

**CWCF's Justice, Equity, Diversity, Decolonization &
Inclusion (JEDDI) Business Conversion Project
Presents:**

How to Convert your Business to a Co-op or Social Purpose Organization

With insights from: Russ Christianson, Jennifer Williams, & Juliet 'Kego Ume-Onyido

Facilitated by: Janielle Maxwell, JEDDI Business Conversion Project Coordinator

Session Overview

1. Welcome & Introduction by Janielle Maxwell
2. Russ Christianson's Presentation
3. Jennifer Williams' Presentation
4. Juliet 'Kego Ume-Onyido's Presentation
5. Question & Answer Period



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Presenter #1



Russ Christianson
Co-op Developer & Coach
Innoweave

Before How, Why?

- **Only 14%** of retiring SME owners have a solid retirement plan.
- Keep the jobs, services and assets in the community.
- Help address inequality and equity through **democratic** employee and community ownership.
- Provide **fair compensation** and a legacy for the current owner's exit.
- Introduce a **triple bottom line** analysis to improve sustainability and flourishing.
-

Project Equity (USA)

“Being an owner has changed my life because it has provided so much security and stability.”

Sarah Vegas

Niles Pie



JEDI BUSINESS
CONVERSION PROJECT

Funded by the IRP

Project Equity (USA)

“For the last 10 years, both collaboration and cooperation have been a driving force behind daily operations at Proof. Transitioning to a model where the labor force owns the business only furthers these values by creating shared responsibility and equity.”

Na Young Ma

Owner, Proof Bakery



Keeping Community Assets

Aron Theatre Co-operative Inc. (NFP)



Co-operative/SPO Conversion

- By using the Co-op or SPO business model, employees and/or community members **improve their chances of success**:
- 1. **Working together** eases the transition.
- 2. Ownership **costs are shared**.
- 3. Co-ops/SPOs are a proven model and a **democratic** legal entity.
- 4. Co-ops have **twice the success** rate of regular businesses.

Canada's SME owners' main considerations and challenges for succession planning include:

CHALLENGES

- Various financial aspects of succession, including macroeconomic factors, succession costs, and tax ramifications.
- Finding appropriate buyer(s), including various complications (actual or perceived) with passing off or selling businesses to family members, employees, or third parties.
- Emotional and psychological issues with “letting go” of the business and guaranteeing the owner's and business's future reputation.
- Interpersonal relationship issues.
- Finding time to work on succession plans and issues and finding appropriate professional supports.

The Necessary Conditions

There are five conditions required for a Co-op/SPO conversion:

1. The current owner must be supportive of the idea.
2. There must be a sufficient number of employees and/or community members who want to buy the business.
3. The business needs to be a **going concern**, or have a strong turn-around strategy with good prospects for the future.
4. The current owner and the potential buyers must have a good relationship based on **open communication and trust**.
5. All parties need to understand the importance of **win-win negotiations**, be willing to share information openly, and take the time required to negotiate an outcome that is fair.



- Case Studies
- Research Reports
- Resources

Canada's SMEs most amenable to converting to a co-operative

SMEs with owners that do not want to retire or stop working.

SMEs that have already considered or discussed selling to their employees.

SMEs that have at least discussed converting to a co-operative in the past.

Smaller firms of fewer than 50 employees, and especially those with 10 employees or less.

