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The Tenacity Works Fund Guide for (prospective) Worker Co-operatives

The Canadian Worker Co-op Federation gratefully acknowledges the support of Human Resources Development Canada in the establishment of the Tenacity Works Fund

The **Tenacity Works Fund** is a loan fund whose purpose is to create new and to expand existing worker-owned co-operatives in all regions of Canada. The Fund started as a pilot project funded by Human Resources Development Canada, and continues to operate as a revolving loan fund. Funds will be used by the Canadian Worker Co-op Federation (CWCF) to invest in worker co-ops across Canada judged by the Fund Investment Committee to have the greatest potential for success.

Eligible Enterprises

The Fund may invest in conventional worker co-operatives, worker-shareholder co-operatives and multi-stakeholder co-operatives (“coopératives de solidarité”) which have substantial worker control.

To receive consideration for assistance, the enterprise must meet the CWCF strategic objective of being a viable market-driven enterprise that can contribute to creating a sustainable local economy, and can provide its member-employees with the level of income required to enable their long-term commitment to growing and developing the enterprise.



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Proponent Commitments

To receive an investment from the Fund the proponents of the enterprise must agree to:

- a. Incorporate their business as an eligible co-operative with complete or partial worker ownership;
- b. Upon incorporation (or if already incorporated, upon approval of the loan), join the CWCF as a regular member;
- c. Include in their by-laws the requirement that all employees be given the opportunity to become members, and that a minimum of 75% of permanent employees will be members, within the timeframe set out in the federal Co-operatives Act;
- d. Include in its by-laws that a minimum of 10% of surpluses must be allocated to an indivisible reserve, which will revert to the CWCF's Worker Co-op Fund in the event that the co-operative dissolves; and
- e. In the case of expansions, give all new employees an opportunity to become members, and have a minimum of 75% of them be members, within approximately one year of their hiring.

Furthermore, the proponents will continue to uphold these commitments for at least the duration of any Worker Co-op Fund investment in their co-operative.

Types of Investments

The Fund will be used primarily to leverage other capital and will normally invest no more than 30% of the total capital package. The worker-owners will normally be required to provide a minimum of 15% of all capital as equity (some of which could be by wage deductions), with each member providing a minimum of \$1,000 in capital.

The Fund will generally make investments as term loans. The minimum investment by the Fund is \$25,000 and the maximum investment is generally \$50,000. However, flexibility in terms of smaller investments is possible.



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Interest Rates and Terms

- Term loans with available security. (Likely second behind other lenders unless loan is for specific assets)
- Rate: prime + 3%, minimum of 8%
- Term: 5 years with monthly payments beginning at the end of the first month
- No penalty for early redemption

It is possible for the Fund to also explore placing loan guarantees and mortgages on land.

Investment Decisions

All investment decisions will be made by the Fund Investment Committee. This committee includes two CWCF Directors and three other members drawn from the co-operative and credit union sectors in Canada. The committee members come with professional expertise in commercial lending, development investing, venture capital, and worker co-operative development and management. The five committee members also represent different regions of Canada.

Application Deadlines

Business plan applications can be submitted at any time and will be handled as quickly as possible. Once the application meets all requirements as above and in the business plan review document (which sometimes takes a matter of weeks), the group will generally receive a decision in a little over one month.

For additional information, please contact:

Hazel Corcoran, Executive Director
Phone: (403) 276-8250
hazel@canadianworker.coop

[Canadian Worker Co-op Federation](#)
104, 402 - 30th Ave. NE
Calgary, AB T2E 2E3