Lesson Title: Equity Management

Authors: USDA Co-ops 101: An Introduction to Cooperatives (Chapter 10)

Unit Outcomes Addressed by this Lesson

Students will understand the factors affecting how cooperatives manage the redemption of outstanding equity.

Lesson Objectives
(what the students will know and do by the end of this lesson)

a. Describe three methods of matching patronage and equity obligations.
b. Describe how the creation and redemption of equity are related to the three cooperative principles/promises.
c. Describe and compare the following methods: revolving fund plan, special plans, and base capital plan.

Lesson Level Assessment
(how the objectives will be measured)

• Written assessment on lesson objectives and vocabulary terms.

Activities and Procedures
(what the teacher and students will do during the lesson)

Read Chapter 10
Outline Notes: Vocabulary and Key Concepts – Outline on next page. Have students fill in the content.
Learning Activity - Utilizing activity tools from www.jc-schools.net/tutorials/ppt-games/
(To involve your students in a fun, game-like atmosphere that encourages learning, use the above link, pick an activity and proceed. Your students will thank you and you will have a great time too!)
Word Search Activity– Create a word search puzzle at www.puzzlemaker.discoveryeducation.com
Summative Test – Questions and answers on the next page.

Materials and Resources

USDA Co-ops 101: An Introduction to Cooperatives Chapter 8
www.rurdev.usda.gov/RBS/pub/cir55/c55text.pdf

Learning Activity
www.jc-schools.net/tutorials/ppt-games/

Other Useful Links
www.ag.ndsu.nodak.edu/qbcc/NDCCC/coopmonth.htm
www.puzzlemaker.discoveryeducation.com
www.nsacoop.org
VOCABULARY & KEY CONCEPTS:
Revolving fund plans
Special plans
Base capital plans
First-in, first-out
Redemption
Under invested patrons
Fully invested
Overinvested patrons

SUMMATIVE TEST QUESTIONS:
1. Name the three methods of matching patronage and equity obligations.
   ANSWER: Revolving fund plans, special plans and base capital plans.

2. What is revolving fund financing?
   ANSWER: Systems in which patrons make annual capital contributions.

3. How is a revolving fund plan frequently described, if older equities are retired regularly?
   ANSWER: Systematic

4. In a systematic plan, member __________ is related to recent and current use?
   ANSWER: Investment

5. Redemption is normally dependent on a __________ determination that funds for revolvment are available.
   ANSWER: Board of directors

6. What happens during a revolving cycle?
   ANSWER: The cooperative keeps equity for a longer period of time.

7. What is a special plan?
   ANSWER: It is one in which a specific event or condition triggers equity redemption.

8. A base capital plan is ____________________?
   ANSWER: A special equity capital management plan.

9. A member’s death triggers __________?
   ANSWER: Equity redemption

10. Special plans are sometimes combined with __________ or __________?
    ANSWER: Revolving fund or base capital plans.