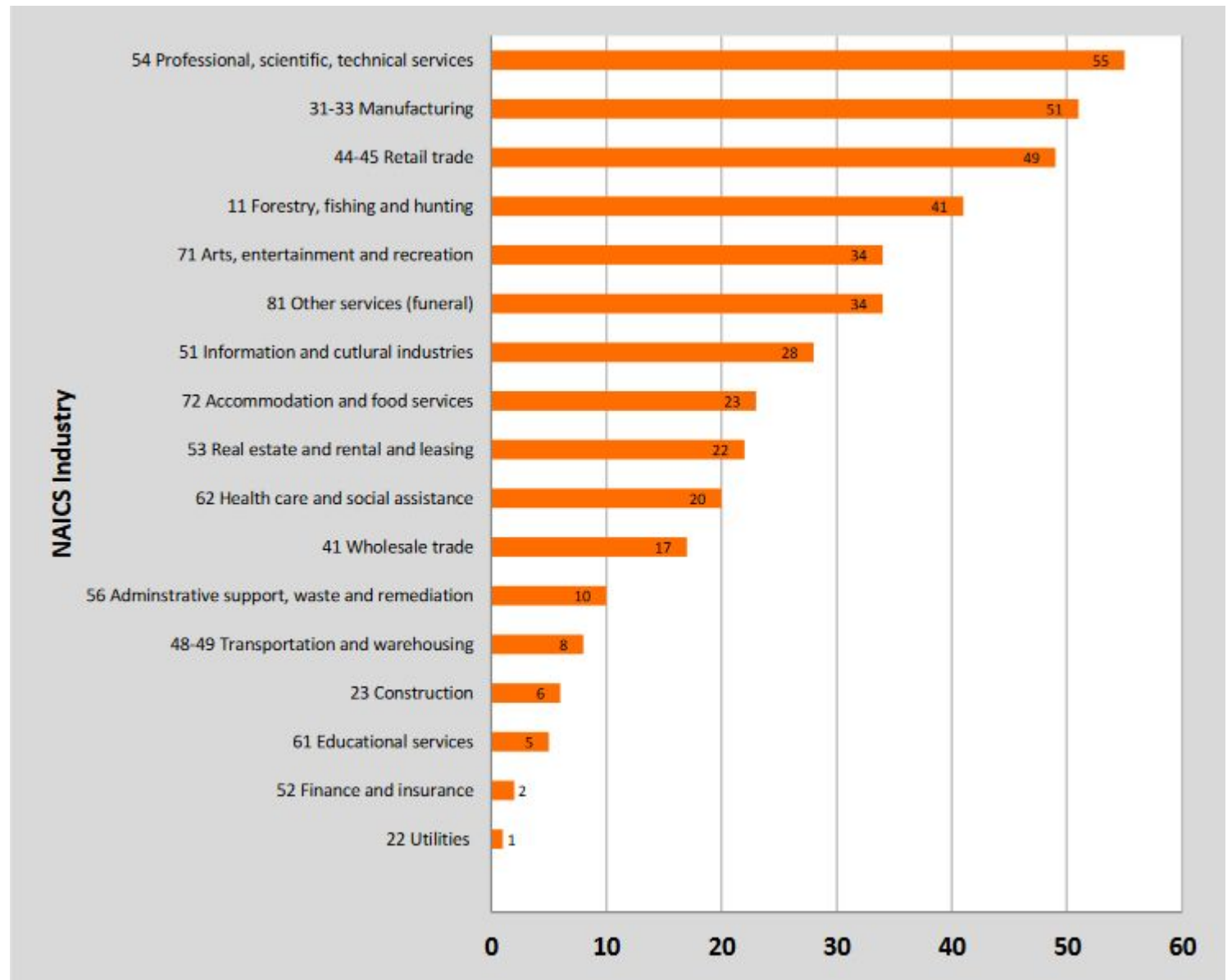
Older firms over 10 years old, and especially over 20 years old.

SMEs in the services sector, and to a lesser extent in the construction sector.

SMEs that emerged from founders, rather than from mergers or acquisitions or from family inheritance.

Co-op Conversions in Canada by Industry

(March 31, 2023; n=406)

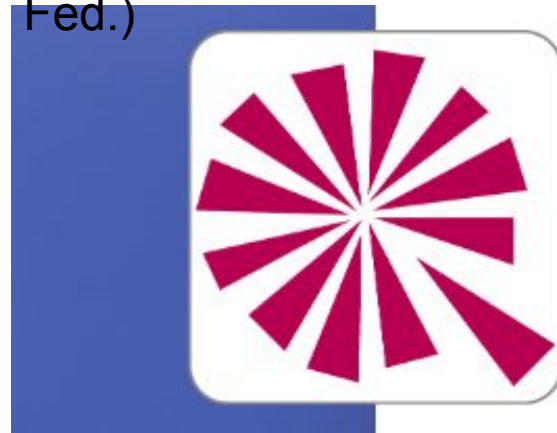


Case Studies

Glitter Bean Café Co-op



Funeral Co-ops (Quebec Fed.)



