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CDFI BOND GUARANTEE PROGRAM

ALTERNATIVE FINANCIAL STRUCTURE TERM SHEET

[NAME OF ELIGIBLE CDFI]

[Address]

Re: Term Sheet for the Bond Loan related to the **[QUALIFIED ISSUER]** Future Advance Promissory Bond, **[YEAR-NUMBER]** **[(ELIGIBLE CDFI)]**

Ladies and Gentlemen:

This Term Sheet constitutes the commitment of **[QUALIFIED ISSUER]**, as Qualified Issuer and acting as the lender, to provide a Bond Loan to **[ELIGIBLE CDFI]**, acting as the borrower, for the Eligible Purposes set forth herein (the “Eligible Purpose”) pursuant to section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (Pub. L. 103-325, 108 Stat. 2160), as added by section 1134 of the Small Business Jobs Act of 2010 (Pub. L. No. 111-240, 124 Stat. 2504, 2515), codified at 12 U.S.C. § 4713a (as the same may be amended from time to time, the “Act”), as implemented by the regulations set forth at 12 C.F.R. Part 1808 (the “Regulations”). The Bond Loan will be made from the Bond Proceeds, derived from the issuance of the above-referenced Bond by the Qualified Issuer pursuant to the Act and the Regulations.

This Term Sheet is attached to and made a part of that certain Agreement to Guarantee, dated as of **[DATE]**, between the Qualified Issuer and the Secretary of the Treasury (or his designee), acting as the Guarantor (the “Agreement to Guarantee”). All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement to Guarantee, the Secondary Loan Requirements (which includes the General Requirements and the Underwriting Review Checklist) and/or the Regulations.

By executing this Term Sheet, the Eligible CDFI agrees to the terms herein set forth and agrees to reimburse the Qualified Issuer and the Master Servicer/Trustee for fees and expenses that the Qualified Issuer and the Master Servicer/Trustee, respectively, incur for legal counsel, financial advice, and other consultants in connection with the negotiation, documentation and making of the Bond Loan, whether or not the Bond Loan is ultimately consummated.

This Term Sheet is a legal commitment of the Qualified Issuer only as to the terms specified herein. It is subject in all respects to the issuance of the Bond and the execution of a Bond Loan Agreement on terms and conditions acceptable to the Guarantor and the Bond Purchaser.

CDFI BOND GUARANTEE PROGRAM

<u>BOND LOAN TERMS AND CONDITIONS</u>	
QUALIFIED ISSUER	[QUALIFIED ISSUER], acting as lender [Insert contact information]
ELIGIBLE CDFI	[ELIGIBLE CDFI], acting as borrower. An Affiliate of a Controlling CDFI, certified by the CDFI Fund and organized for the sole purpose of participation as an Eligible CDFI in the CDFI Bond Guarantee Program. [Insert contact information]
CONTROLLING CDFI	[CONTROLLING CDFI], acting as Controlling Certified CDFI [Insert contact information] [As applicable, describe the Controlling CDFI and the relationship with the Eligible CDFI. The Controlling CDFI must be a Certified CDFI. Controlling CDFI (as Control is defined in 12 C.F.R. 1805.104(q)) means any one or more of the following: (1) Ownership, control or power to vote 25% or more of the outstanding shares of any class of Voting Securities of any company, directly or indirectly or acting through one or more other persons;(2) Control in any manner over the election of a majority of the directors, trustees, or general partners (or individuals exercising similar functions) of any company; or (3) Power to exercise, directly or indirectly, a controlling influence over the management, credit or investment decisions, or policies of any company.]
BOND COUNSEL	[Insert name and contact information]
ELIGIBLE CDFI'S COUNSEL	[Insert name and contact information]
ELIGIBLE PURPOSE	To finance and Refinance Secondary Loans from among the following Secondary Loan Asset Classes: [insert approved asset classes].
ORIGINAL PRINCIPAL AMOUNT OF BOND LOAN SUBJECT TO GUARANTEE	[\$[AMOUNT] million
FIRST PRINCIPAL PAYMENT DATE	The principal amount of each Advance shall be payable in installments, which payments shall be due beginning on

