**Tenacity Works Fund for Emergency Relief to Member Co-ops**

Tenacity Works (TW) Fund Emergency loans would be LOANS (patient capital[1], subordinate[2] to other lenders/ investors, if required, and ahead of member loans). Up to the first 12 months, 3% interest and no principal payments. To be eligible, the co-op will demonstrate that it has applied for (or will apply for) available government programs and other supports, such as rent deferral. It is not necessary to demonstrate receipt, just application

LOAN SIZE: approximately $7,500 - $20,000. Higher amounts, up to $50,000, are possible depending on demand for the Emergency TW loans, and on the case made by the co-op.

APPLICATION PROCESS: To apply, please complete the application form and include the following attachments:

- Annual financial statements (from previous year-end)
- Interim financial statements for current year (unless your previous year-end was not more than 2 months ago)
- High-level (summary) financial projections covering three (3) years showing the co-op's expectations for resuming business – monthly for the first year and annually for the following two (2) years. This should indicate how the TW fund loan would be used.
- Summary of the federal and other government programming to which the co-op has applied (e.g., CEBA, 10% and 75% wage subsidies, other), date(s) applied, and response(s).
- A narrative action plan (2-4 pages) demonstrating how the co-op will move to surviving and thriving. Please include:
    - A specific plan on how the co-op plans to restart if closed, or how it plans to revive if functioning on a reduced basis.
    - Timing of the restart/ revival.
    - Plan for reviving sales.
    - Plan for rehiring or increasing the hours of work for members.
    - Notes about what the emergency financing will be used for and when you require the funds.

DECISIONS are based on the following criteria

1. Co-op looks able to survive, and the TW Fund loan would help to make it more likely.
2. Co-op looks able to survive even without a TW Fund loan.
3. Co-op looks unlikely to survive even with a TW Fund loan.

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[1] "Patient Capital" is an investment or financing made to an enterprise by a third party (CWCF) that is intended to have flexible, long-term, affordable repayment terms. In this case, it is an investment by CWCF intended to return its principal plus (below market) interest.

[2] "Postponement" is a specific legal agreement in cases where two or more lenders have provided financing to an enterprise. Most private/commercial lenders will want to have the repayment of their financing take place before any other lender if the borrower defaults on a loan. If Tenacity Works has provided financing to a Co-op and the Co-op is able to acquire other private financing, then Tenacity Works will postpone the repayment of its loan in favour of the private lender. Subordinate debt is what the Tenacity Works loan has become once it is postponed. It is subordinate to the other lender's financing.

4. New co-ops being created by conversion from other businesses which were successful, but severely affected by Covid19 and at risk of closure.

REPORTING REQUIREMENTS: Successful applicants would be required to provide a quarterly financial report and brief, approximately 1-page narrative. There will also be an annual review done by CWCF on each borrower co-op.

AMORTIZATION of the loan is five-years, term is one-year, and the loan and interest rate will be reviewed annually.

INTEREST: 3% during the first 12 months. Full repayment of the loan is expected to be made in the shortest time possible. The initial expectation is that the loan will be repaid in 5 years. On an annual basis, we will do a full review of the situation of the co-op and re-negotiate the terms, depending on the co-op's ability to repay. Interest after the first 12 months will not exceed Bank of Canada prime rate plus 5%, which fluctuates; the Bank of Canada prime rate is currently 0.25%.

GENERAL TERMS AND CONDITIONS including INDIVISIBLE RESERVE[3]: There would be security taken by CWCF (general security agreements, or other security, subordinate to other lenders if need be), meaning TW's loans would be last in line for security, ahead only of members. All other terms would also remain as in the other TW Fund loans – e.g. requirements around percentage of workers who are members, the need to place a set percentage of profits in an indivisible reserve belonging to the Fund in case of sale to a non-coop business, etc. (See here for more.)

SPECIAL PROVISION IF CO-OP IS SOLD TO A NON-CO-OP: The loan would become immediately due and repayable in certain conditions. As part of the loan agreement, it would stipulate that if the business is sold to a non-co-op business, proceeds of that sale would go toward repayment of the loan.

OTHER CWCF SUPPORTS: Even after loan placement, CWCF would continue to offer emergency Technical Assistance grant support to those borrower co-ops which need continuing advice, whenever grants are available, in addition to the loan. In addition, CWCF would be offering other types of help and supports, such as participation in on-line sales platforms, which the co-op may be expected to participate in. CWCF would have some ability, per the loan agreement, to require that the co-op take such help, and from which co-op developer or professional, in order to help the co-op and to help protect the integrity of the capital so that the revolving loan fund intent can be maximized, despite the high risks being taken.

[3] An indivisible reserve in a worker co-op is property owned by the co-operative/the co-operative movement which can never be divided among members. It is created by allocating a set percentage (e.g., 20% or 40%) of annual surpluses to the indivisible reserve.