



COOPS

WHAT IS A WORKER COOPERATIVE?

- A COOP is an entity that is both owned and controlled by its members.¹
- In a worker COOP, the workers own the business, and they participate in its financial success. As members of the COOP, workers also have representation and vote for the board of directors, among other decisions. One worker: one vote.
- You can potentially convert your existing business into a COOP, which could create tax benefits.²
- Worker COOPs create economic advantages to worker members, consumers, and the local communities in which they reside by keeping money circulating locally and keeping employee motivation high.
- Workers get to participate in the profits, oversight, and management of the organization using democratic practices. Because the risks and the rewards are shared, a COOP makes entrepreneurship opportunities more accessible and stabilizes jobs when owners retire.

HOW DOES A COOP WORK?

- Typically, after a probation period, a COOP makes employees into owners. Employees can purchase a *membership share*, which has a fixed value that can accumulate interest. When the employee leaves the COOP or retires, then the COOP pays the employee the value of the share.
- For example, if you started a business as a COOP, and there are three worker-owners, then each worker receives a membership share, which is similar to stock in a company.
- You have flexibility in how many shares each worker-owner receives or how much they are worth.

SIGNS THAT A COOP MIGHT BE A GOOD FIT

- Workers are interested in cooperative model.
- Company is too small to make a plan like an ESOP practical.
- Current owner wants to build cooperative principles of democratic control and employee participation into the business.³

¹ Democracy at Work Institute, *Worker Cooperative FAQ*, <https://institute.coop/worker-cooperative-faq#Q1>

² *A Conceptual Guide to Employee Ownership for Very Small Businesses*, <https://www.nceo.org/articles/employee-ownership-very-small-businesses>.

³ *Becoming Employee-Owned: Is Employee Ownership Right for my Small Business?*
<http://becomingemployeeowned.org/learn/assess/right/>.

HOW TO CONVERT TO A COOP

1. **Research and Read**, determine if conversion is right for you. Then, train and **Educate** your employees so they can understand the finances of the business.
2. Obtain a **Valuation** of your business to use as a starting point to find a sale price. To find out how to determine what your business is worth, check out [The ICA Group: Business Valuation](#).
3. Define the **Structure** by documenting your current management plan, cooperative by-laws, and defining the post-transition management.
4. **File** articles of organization. Incorporation guidelines vary state-to-state.
5. Once the COOP has been launched, **Refine** and **Evaluate** it.

MORE RESOURCES ON COOPS

- Democracy at Work Institute (US Federation of Worker Cooperatives) Resource Library <https://institute.coop/resources>
- Workers to Owners: Becoming Employee-Owned <https://institute.app.box.com/v/beo-toolkit>
- Bylaws and Operating Agreements for Worker Cooperatives <https://drive.google.com/file/d/1y5HYoPgMkUCuEDXMPJfNfX8G5EGHgPW/view>
- Legal Guide to Worker Cooperatives Generally and in Massachusetts <http://clinics.law.harvard.edu/tlc/files/2015/12/Tackling-the-Law-Together-Legal-Guide-to-Worker-Co-Ops-FINAL1.pdf>
- Understanding Worker-Owned Cooperatives, <https://docs.google.com/file/d/0B9e7QBMmJM6sanRCVEFPd3V4alk/edit>
- Legal Guide to Cooperative Conversions <https://drive.google.com/file/u/0/d/0B7aFfmk4wQfbMFJxWfDwC0hnMTg/view>
- University of the District of Columbia Cooperative Extension Services-Center for Cooperatives, *Understanding Cooperatives*, http://files-do-not-link.udc.edu/docs/cfs/Understanding_Cooperatives.pdf
- Cooperatives in the District of Columbia
 - [Information for a Domestic General Cooperative Association](#)
 - [Information for a Domestic Limited Cooperative Association](#)
 - [Document Management System](#)
- Cooperatives in Maryland, <https://www.peoples-law.org/basics-forming-and-maintaining-cooperatives-maryland>
- Cooperatives in Virginia <http://www.virginia.coop/>

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