

# Getting it together:

## business formation strategies for co-ops

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presented by:

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for:

**PACA**  
Philadelphia  
Area  
Cooperative  
Alliance

# Agenda

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Introductions

Overview

Co-op specific formations

Getting it done

One-on-ones



# Disclaimer

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The information offered in this workshop is not legal advice. It is intended for informational purposes.

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# What are my options?

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~~Sole proprietorship~~

~~Partnerships~~

**Limited Liability Company (LLC)**

**Corporations**

- S Corporation
- C Corporation
- Nonprofit Corporation



**Special designations**

- Benefit Corporation
- Cooperative Corporation

# How do I choose?

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what are your objectives?



- financial
- charitable
- both



where will the money to start come from?



- investors
- donors
- either/both



how should profits flow?



- distributed
- reinvested
- either/none



who should own the assets?



- members
- "public"

# What are some of the differences?

	LLC	S Corporation	C Corporation	Nonprofit
Formation	Moderate to easy. Filings + fee*	Moderate. Filings + fee + advertise + bylaws + organizational meeting + issue stock		Moderate to difficult. Filings + fee + advertise + bylaws + organizational meeting + state registrations + 501(c)(3) tax exemption application
Ownership	One or more members	Up to 75 shareholders	One or more shareholders	No owners / public ownership
Operations	Reporting & record-keeping expectations*	Reporting & record-keeping requirements. Director & shareholder meetings required.		Reporting & record-keeping requirements. Director meetings required.
Profits	Distributed to ownership or reinvested in operations			Reinvested in operations
Taxation	Choose a) passed through to members, OR b) as corp.	Passed through to shareholders	Entity taxed on earnings. Shareholders taxed on dividends	Must apply to IRS for tax-exempt status

Note: \* Operating agreement recommended. PA does not have statutory record-keeping requirements for LLCs  
 Source: Commonwealth of Pennsylvania (PABizOnline.com); Digital Media Law Project (<http://www.dmlp.org>); Nolo (nolo.com)



# What are some of the differences?

	LLC	S Corporation	C Corporation	Nonprofit
Formation	Moderate to easy. Filings + fee*	Moderate. Filings + organization	<div data-bbox="919 482 1479 654" style="border: 1px solid blue; padding: 5px;">                     Cooperative designation affects how the entity is owned and managed                 </div>	Difficult. Filings + advertise + bylaws + organizational meeting + registrations + 501(c)(3) tax exemption application
Ownership	One or more members	Up to 75 shareholders	One or more shareholders	No owners / public ownership
Operations	Reporting & record-keeping expectations*	Reporting & record-keeping requirements. Director & shareholder meetings required.		Reporting & record-keeping requirements. Director meetings required.
Profits	Distributed to ownership or reinvested in operations			Distributed in operations
Taxation	Choose a) passed through to members, OR b) as corp.	Passed through to shareholders	Entity taxed on earnings. Shareholders taxed on dividends	Must apply to IRS for tax-exempt status

and how it is taxed



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# Co-op specific formations

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- What does co-op designation change?
- Do we have to incorporate?

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# Getting it done

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- Before you incorporate your organization...

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# Questions?

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# Additional resource

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## [Digital Media Law Project: Forming a Journalism Cooperative in Pennsylvania](#)

*Although specific to journalism cooperatives, this page offers detailed information on PA state laws and process governing co-op formation that is broadly applicable*

# cultureworks

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