



# Shared Capital™ Cooperative

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BUILDING ECONOMIC DEMOCRACY

**Christina Jennings**

Executive Director

# About Shared Capital

- Community development loan fund
- Financing cooperative small businesses and
- CDFI - Community Development Financial Institution
  - Certified by U.S. Dept of Treasury
  - Financing institution
  - Focused on providing access to capital to economically disadvantaged

# Shared Capital's Mission

Shared Capital Cooperative's mission is to build a just, equitable and democratic economy by investing in cooperative enterprises.



# Shared Capital Co-op Financing

- Worker-owned co-ops
- Housing co-ops
- Food Co-ops
- Farmer cooperatives
- Purchasing co-ops
- Co-op conversions
- \$5,000 to \$650,000
- Expansion
- Startup
- Equipment
- Real Estate
- Inventory
- Working Capital

# About Shared Capital

- Structured as a cooperative
- Jointly owned by 250 cooperatives in 35 states
- Democratically controlled – 1 member: 1 vote
- Members make equity investments

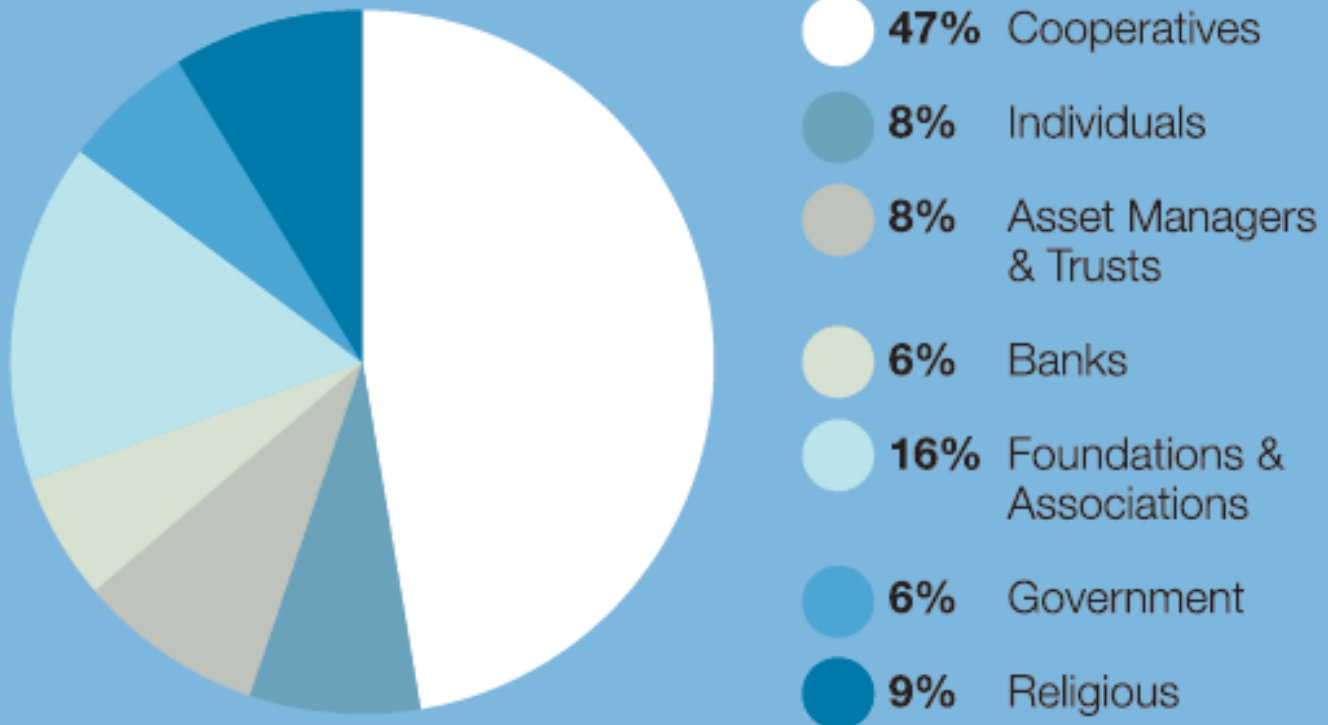
# About Shared Capital

- Members make equity investments
- Members can borrow
- Members can invest
- Profits distributed “on the basis of patronage”
  - paid to borrowers based on interest paid on loans
  - = rebate on interest paid



# Capital Sources

## Investment Sources



# What is a Cooperative?

# What is a Cooperative?

A cooperative is a jointly owned and democratically controlled enterprise formed by a group of people to meet common economic needs.