How – 18 Steps, Four **Go/No Go** Points

1. Make the seller aware of Co-op/SPO options.
2. Obtain all necessary information from the seller and sign a Non-disclosure Agreement (NDA).
3. Assess the risk of transferring the business, including a **feasibility assessment** using the Sustainability Scorecard and Flourishing Business Canvas.

GO/NO-GO

How – 18 Steps

4. Develop a transfer plan with the seller.
5. Set up a steering committee, and use the scorecard and canvas to inform potential Co-op/SPO members about the business.
6. Consider the type of Co-operative (employee, producer, consumer, etc.) or SPO (for profit or not-for-profit).
7. Sign a **commitment letter** between the seller and the steering committee.

GO/NO-GO

How – 18 Steps

8. Steering committee develops a **business takeover plan**: Identify new business model elements using the canvas and set scorecard targets.
9. Co-op/SPO training for steering committee.
10. Parties agree on the **business valuation** (net assets + cash flow NPV).
11. Finalize the organizational structure, **incorporate and develop bylaws**, members join the Co-op/SPO.

How – 18 Steps

12. Steering committee develops a **business and financing plan** and begins raising the required capital.
13. Negotiate the terms and conditions of the purchase and sign an **offer to purchase**.

GO/NO-GO

How – 18 Steps

14. Ensure the seller has an asset management plan and the necessary professional advice.
15. Develop a knowledge transfer plan.
16. Raise capital, sign up members, and hold the first AGM.
17. Co-op/SPO assumes day-to-day management with support for good governance, education and training for directors and members.
18. Guide the knowledge transfer to the Co-op/SPO and the seller's participation in managing.

Presenter #2



Jennifer Williams

Employee Ownership Specialist and Founder of Firefly Insights



What I will Cover

1. *What are your options to transition your business to employees?*
2. *How does these options compare in process and outcome?*
3. *Valuation*
4. *Financing a transition to employees*

Transition Options

Your business is unique. Let your succession plan reflect this.

Required to sell your business:

- A business worth selling, that has value and a future
- Solid financial systems, bookkeeping, financial statements
- Transferrable systems and processes for the next generation of owners



Transition Options

Your business is unique. Let your succession plan reflect this.

Required for any sale transaction:

- Understanding of what you are selling (assets, common shares)
- A valuation of the business
- Legal documents to facilitate the transition of ownership
- Agreement on transition terms

