

Memorandum of Understanding
Related to Support of Projects with Charitable Contributions and Grant Fiscal Agency

Whereas, the Cooperative Development Fund of CDS (the Fund) holds an IRS Letter of Determination as a 501(c)3 federally tax exempt organization for its charitable and educational activities in community-based economic development, especially using the cooperative business model, and

Whereas, the Fund is able to receive and expend charitable contributions to support such community-based economic development activities, and

Whereas, (Client), a corporation in the State of (XXX), is seeking to use community-based economic practices in (Community) in order to provide a needed community-based enterprise, and

Whereas, after thoughtful discussion and research the Fund has independently determined that the Client's project seeks to use cooperative development principles and practices to address a broad-based community need consistent with the Fund's Letter of Determination,

Therefore, the Fund has agreed to provide program support to Client's project, and that this support may include the solicitation of charitable contributions, with the following understandings:

- 1) Expenditures in support of Client's project shall only be for authorized purposes. In general, expenditures shall be to facilitate the reasonable development of a business enterprise, but shall not include capital expenditures for real estate or real estate leases. Permitted purposes may include such things as:
 - Professional fees for technical assistance such as marketing studies, pro forma projections, architectural design services, board governance or management training, legal or accounting services, etc.
 - Supplies, meeting and travel expenses related to project development.
 - Operating expenses, including inventory, and equipment with an estimated useful life of three years or less.
 - Hiring of project management staff, contractors, general management or employee payroll and benefits. (Up to twelve months of project management and operating expenses are permitted after store opening).
 - Building renovation, furnishings, etc.

- 2) The Fund's responsibilities shall include
 - Maintenance of appropriate registration with state and federal authorities related to the solicitation of charitable donations.
 - Maintenance of an ability to receive charitable contributions by check.
 - Maintenance of an ability to receive charitable contributions of publicly traded stock.
 - Maintenance of an ability to serve as a fiscal agent for public or foundation grants in support of the Client's project.

- Acknowledgements of all charitable donations of \$200 or more with a written letter of acknowledgement.
- Periodic reports to Client regarding the status of contributions in support of Client's project
- Disbursement of funds to support Client's project for authorized expenditures as described above. Disbursements may be in the form of
 - direct payment of vendor invoices as submitted and approved by Client, or
 - reimbursement to Client of paid vendor invoices.
- Unless specifically agreed in advance, the Fund shall not be required at any time to honor invoices to vendors or requests for reimbursement from Client if sufficient funding for those payments is not on account with the Fund.

3) Client responsibilities shall include

- Good faith efforts to ensure that all Client activities and expenditures supported by charitable contributions are consistent with the intent of IRS codes for charitable giving.
- Making project supporters aware of the opportunity to make charitable contributions as described here.
- Providing periodic information on project progress and long-term success.
- Providing documentation to support authorized disbursements as described above.
- Designation and training of individuals who shall act as volunteers on behalf on the Fund in soliciting donations to the Fund in support of the project. A list of the volunteers shall be provided to the Fund prior to any solicitations, which the Fund shall review and approve or disapprove. At no time will the Fund, the Client, or any third party provide compensation to the volunteers for their efforts in soliciting charitable contributions for this effort.

4) The Fund shall be entitled to deduct fees for services.

- For charitable contributions, an administrative fee will be assessed at the rate of 10% of the first \$75,000 in contributions; a marginal rate of 8% for contributions in excess of \$75,000 but less than \$125,000; a marginal rate of 6% on all contributions in excess of an aggregated \$125,000. This amount may be revised annually to reflect actual costs of program operation and regulatory compliance.
- For each public or foundation grant where the Fund serves as fiscal agent, an administrative fee of 10% of the first \$5000 of grant funds plus 5% of funds awarded in excess of \$5000. This amount may be revised annually to reflect actual costs of program operation and regulatory compliance.

5) This relationship is effective as of (Beginning Date), but not before Client has been advised that registration has been successful with all applicable state or federal regulatory agencies. Unless otherwise extended, this agreement will terminate one year after the cooperative enters commerce. Either party may terminate the relationship with 30-day notice. During the 30-day period, Client may make requests for expenditure of funds held by the Fund for authorized purposes as described above; approval of these requests shall not be unreasonably denied. Any funds remaining after the termination period shall become the property of the Fund.