# Comparison of Business Types

	Sole Proprietor	Cooperative	Public & Private Corporations
Authority & Decision Making	100% Owner	1 Member: 1 Vote	\$\$ : Votes
Governance	Owner Only	Board of Directors Appointed by Members	Board of Directors Appointed by Shareholders
Management	Owner or Hired Manager	Hired General Manager or CEO (or collective)	Hired General Manager or CEO

# Comparison of Business Types

	Sole Proprietor	Cooperative	Public & Private Corporations
Equity \$	Owner Only	All Members	Equity from Sale of Shares
Risk	Owner Only	Shared	Shareholders
Reward	Owner Only	Distributed based on <u>use or input</u>	Shareholders

# Cooperative Decision Making

Membership	Annually	<ul style="list-style-type: none"> <li>• Nominate &amp; Elect board</li> <li>• High-level policy decisions</li> </ul>
Board	Monthly or Quarterly	<ul style="list-style-type: none"> <li>• Policy decision</li> <li>• Hire and fire GM / CEO</li> <li>• Patronage dividends</li> <li>• Dividends on Shares</li> <li>• New members &amp; member termination</li> </ul>
Management		<ul style="list-style-type: none"> <li>• Daily operations</li> <li>• Hiring and firing of staff</li> </ul>

# 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



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# Cooperative Values

- Self-help
- Self-responsibility
- Democracy
- Equality
- Equity
- Solidarity



# Principles of Cooperative Capital

# Principles of Cooperative Capital

International Cooperative Alliance:

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



# Cooperative Principles

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# Principles of Cooperative Capital

## Principle 2: Democratic Member Control

- Members have equal voting rights regardless of financial contribution
- Non-member no vote



