Homeruns, Basehits, and Errors.
What’s Our Track Record with Alliances?

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Benefits of LLC structure

- Unlimited # of members
- Limited liability for members but adequate capital will be required in order for a stand alone structure.
- A corporation can be a member of an LLC – which allows for joint ventures with established corporate structures
- Provides greater access to capital

Drawbacks of LLC Structures

- Involvement in businesses that may not be core to your operation
- Operation in some cases is away from base membership.
- Management could be unknown
- Possible additional administrative costs (bookkeeping)
Issues to consider

- The parties you plan to participate with. Do you have the same objectives and commitment?
- The operating agreement review it closely and understand it
- Governance issues
- Operational issues
- Capitalization

Examples of some LLCs that struggled

- What led to the business failure?
  - Inadequate capitalization and members reluctant to invest additional capital if operations do not meet plan
  - Inadequate management
  - Inadequate recordkeeping
  - Business plan was optimistic (higher costs)
  - Competition made adjustments and not accounted for in business plan

Examples of some successful LLCs

- Many of the new ethanol plants are set up with an LLC structure to allow greater access to capital for startup.
- LLC market structures have been formed to enhance grain marketing to gain market advantage.
- LLC structures are in place for large dry fertilizer plants. Still unknown as to their success or failure but will be dependent on reduction of operational costs.
Examples of some successful LLC’s

- LLC structures for propane operations to enhance economies of scale.
- LLC structure for feed manufacturing. Companies putting feed businesses together and closing inefficient mills.
  - These structures were an extension of existing operations and had expertise within the companies.

Final Thoughts

- Does the LLC structure meet your company’s overall mission?
- Will it make you more efficient in meeting the members’ needs?
- Is it properly documented.
- Commitment by the member owners to allow for the LLC to be successful and be committed to its long-term success.

QUESTIONS??

THANK YOU

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