(how long is the owner to stay involved), what's the role of employees



Transition Options

3rd Party Sale

Option 1

- Sell to another person or business

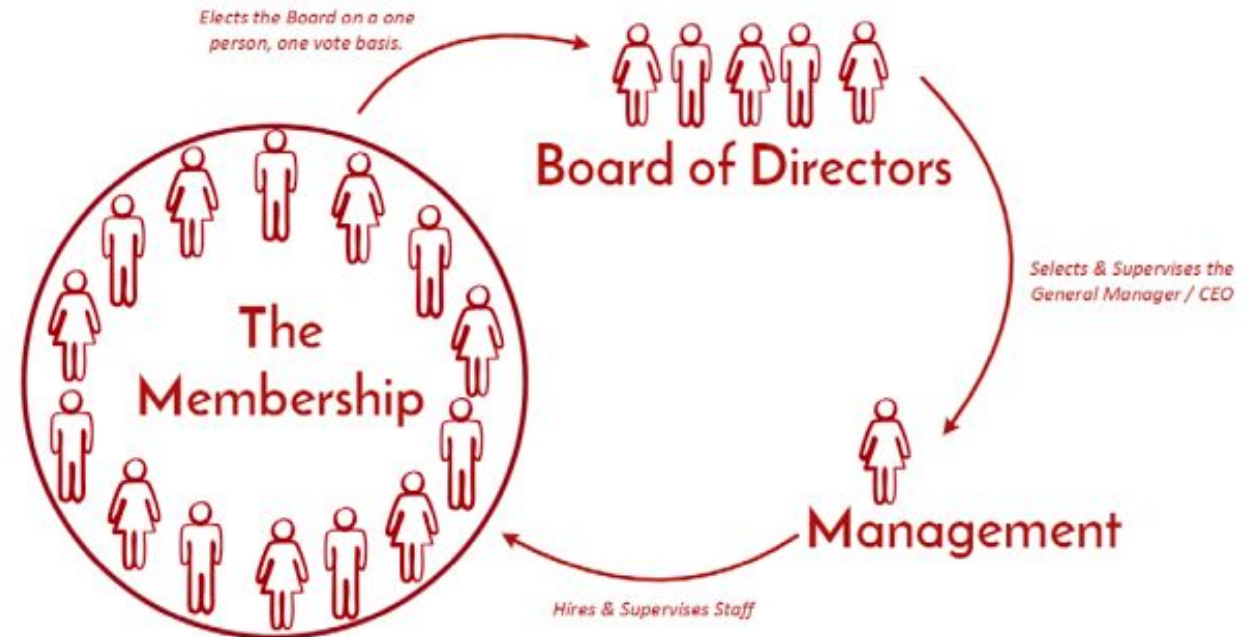


Transition Options

Worker Co-op

Option 2

- Transition your business to a Worker-Owned Co-operative



Transition Options

Worker Co-op cont.

- Can be for-profit or non-profit
- Requires a minimum of 3 employee-owners
- Democratic and controlled by the co-operative values and principles
- Shares do not appreciate in value, but profits that are not needed for re-investment are paid to employee owners
- All employees, once eligible become members by buying a membership share in the coop at a fixed price
- Coop buys the value of the business from the current shareholders at Fair Market Value (FMV), financed by member share sales, preference share sales, bank loan, social finance funds.
- Governed by Articles of Incorporation, By-laws, Governance Matrix
- Board must be comprised 80% of employees (in some Co-op Acts)



Transition Options

ESOP

Option 3

- Transition the ownership to your employees using an ESOP



Transition Options

ESOP (Employee Share Ownership Plan)

- Employees become owners by buying shares in the company
- Philosophical shift (ownership/equity opportunity)
- Shares appreciate in value as the company appreciates in value
- Dividends are paid to shareholders from profits
- Annual FMV determines the annual share price for shares being transacted
- Decision making by Management and Board of Directors, shareholder vote to proportion of the shares they hold
- Shares allocated often by years of service, role in the Company, but could also be equally distributed
- Possible use of Lifetime Capital Gains Exemption (LCGE) for the owner and the employees

