VirtualCoop

Concept whitepaper draft by Nathan Schneider
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contact: nathan.schneider@colorado.edu

VirtualCoop is a proposal to make it as simple as possible to turn communities, online and off, into cooperatives. VirtualCoop would be an independent legal entity composed of unincorporated co-ops, for which it serves as a legal umbrella. It would become a unique tool for both early-stage startup co-ops and co-ops small or geographically distributed enough that legal incorporation is not practical.

VirtualCoop member projects would be required to demonstrably operate as cooperatives, according ICA standards [https://ica.coop/en/what-co-operative], and VirtualCoop would serve to validate and support its co-op projects. Those projects, once accepted, would hold governance rights within the VirtualCoop on a one-member-one-vote basis. The legal structure of VirtualCoop remains to be determined, as does the jurisdiction of incorporation, though some kind of cooperative incorporation is preferable if possible. Capacity to handle international membership is a must. Joint purchasing and marketing among the projects would be an opportunity. Co-ops that "graduate" from VirtualCoop to their own incorporation might retain an equity or contribution relationship in order to provide support for the network.

In other words, VirtualCoop serves as a kind of fiscal sponsor, secondary co-op, and incubator, easing the path to co-op formation and growing the pool of new co-ops.

Background

I first proposed this kind of model in in a 2016 blog post at The Internet of Ownership [https://ioo.coop/?p=457]. A prototype for this initiative is Social.coop, a cooperative instance of Mastodon, a federated social media network. It has run on the Open Collective platform for several months, enabling several hundred people around the world who in many cases don't know one another to form and operate a business and handle accounting transparently. In addition to its Open Collective page [https://opencollective.com/socialcoop], it relies on governance through a Loomio group; helpfully, our advocate at Open Collective is Alanna Irving, a former Loomio worker-owner. She conducted an interview with several Social.coop members on the experience of running a co-op on the platform [https://medium.com/@alannallama/c10980c9ed91], and subsequently invited us to create an organization to support unincorporated co-op startups that could work with the Open Collective platform.

Legal Entity

The VirtualCoop entity would form according to the legal structure that best suits its needs, which could be a cooperative, a nonprofit association, or another form or corporation. Its bylaws

and governance, however, should be highly cooperative in nature. Challenges that the legal entity must address include:

- Determining an appropriate jurisdiction based on incorporation statutes and legal exposure
- Collective governance among member projects and mission-anchoring backers
- Limited risk exposure for member projects, individual participants, and the entity itself

Startups would be provided with bylaw templates that they could adapt to their needs, while retaining some core features that align them with the broader VirtualCoop community.

While using Social.coop's entity, projects would pay fees based on their revenue. There might also be an expectation that member projects, should they grow into the position of forming their own legal entity, might continue to participate in the VirtualCoop ecosystem, such as by retaining governance rights and granting Social.coop an appropriate ownership stake. That way, the Social.coop entity can serve as a federation of new co-ops whose success supports one another.

Online tools

VirtualCoop can get a rapid start by helping startups make use of existing software tools to ease their early development. Like Social.coop, for instance, they could use Loomio for governance and Open Collective for accounting and membership management. For Open Collective, VirtualCoop would serve as a "host" among other existing legal host entities, providing the legal vehicle through which "collectives" can be formed within it. Open Collective, in turn, would serve as a transparent tool enabling VirtualCoop co-ops to collect fees, process pay expenses, and keep track of members. Open Collective would also be a mechanism for discovery, serving as a platform where groups that might not otherwise consider a co-op model to discover one through VirtualCoop. (According to Open Collective staff members, more than 24 teams have already opted to form as co-ops on their platform.)

VirtualCoop would have full autonomy to set criteria for membership and oversee members' finances. Those projects that use Open Collective would pay a 5% fee to use the hosted SaaS (we could also eventually host the open-source software independently for free), in addition to transaction fees, plus a fee levied by the VirtualCoop to cover its expenses (other hosts' fees run between 0% and 5%). Our aim would be to keep these fees as low as possible for members.

VirtualCoop would also be sufficiently independent that its members would not be locked into any platform. Open Collective is only one option for managing payments; for instance, the non-profit platform Liberapay is also developing tools that would suit co-op startups.

Development

By relying on existing software platforms, VirtualCoop can get started in a lean fashion. It requires, first of all, the costs of legal design and incorporation, and then some early operating

funds. As projects join the system, they can self-fund it through small fees on their revenue. As incubated projects grow more successful, more resources will come to VirtualCoop for supporting future startups.

Scope

Some similar projects already exist, and this proposal should be regarded as a complement, not a competitor:

- BuyCo [https://www.buyco.io/] is a blockchain-enabled app that enables users to easily form buying clubs, which it refers to as co-ops; the model, however, is limited to purchasing arrangements.
- Co-operatives UK hosts a One Click Digital Platform [http://create.oneclick.uk.coop/coops/intro] that allows UK co-ops to easily incorporate and share tools for managing membership and governance; this, however, is limited to co-ops able to legally incorporate in the UK.
- FreedomCoop [http://freedomcoop.eu] is a part of the FairCoop system that provides for fiscal sponsorship of "integral cooperatives" through an EU co-op entity; VirtualCoop would likely allow for a wider range of co-ops to form, and it would also likely have a simpler structure and set of expectations.
- Stripe Atlas [https://stripe.com/atlas] is a product from a large online payments company that offers streamlined incorporation services and other tools, including legal templates, for tech companies; it only creates Delaware C corps.
- Uptima Business Bootcamp [http://uptimabootcamp.com/] is a Bay Area based incubator for (mainly non-co-op) businesses, especially for underserved communities, in which the startups become members whose success in turn helps fund future startups in the incubator.
- Existing co-op development agencies such as the Cooperative Development Institute [http://cdi.coop] provide technical support services and fiscal sponsorship; however, their fiscal sponsorships are mainly for the purpose of porting philanthropic grants to co-op businesses, and their support services tend to be both regionally bound and limited in scalability. VirtualCoop might serve as a discovery mechanism for identifying promising projects that these agencies might opt to support.

This entity would not be a replacement for traditional incorporation for many co-ops, especially larger ones. But it would drastically lower the costs of forming a co-op startup that might eventually grow out of VirtualCoop, or a class of co-ops that would remain small but would allow important projects to proceed with democracy as their default setting.