



Thrive Consultancy Inc.

Benefit Corporation

Introduction to Financing Cooperative Businesses



Phoenix / April 5, 2022

Sustainable Food Economy Lab





Thrive Consultancy Inc.

Benefit Corporation

Thrive Consultancy is a benefit corporation that works with entrepreneurs and small businesses to become **economically viable** while **empowering people** and **protecting the planet**.



Thrive Workshops & Programs



**Sustainable Cooperative
Food Business Training
Programs**



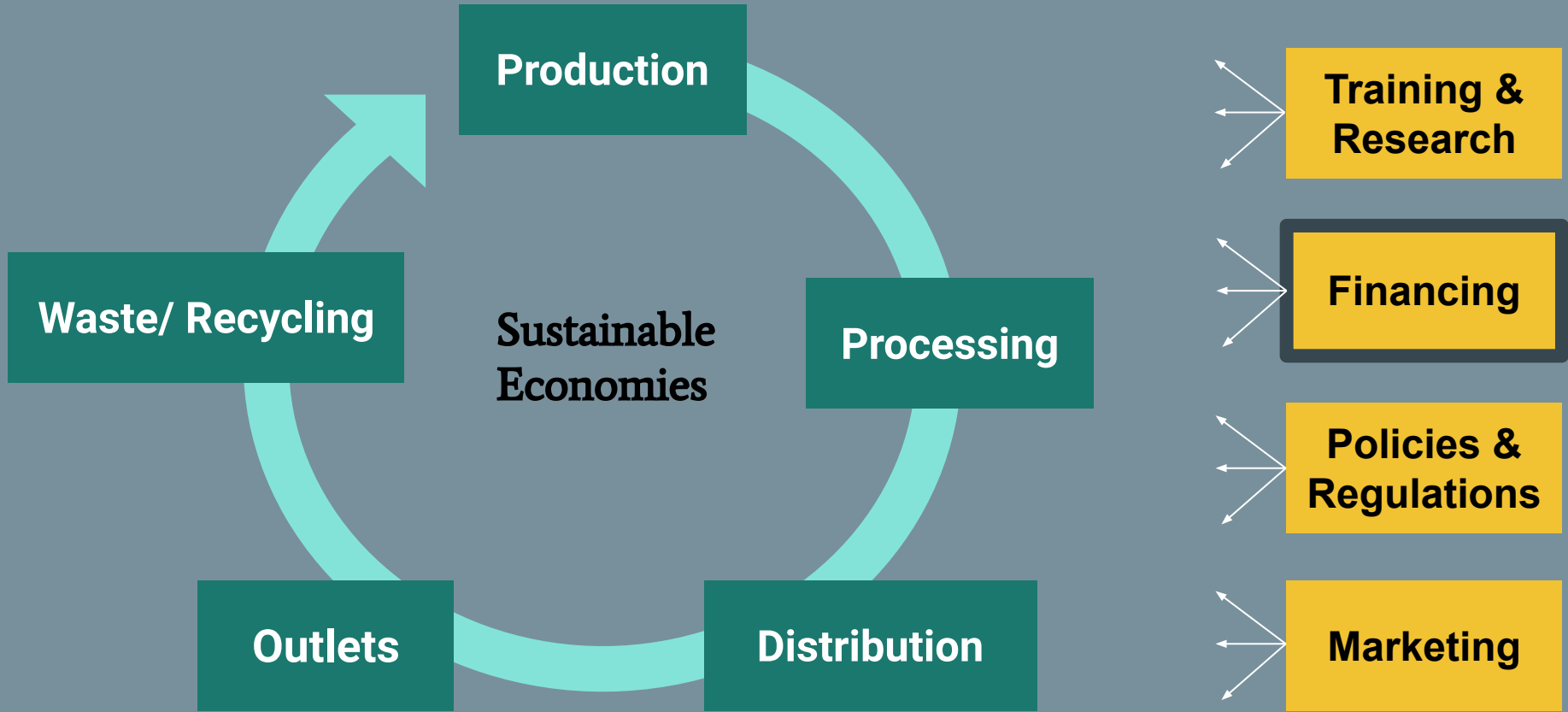
**Ecosystem Development
Workshops**



**Cooperative Business
Support**

Workshop Objectives

- Understand the cooperative business financing
- Learn about the cooperative model from a cooperative business lending expert
- Learn about the particular elements of cooperative businesses underwriting from Shared Capital
- Identify next steps for businesses and institutions seeking to access or support cooperative lending



Workshop Overview

- Introduction to Shared Capital Cooperative
- Overview of the cooperative business model and cooperative lending (+ Q/A)
- Introduction to elements of underwriting (+ Q/A)
- Steps for continued engagement
- Outlook on the next events in this workshop series