	_____, 20__ (such date being the “First Principal Payment Date”).
LAST DAY FOR AN ADVANCE	Five years from the Bond Issue Date
FINAL MATURITY DATE	The final maturity of the Bond Loan shall be the date which is no later than twenty-nine and one-half (29.5) years from the Bond Issue Date.
BOND LOAN RATE	Each advance of funds under the Bond Loan shall bear interest at a fixed rate that will be equal to the interest rate set on the particular advance of funds under the Bond that is made to fund the advance of funds under the Bond Loan. The interest rate set on each advance of funds under the Bond will be based upon the current average market yield on outstanding marketable U.S. Treasury obligations of comparable duration, as determined by the U.S. Treasury Department at the time of such advance plus a liquidity premium of [_____ basis points (____%)] as determined by the Bond Purchaser. Bond payments will be made on a semiannual basis.
DEBT SERVICE	The Bond shall amortize in level payments of principal and interest beginning on the first principal payment date. Payments of principal and interest for each advance will be determined based on upon the amount of such advance and the applicable Bond Rate. A final principal and interest payment schedule reflecting the aggregation of the principal and interest payment schedules for all advances will be delivered by the Bond Purchaser after the last day for an advance.
PAYMENT DATES	Bond Loan installments on any outstanding advances shall be due monthly, beginning on the date which is seven (7) months prior to the first semiannual Bond payment date, which Bond payment date shall occur on June 15 and December 15 of each year.
AFFILIATE REQUIREMENTS FOR ACCEPTANCE AS ELIGIBLE CDFI	<p>(1) <i>Certification:</i> As the Affiliate has been certified as a CDFI and designated as an Eligible CDFI relying in part on the activity of the Controlling CDFI(s), the Eligible CDFI’s participation will be limited to the CDFI Bond Guarantee Program. The Eligible CDFI is not eligible to participate in other CDFI Fund programs or awards requiring CDFI certification until such time as it can meet the CDFI certification requirements based on its own merit.</p> <p>(2) <i>Operating Agreement:</i> The Eligible CDFI shall utilize the management and operational capabilities of the</p>

Controlling CDFI by entering into an Operating Agreement with the Controlling CDFI. The Operating Agreement shall include, among other things: (i) conclusive evidence that the Controlling CDFI Controls the Affiliate, (ii) explanation of all roles, responsibilities and activities to be performed by the Controlling CDFI including, but not limited to, governance, financial management, loan underwriting and origination, record-keeping, insurance, treasury services, human resources and staffing, legal counsel, dispositions, marketing, general administration, and financial reporting; (iii) compensation arrangements; (iv) the term and termination provisions; (v) indemnification provisions; (vi) management and ownership provisions; (vii) default and recourse provisions; (viii) terms defining the relationship between CDFIs that have a partnership with the Controlling CDFI, and the Controlling CDFI; and (ix) restrictions against the filing of bankruptcy. The ownership and management of the Eligible CDFI should allow the management or operation of the Eligible CDFI to be taken over by a different entity if the existing management or operation is deficient. Specific performance provisions within the management and operations of the Eligible CDFI, as well as specific remedies for non-performance in the Bond Loan Agreement, may also be required by the CDFI Fund, at its own discretion.

(3) *Capital Structure:* The Eligible CDFI will be capitalized by assets originated from the Controlling CDFI or through a partnership with the Controlling CDFI such that each of the partners have at least a 10% financial interest in the Eligible CDFI, including, but not limited to, the following:

(i) *Loan Receivables:* The Eligible CDFI's assets will consist primarily of interest income generating loan receivables to be underwritten according to the lending policies of the Controlling CDFI. Loan Receivables will be considered Secondary Loans under the CDFI Bond Guarantee Program and thus must conform to the Secondary Loan Requirements. Secondary Loans shall be seasoned and performing, and in existence a minimum of [twelve (12)] months. A performing loan is one that has demonstrated no delinquencies in payment of debt service of greater than thirty (30) days over the immediately prior twenty-four (24) months. If a Secondary Loan has