# Principles of Cooperative Capital

## Principle 3: Member Economic Participation

- All members invest in equity
- Members are “users” of the business



# Principles of Cooperative Capital

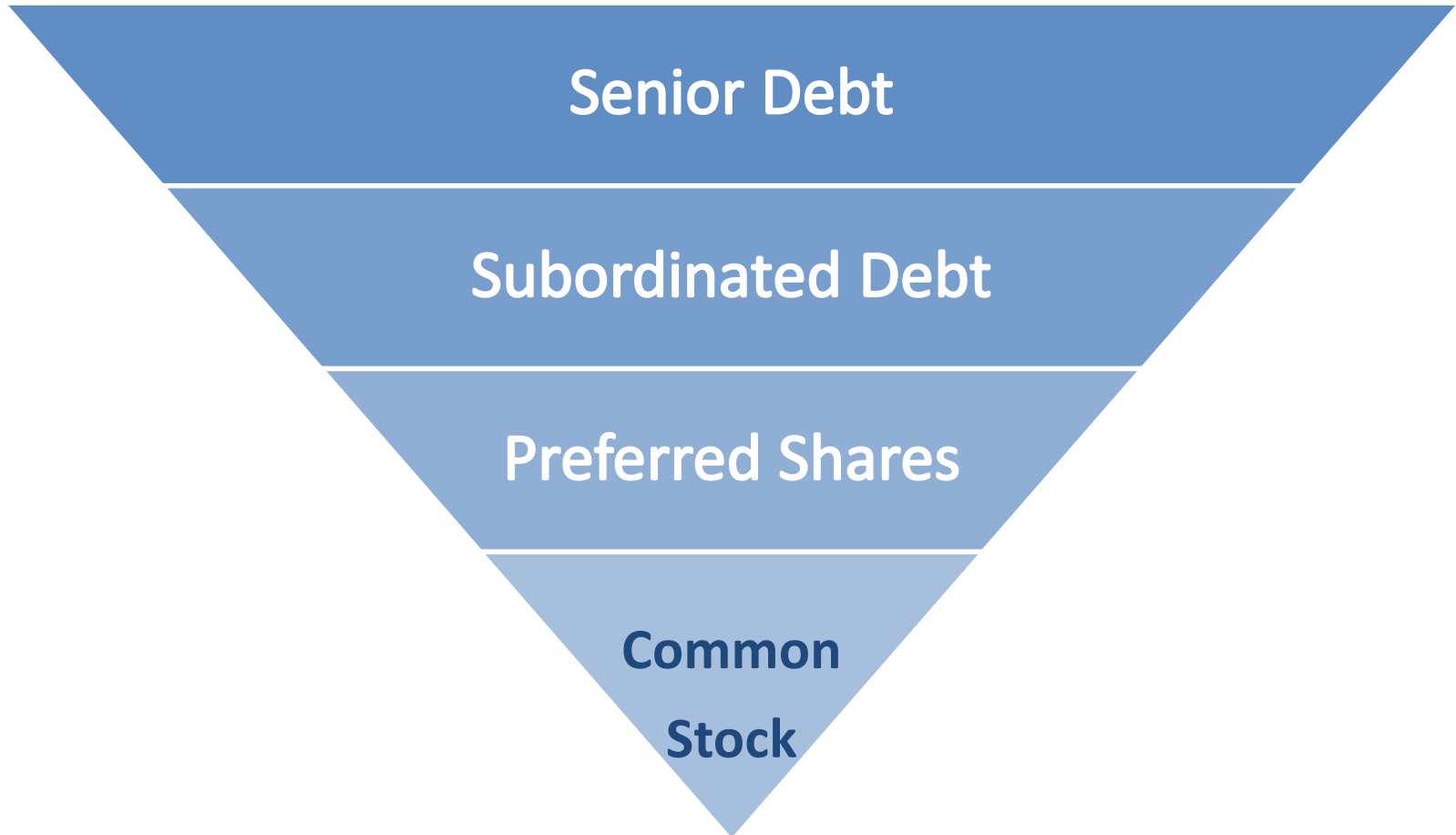
## Principle 4: Autonomy & Independence

- Non-member investors  
have no vote
- Lenders & investors  
covenants/conditions



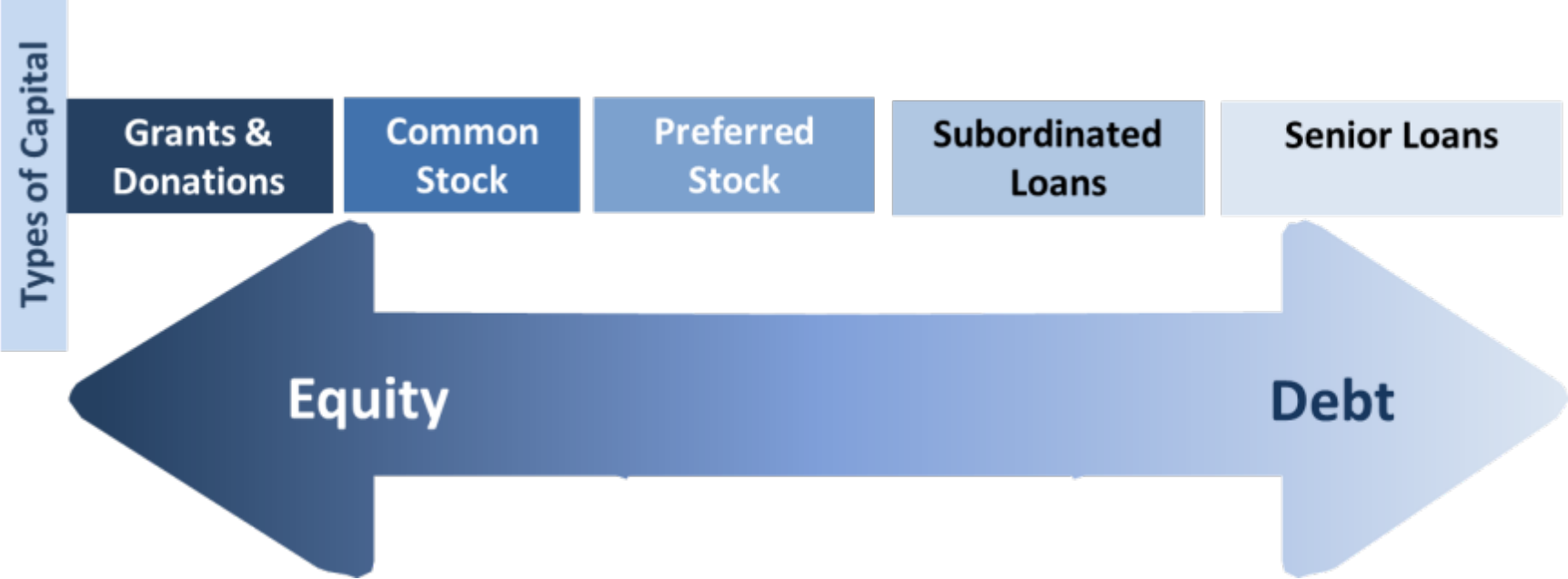
# How are Cooperatives Capitalized?