Shared Capital Cooperative

BUILDING ECONOMIC DEMOCRACY

Samantha Bailey,
Loan Officer



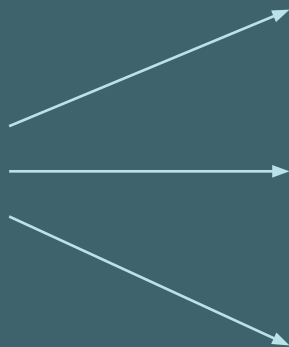


Shared Capital Cooperative

BUILDING ECONOMIC DEMOCRACY

A Democratically Owned Fund

300+
co-op
members



Borrow

- 100 current borrowers

Invest

- \$21MM in assets
- ~40% of invested capital from members

Govern

- Elect Board of Directors
- Serve on Committees



Shared Capital Cooperative

BUILDING ECONOMIC DEMOCRACY

- Loans of \$5,000 to \$1,000,000
- Small business loans for real estate, equipment, inventory and working capital
- Housing loans for real estate and improvements

Today's Purpose



Federation of Southern Cooperatives, Georgia

- Introduction to the cooperative business model
- Elements of underwriting a cooperative business

The Cooperative Principles

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation among Cooperatives
7. Concern for Community

Cooperative Structure

- A cooperative is owned by, controlled by, and provides benefit to its members.
- Members are a clearly defined class who are patrons of the business
 - Consumers
 - Producers
 - Workers
 - Residents
 - Multi-stakeholder

Principles of Cooperative Capital

Capital raised by the cooperative *should not* impair or undermine the cooperative's structure, including control by its members.

Principles of Cooperative Capital

Principle 2: Democratic Member Control

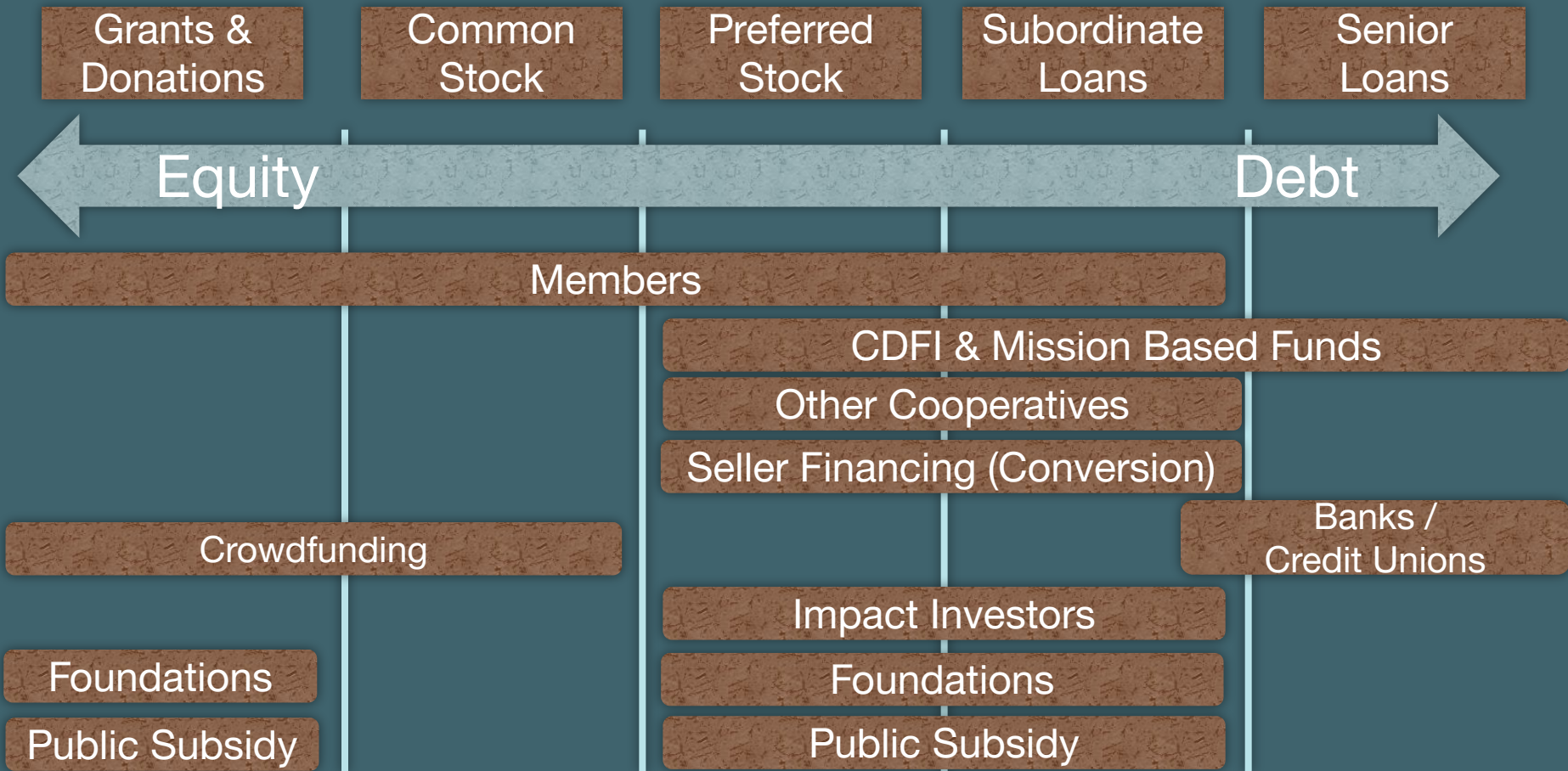
Principle 3: Member Economic Participation

Principle 4: Autonomy & Independence



Proof Bakery, California

Where do co-ops find capital?



