

Canadian Worker Co-op Federation  
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Financing Your Worker Co-op

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# Financing Your Worker Co-op

## What do Co-ops need?

- 40/40/20 Rule
- 40% of co-ops are small, a group of self-starters who will self-finance from operations: shared space co-ops, equipment sharing co-ops, child care co-ops
- 40 % of co-ops will be slightly larger; 3 – 10 person worker co-op startups
- 20% will be larger start-ups: worker buyout of an existing business, medium to large scale food or supply co-ops



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## What do Co-ops need?

- Scale of need will be widely variable
- Smaller co-ops may require start-up support
  - Many will need grant support, others may need small individual loans or credit service for the co-op
- As the planned co-op gets larger, financing needs change
  - More sophisticated business plan, less reliance on grant funding for start-up
  - More than one type of financing, more than one source
  - Possible outside investment: most often preferred investments with payout terms attached
  - Joint Ventures, Partnership models



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## What do Co-ops need? Stages of Development:

### •Co-op Development

- Establishing the vision, feasibility study, incorporation, business plan development, shareholder and membership agreements, contracts, buyout agreements

### •Launch

- Equipment purchases, setup costs, business buyout, recruiting & hiring, inventory

### •Operations and Growth

- Expanding volume, expanding product lines, expanding markets, expanding membership



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What do Co-ops need?

## Co-op Development

- Small grants to cover cost of engaging a developer and/or lawyer(s) to assist with incorporation, membership agreements, contracts etc.
- Slightly larger grants, or forgivable debt to pay for business plans, buyout negotiations,

## Launch

- Member investment, preferred shares, guaranteed debt/subordinated debt to provide leverage for the remainder of the financing needed to finance the launch and business plan

## Operation, Growth

- Conventional/Friendly debt instruments
- Growth/second stage financing
- Joint Ventures, partnership models



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What do Co-ops need?

## Conclusion:

- Co-op startups and early stage growth will always be challenging
- To address this
  - Co-op specific legal and technical support
  - Development specific funding and financing



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Thank you very much

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