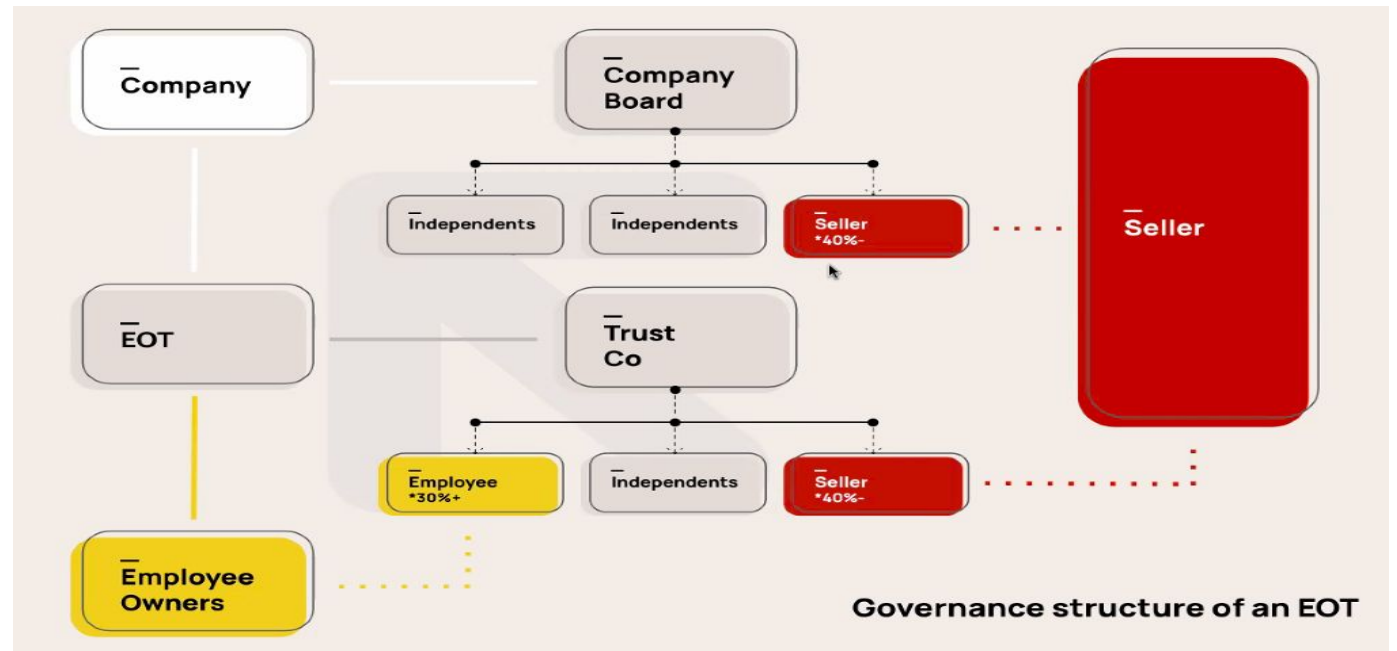


Transition Options

EOT

Option 4

- Transition the ownership to your employees using an EOT (Employee Ownership Trust)



Transition Options

EOT (Employee Ownership Trust)

cont.

- Designed for larger businesses (100-500 + employees)
- Requires a true change of ownership to employees
- Owners are paid out over time from profits of the business
- All employees participate, unless they already own more than 10% of the Company
- The EOT legislation in Canada is active but not fully defined, this is a new legislative tool designed for exit planning of medium sized businesses.
- Owners may be able to benefit from a larger capital gains exemption



Transition Options

Social Enterprise/ Non-Profit

Option 5

- Transition your business to a social enterprise or non-profit



Transition Options

Non-Profit

- Company transitions to a non-profit society
- The Society is now the owner
- Bylaws determine your members, members elect the Board of Directors
- Board of Directors hires the Executive Director(s), BoD is the main decision-making body of the organization.
- Board would be responsible for any leadership change
- Non-profit could buy the assets of the corporation at FMV from shareholders
- Profits cannot be shared with individuals, need to be used in for the purpose of the non-profit or distributed in accordance with the by-laws

Filters

- Goals and objectives of the business? Purpose, profit, both?
- Transition timelines – when and how would you like to exit?
- How much ownership control do you want to have through this transition?
- Value of the business and the financing mechanisms? How are you getting your money out? How patient are you for the return of the value you have built?
- What is the interest and ability in your team to take on leadership and ownership of the business?
- Are you comfortable sharing financial information/business information with competitors?
- Size of the business
 - Must have 3 for a worker coop
 - EOT is designed for a mid-sized company (100-500 employees)

Valuation

- Ultimately the value of a business is based on an agreement between what the seller is willing to sell for and the what the buyer is willing to pay
- Business valuation will give you a good idea of the value of your business based on cash flow, debt, and future earnings, as well as industry comparisons
- When selling your business coming up with a Fair Market Value to transact at is important
- Certified Business Valuator

Financing

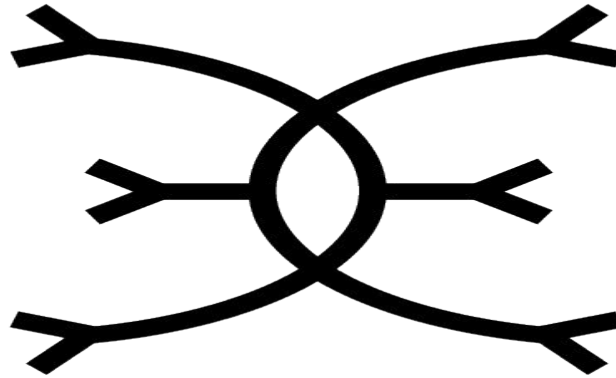
- If you are selling to you employees, how can they afford to buy shares:
 - Share freeze
 - Granted shares
 - Bonuses
 - Payroll deduction
 - Employee Ownership Trust
 - Future profits

Presenter #3



Juliet 'Kego Ume-Onyido
Co-founder of Black Women Professional Worker
Co-op & Whole Woman Network

WHOLE WOMAN NETWORK'S JOURNEY:



BUSINESS CONVERSION TO A CO-OPERATIVE OR/AND A SOCIAL PURPOSE ORGANIZATION (SPO).