# Capital Structure

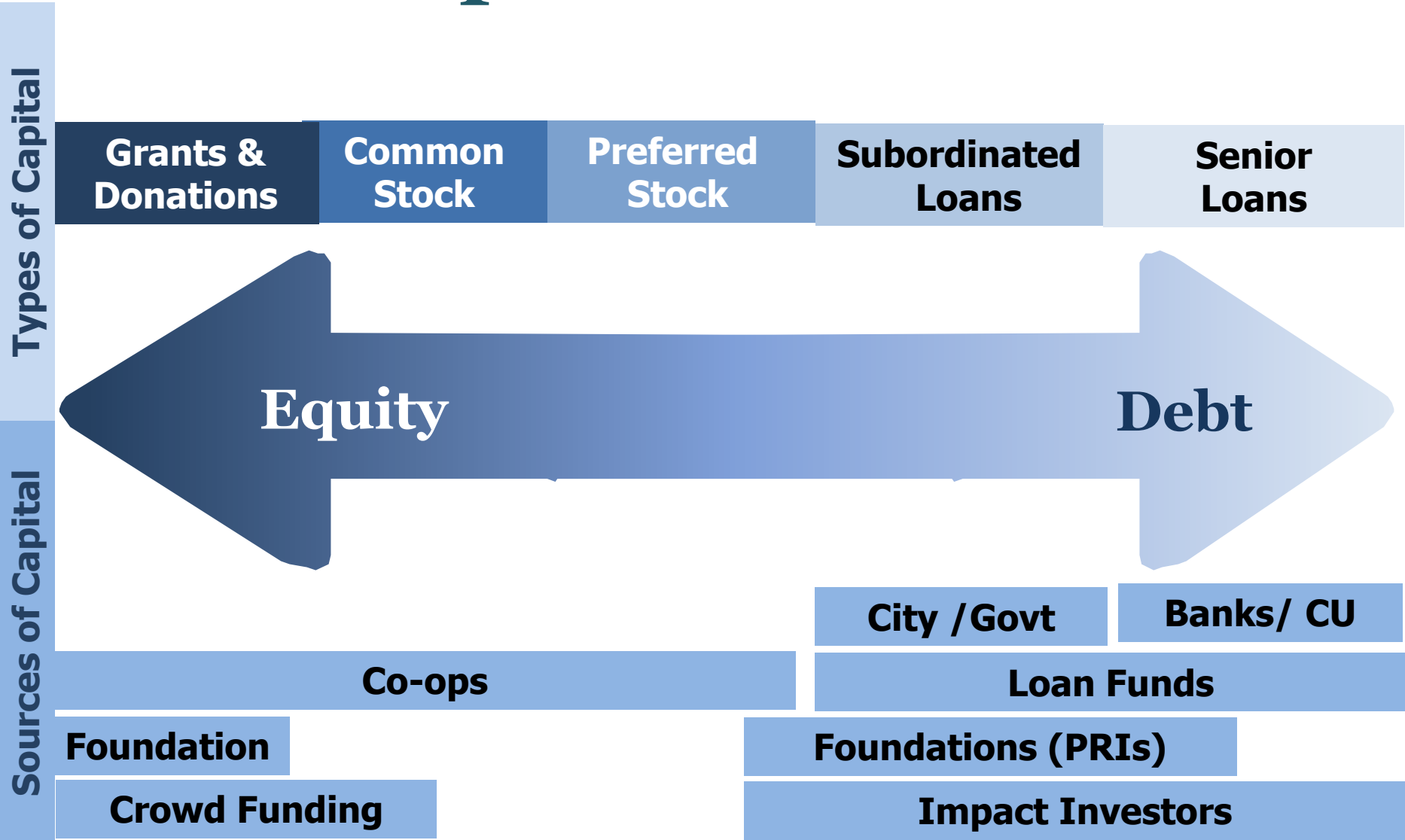


**Shared Capital  
Cooperative®**

# Capital Continuum



# Capital Sources



# Capital Sources

## Senior Debt

Non-members  
Term loans  
Interest paid to lender

## Subordinated Debt

- Members and nonmembers
- Foundation Loans
- Interest paid to lender

## Preferred Stock

- No voting rights to investors
- Dividends based on profitability
- Dividends set by the board annually

## Common Stock

- Membership shares - \$50 - \$10,000
- Redeemable when you leave the co-op
- Dividends paid on **patronage basis** not investment amount

# Capital Sources

Source	Senior Debt	Sub-Debt	Equity
Members		√	√
Family & Friends		√	√
Foundations		√	√
Impact Investors	√	√	√
Loan Funds	√	√	?
Banks	√	√	

# Case Study



**Hub Bicycle Co-op – Sales and Repairs**

# Hub Bicycle Cooperative

- Bicycle Retail Store and Repair Shop
- Minneapolis, Minnesota
- Worker owned business
- Started in 2002
- \$3 million sales for 2016
- 3 locations
- 25 worker-owners plus 12 seasonal employees

# Hub Bicycle Cooperative

“We were basically tripping over ourselves and product to try to not only run the store, but also work on customers’ bikes and teach our classes.”

