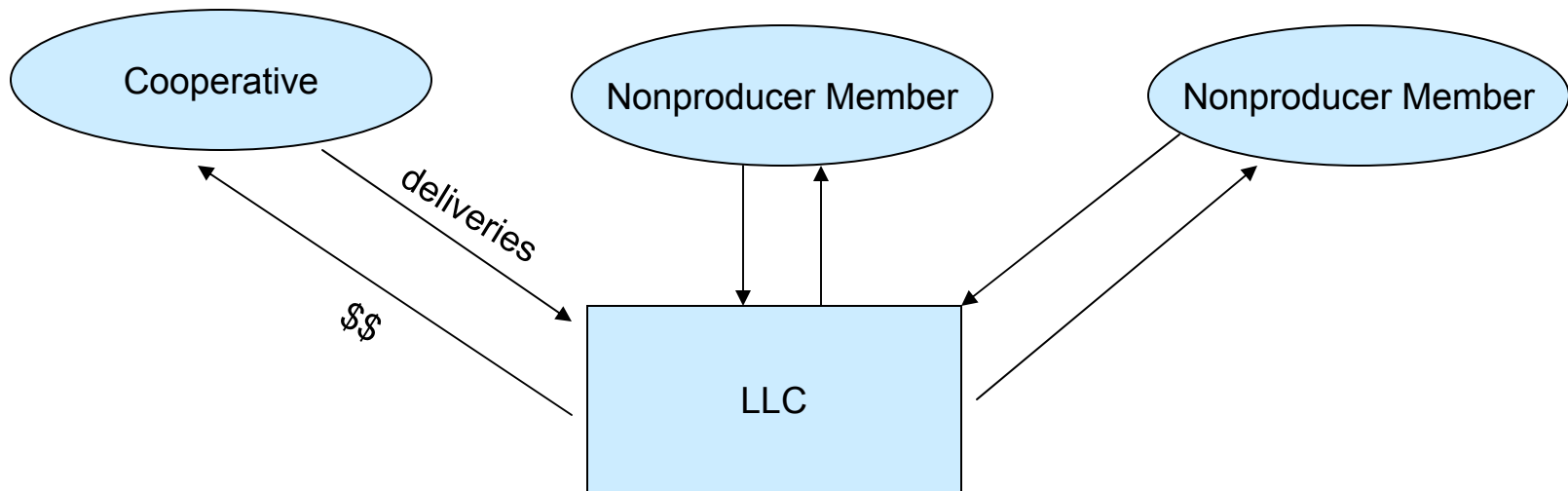
THE COOPERATIVE MODEL BLENDED STRUCTURE WITH LLC

- **Limiting feature of Cooperative Model is Restriction to Investment by “Producers” Only**
- **To Allow Non-Producer Participation, Cooperative Entity can be Combined with an LLC**
- **LLC Owns Production Assets**
- **Cooperative is a Member of the LLC and Delivers the Commodities of Cooperative Members to the LLC**
- **Non-Producer Members are Members of the LLC**



THE COOPERATIVE MODEL BLENDED STRUCTURE WITH LLC

- **Return on Investment to LLC Members Based on Investment, not Patronage**
- **Distributions by Cooperative to Members Based on Patronage**





THE COOPERATIVE MODEL EQUITY CAPITALIZATION

- **Securities Law Compliance**
- **Federal Covered Security Exemption as Section 521 Cooperative**
- **State Exemptions for Cooperatives**
- **Membership Fees as a Method of Seed Money Capitalization**
- **Example of Ethanol Project Using Cooperative Model**





THE COOPERATIVE MODEL EQUITY CAPITALIZATION

- **Seed Money**
 - Membership Application and Fees
 - Additional Capital from Board in form of Debt or Equity
 - Board Members are “Accredited”
 - At-Risk Capital to Pay for Feasibility, Business Plan, Consulting Fees, Organizational Fees, and Preliminary Engineering and Site Work
- **Typical Biofuels Project, \$2 to \$5 Million**





THE COOPERATIVE MODEL EQUITY CAPITALIZATION

- **Primary Equity Round**
 - **Disclosure Statement, to include the following:**
 - Risks of Project
 - Cooperative Tax Structure
 - Proposed Business Operations
 - Industry Description
 - Sources and Uses of Funds
 - **Cost to Complete Significantly Less than Using LLC for “Public Offering”**





THE COOPERATIVE MODEL OPPORTUNITIES IN WIND AND BIOMASS

- **Community Wind Projects**
 - Need to Create Patronage Transaction
 - Investment by Group of Member-Landowners
 - Land Lease Agreements between Members and Cooperative
 - “Access to Wind” is Potential Form of Patronage Transaction
 - LLC Combination or Separate Classes of Ownership in the Cooperative





THE COOPERATIVE MODEL OPPORTUNITIES IN WIND AND BIOMASS

- **Biomass**
 - Feedstock Aggregation Challenge
 - Delivery Agreements to Supply Feedstock
 - Statutory Liquidated Damages for Non-Delivery
 - Lenders Look More Favorably on Projects with “Guaranteed” Sources of Feedstock – Even More Favorably when those Providing the Feedstock are the Investors





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