A Webinar Facilitated by the Canadian Worker Co-op Federation (CWCF).
Presenter: JULIET 'KEGO UME-ONYIDO | January 24, 2024 | 1:00 EST.



CO-OPERATIVE MODELS BEYOND ROCHDALE

AGENDA:

- Background – Whole Woman Network
- WWN Business Conversion Journey – Why? What? Who? How?
 - Social Enterprise vs. Worker Co-operative
- Challenges & Opportunities
- Business Conversions to SPOs and Co-operatives:
 - Why is this relevant to Equity-Denied Groups?

WHOLE WOMAN NETWORK (WWN)

Background | Values | Vision & Mission



Started in 2010 as an Informal Collective delivering culturally-informed Financial Resilience & Leadership Programs, and Peer-to-Peer Funding to BIPOC Women and Youth, using an Afrocentric Financial cooperative model, “ROSCA.”



ROSCAs: Rotating Savings and Credit Associations

“Informal financial cooperatives where a Group of individuals agree to cooperate and contribute a set amount funds at regular intervals, for a defined period in order to save, borrow, invest together.

It is a form of combined peer-to-peer banking & lending with indigenous African roots...”

wholewomannetwork.org



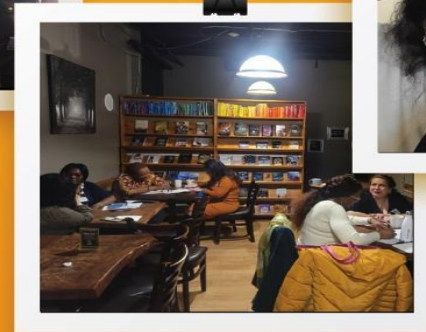
ROSCAs: Rotating Savings and Credit Associations

ROSCAs Across the Globe



Source: www.woveo.com

THE WWN COMMUNITY



WW

WHOLE WOMAN NETWORK



WWN BUSINESS CONVERSION JOURNEY – Why? What? Who? How?



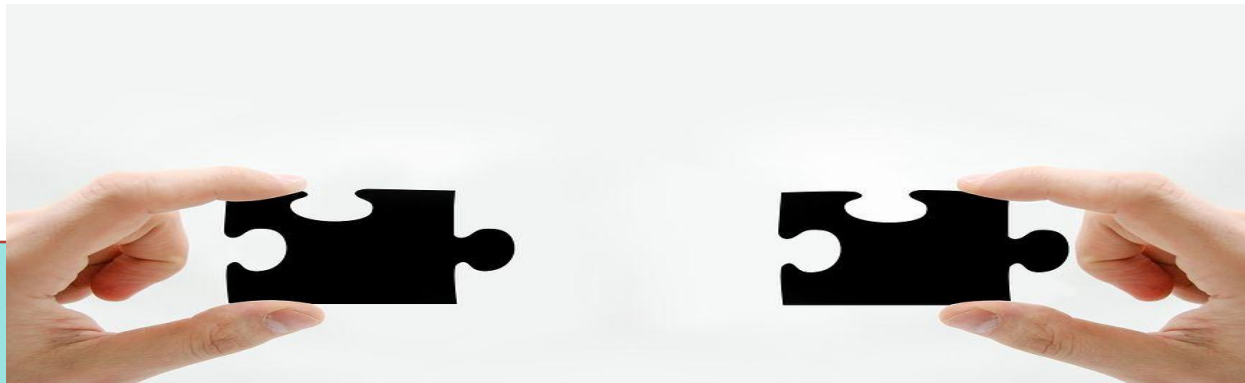
SOCIAL ENTERPRISE

WORKER COOPERATIVE



THE PROBLEM

- **Poor financial literacy culture, and mental health crisis for BIPOC women, youth and new immigrants. (Color of Poverty Factsheet)**
- **Racialized women earn 32% less; 41% of “chronically poor” immigrants have degrees.” (Statistics Canada; Color of Poverty)**
- **Black Women Entrepreneurs have least access to capital - (FoundHer Report 2022; WEKH; Statistic Canada, 2023)**