Sources of Co-op Equity

Member Shares /Common Stock

Voting shares

No dividends

Preferred Stock

“C shares” with Dividends

Member Loans

“Equity-like” subordinated debt

Assessing the loan or investment Issues Unique to Cooperatives



- Ownership
- Management
- Governance
- Equity & Patronage
- Expertise
- Structuring the Loan

Member Ownership

- Who are the member owners?
- How does someone become an owner?
- What are the rights and responsibilities of owners?
- How are members invested?



Sustainenergy Cooperative, Ohio

Member Ownership



BREWED FOR OUR COMMUNITY

SINCE 2019

- Ronan: broad based effort with city support
- Extra Extra: coop TA support
- ChiFresh: impact investor support

Governance

Power and Control of the business

- Who is on the board?
- How is board elected?
- Do investors or other non-members serve on the board?
- Relationship between Members/Management/Board

Are there clear, established policies

- How do members join or exit?
- What matters are addressed by the membership vs board?

Governance

Talk to *more than one* representative

Read governing documents

- Articles and By-Laws
- Operating Agreement
- Policies

Review minutes

- Board Meetings
- Membership Meeting

Attend a board or membership meeting

Management

Assess business, sector and co-op expertise

Management team

Board

Technical assistance providers and consultants

- Legal
- Accounting
- Governance

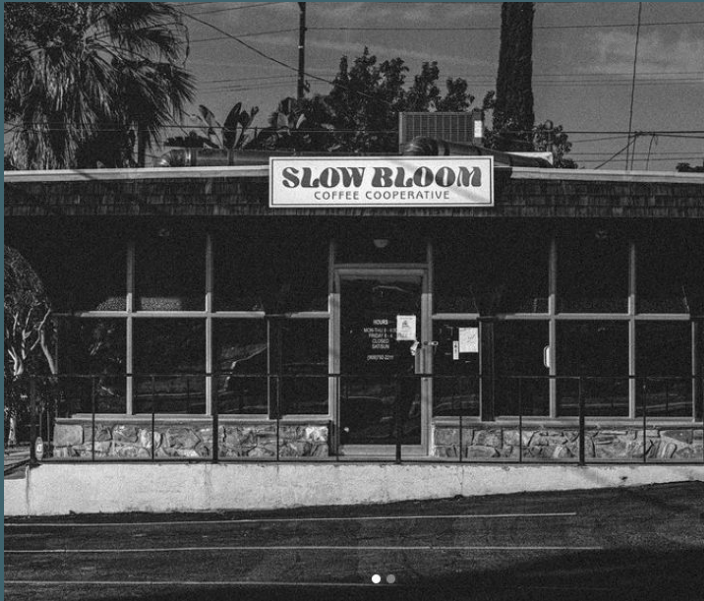
Connected with other co-ops locally and nationally

- Share best practices

Peer support

Using established best practices

Management



Slow Bloom Coffee Cooperative, California

- Experienced worker owners
- Union co-op technical assistance
- Accounting support; not co-op specific
- Learning exchange with other co-ops

Equity & Patronage

Member Equity / Shares

- How is the value of a member share determined?
- How are shares paid out to exiting members?

How is surplus/profit allocated between

- The Cooperative
- Internal Capital Accounts
- Patronage Dividends

What we DO NOT assess

- Financial standing of individual cooperative members
 - No credit scores
 - Personal collateral does not apply

Structuring the Loan

Governance

Require governance training and Technical Assistance?

Monitor governance

- Attend board or membership meetings

- Review minutes

Structuring the Loan

Equity

Ensure retention of equity

- Limit investor payouts and redemption

- Restrict member loan repayments

Plan for growth

- Require a plan to build membership and raise equity?

Structuring the Loan

Collateral & Guarantees

Avoiding personal guarantees

Waive personal guarantees

Several / Partial guarantees

Time limited guarantees

Used to ensure commitment rather than a secondary source of repayment

Issues and Challenges

Concentrated Leadership

- Too few people know what's going on or have all of the experience
- Lack of democracy
- Founder burn-out

Options

- Internal leadership development
- Training opportunities
- External professional management / assistance

Issues and Challenges

Compensating the Founders

- Founder Member Class
- Founder Special Equity Class
- Allocated Board Seat for set period of time

Questions & Conversation



eQuality HomeCare Cooperative, Texas

Contact Us!

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Shared Capital Cooperative

BUILDING ECONOMIC DEMOCRACY

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Upcoming Thrive Workshops & Programs



Sustainable Cooperative Food Business Training Programs

Spring: February-April

Summer: June-August



Ecosystem Development Workshops

May/June: Cooperative Incorporation

July: Cooperatives and Community Building



Cooperative Business Support

Ongoing support for program graduates

Support of new and transitioning businesses



Thank you!

Feel free to reach out to us:

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