-- Benjamin Tsai,  
General Manager



# Hub Bicycle Cooperative

- ✓ Capacity – Excellent operating track record & growing
- ✓ Character – Strong management; effective governance
- ✓ Capital – Able to put in 10% or more
- ✓ Collateral – Mortgage on real estate and lien on business assets
- ☐ Conditions – Market for bike retail is very competitive
- ✓ Impact – 9 new jobs; Key community development corridor
- ✓ Cooperative – Strong track record of operating as a cooperative and solid policies in place
- ✓ No personal guarantees required

# Hub Bicycle Cooperative

USES	
Real estate purchase	830,000
HVAC	80,000
Construction	180,000
Furniture, Fixtures & Equipment	10,000
Other	19,000
Contingency	36,000
TOTAL	\$ 1,155,000

# Hub Bicycle Cooperative

SOURCES	
Cash	115,000
Bank First Mortgage 7 year	635,000
Shared Capital 2 <sup>nd</sup> Mrtg. 7 yr	405,000
<b>TOTAL</b>	<b>\$1,155,000</b>



# **Christina Jennings**

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# Principles of Cooperative Capital

Principle 2: Democratic Member Control

Principle 3: Member Economic Participation

Principle 4: Autonomy & Independence

# Principles of Cooperative Capital

## Principle 2: Democratic Member Control



# Principles of Cooperative Capital

## Principle 3: Member Economic Participation



# Principles of Cooperative Capital

## Principle 4: Autonomy & Independence



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# Personal Guarantees

# Personal Guarantees

- Owner has control
- Owner receives benefit
- Owner bears risk

# Personal Guarantees

	One or Few Owners	Cooperative Ownership
Ownership	Consolidated	Broad-based & Shared
Authority & Control	High	Limited
Benefit & Reward	High	Limited & Distributed

# Personal Guarantees

## 1-2 Owners

- Consolidated Authority
- Benefits go to the owner

## Cooperatives

- Broad-based and shared authority
- Benefits limited and distributed
- Personal assets vary

# Personal Guarantees

- Model on lending to nonprofit corporations
  - Several / Proportional guarantees
  - Limited guarantees
  - Set Benchmarks to release guarantee

# Personal Guarantees

## Best Practices

- *Limited & Several* (proportional) guarantees based on ownership
- Limit use of guarantees to
  - small co-ops (few owners)
  - Start-ups
- Release guarantees when benchmarks are hit

# Cooperative Opportunities in Bermuda



# SPORTS CLUB(S) COOPERATIVE

Existing State Within Too Many Clubs

- **Assets** in need of renovation
- **Single/minimal** revenue streams
- **Project/program** management challenges
- **Committed** member base
- **Vague/inconsistent** member benefits
- **Erratic** member communication

# SPORTS CLUB(S) COOPERATIVE

Vision of What *Could* Be



- **Developed/well-maintained** assets and infrastructure
- **Multiple** revenue streams/cash-flow
- **Members** to be owners/optimum decision-making & forward planning
- **100 members** x \$1,000 = \$100,000  
- What *could* happen with this equity investment for 3 consecutive years?
- **Clear** member benefits & value proposition
- **Consortium** of club cooperatives



# GenYZ EVENTS MGMT.

## SHARED SERVICES COOPERATIVE

### Existing State

- **Church**, lodge, association, community halls void of affordable professional events setup/services delivery
- **Renters** have to accept low quality/inconsistent services ie. hall décor, presentation equipment, tables/chairs, food, lighting
- **Renters** are inconvenienced by having to deal with multiple service providers because no single provider can provide a one-stop solution



# GenYZ EVENTS MGMT.

## SHARED SERVICES COOPERATIVE

*Vision of What Could Be*

- **Worker/multi-stakeholder** cooperative
- **Professional** service provisions including: audio/video equipment and labor, fixtures (tables/chairs), decorations
- **Can also include** or be separate from food service provision
- **Includes** partnerships/agreements with venue providers
- **Increase** connections to new networks, i.e. local & corporate business
- **Percentage** of profits go to participating



# VERTICAL FARMING COOPERATIVE

Existing State

- **Bermuda** produces very little of its own food
- **High** imported food cost
- **Food** insecurity during catastrophes
- **Local** food production at high cost due to limited scale of local production resulting in high prices
- **Local** food production is not equally shared