OUR SOLUTION



- Provide ROSCA-based, Culturally-informed, Afrocentric Financial Resilience programs at scale.
- From Silos to Solidarity; reduce social isolation & economic anxiety faced by BIPOC women/youth.
- Experiential Leadership & Business Training, based on Cooperative Principles & Values.
- Provide Peer-to-Peer low/zero interest micro-loans to meet business/economic, cultural, religious needs.

THE CHALLENGES & OPPORTUNITIES

- Capital -
- Capacity
- Co-op Gap
- Codifying Principles

- Funding Resources
- CWCF Co-op Academy
- Co-op Ecosystem
- CLIC Program

BUSINESS CONVERSION TO CO-OPS & SPOS:

– Why is this relevant to Equity-Denied Groups (EDGs)?

HISTORICAL AFFINITY

CULTURAL CONTEXT

**SOCIO-ECONOMIC
DIMENSION**

**INTERSECTIONAL &
INTERNATIONAL LENS**

TESTAMENT & TRACTION



- 47 Clients (39 B2C; 8 B2B)
- Raised Some Funding \$
- 161 active users on-boarded on for WWN digital ROSCAs
- Partners/Stakeholders:
 - WOVEO Fintech Platform
 - PARO Peer-to-Peer Lending Circles
 - Post-secondary Institutions (CLIC Program)

Woveo



TESTAMENT & TRACTION



Balkisu Umar

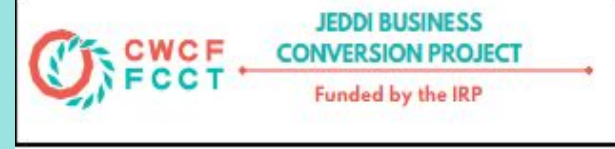
Founder, Elsutra Foods Inc.

Producer, Kilishi Spicy, made-in-Canada West African style Beef Jerky

Member, WWN Co-op.

"Today, I celebrate and appreciate these phenomenal women of Whole Women Network, for their mentorship, sincere love and beyond support for our brand and myself. They're the persons I call any time I am burnt out and feel like giving up. Starting a brand as an Immigrant-Black-Muslim woman in one of the most challenging industries (meat production), in Canada is overwhelming. Thank you,.. Ms. Juliet Kego & WWN for everything."

kilishispicy.com



BANKER LADIES COUNCIL, CANADA

“Meet the black women organizers demanding respect for African Cooperative Finance, and defying anti-blackness to build a Canadian ROSCA NETWORK.”

– Collective Diaspora, USA



Question & Answer Period

Contact Info

Presenters

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WWN Digital ROSCA Community: bit.ly/digitalROSCA

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CWCF's Website Resources

About the JEDDI Business Conversion Project: <https://canadianworker.coop/jedi-conversions-project-about/>

If you're interested in the Steps for a Business Conversion:

<https://canadianworker.coop/how-a-business-conversion-works-for-buyer-and-seller-sides/>

Examples of Successful Conversions from Traditional Businesses to SPOs:

<https://canadianworker.coop/case-studyexamples-of-social-acquisitions-business-conversions/>

CWCF Worker Co-op Academy: <https://canadianworker.coop/worker-co-op-academy/>

BIPOC Training Bursary: <https://canadianworker.coop/bipoc-training-bursary/>

Racial Justice Project Grants: <https://canadianworker.coop/funding/racial-justice-project-grants/>

Technical Assistance Grants: <https://canadianworker.coop/funding/technical-assistance-grants/>

Service Provider Directory: <https://canadianworker.coop/service-provider-directory/>

Question and Answer Form:

<https://docs.google.com/forms/d/e/1FAIpQLSegy8FRwdZSuDwHw7k3yh0DHJHPPZIKyj7lwixsnZ5RF6ZrJQ/viewform>