	<p>been in existence for less than 24 months, it must have no delinquencies in payment of greater than thirty (30) days to be considered performing.</p> <p>(ii) Overcollateralization: In addition to Loan Receivables, the Controlling CDFI individually or through a partnership will provide loans for an overcollateralization of 120%. Loans designated for overcollateralization must conform to Secondary Loan Requirements and be seasoned and performing, and in existence a minimum of twelve [12] months. A performing loan is one that has demonstrated no delinquencies in payment of debt service of greater than thirty (30) days over the immediately prior twenty-four (24) months. If a Secondary Loan has been in existence for less than 24 months, it must have no delinquencies in payment of greater than thirty (30) days to be considered performing.</p> <p>(iii) Bond Loan Reserve: In addition to the statutory 3% Risk Share Pool, equity in the form of cash will be contributed into a Bond Loan Reserve account that will be used to meet near-term liquidity obligations of the Eligible CDFI, such as monthly Bond Loan payments. The Bond Loan Reserve will have the similar terms of the Risk Share Pool and be financed at each disbursement of the Bond Loan proceeds. The Bond Loan Reserve will be funded at each disbursement in an amount of no less than [2%] of the disbursement amount and will have an upper limit of [5%] of total disbursements, funded by subsequent cash flows subject to the Cash Waterfall. Once the reserve reaches the [5%] maximum, it must remain at [5%] of the unpaid principal balance throughout the term of the Bond Loan. The Bond Loan Reserve account will be held by [the Master Servicer/Trustee].</p>
DEDICATED REPAYMENT SOURCE	The dedicated source of repayment of the Bond Loan shall include a lien on all revenues of the Eligible CDFI, including but not limited to principal and interest payments of Secondary Loans, proceeds from the sale of Secondary Loans, interest income and other revenues generated by the Eligible CDFI.
NON-RECOURSE CONDITIONS	Controlling CDFI(s) will have limited financial recourse with respect to the payments of the Eligible CDFI's Bond Loan, subject to specified performance obligations, [representations

	<p>and warranties] and [non-recourse carve-outs] specified in the [applicable documents] to include but not be limited to fraud or misrepresentation, gross negligence or willful misconduct, bankruptcy and criminal acts.</p>
<p>BOND LOAN COLLATERAL</p>	<p>As security for the obligation of the Eligible CDFI to make all payments due and to perform all obligations under the Bond Loan Agreement, the Promissory Note, and any other Bond Loan Documents, and for the benefit and security of all Bonds issued on behalf of the Eligible CDFI under the Bond Trust Indenture, the Eligible CDFI will grant, pledge, and assign to the Qualified Issuer a first lien on and security interest in the Bond Loan Collateral (as herein defined) and any rights to receive such Bond Loan Collateral, subject only to Permitted Liens, as defined in the Bond Loan Agreement.</p> <p>“Bond Loan Collateral” is the payment receivables from the Secondary Loans, Other Pledged Loans and Secondary Loan Collateral as described in the Secondary Loan Requirements. Other Pledged Loans means other loans pledged by the Eligible CDFI the terms of which comply with the requirements for Secondary Loans such that they would be classified as Secondary Loans if they were made from Bond Loan Proceeds.</p> <p>The Eligible CDFI will covenant and agree to maintain, at all times, the value of Bond Loan Collateral to outstanding principal amount of the Bond Loan ratio of not less than one hundred twenty percent (120%) (the equivalent of twenty percent (20%) overcollateralization (the Required Overcollateralization).</p> <p>The Eligible CDFI will, further, covenant and agree that, in the event any Secondary Loan or Other Pledged Loan comprising the Bond Loan Collateral is delinquent in payment of debt service for greater than ninety (90) consecutive calendar days (the “Non-Performing Collateral”), the Non-Performing Collateral will be considered out of compliance with the Secondary Loan Requirements and excluded from the numerator of the calculation for the Required Overcollateralization. If at any time, the Eligible CDFI excludes Non-Performing Collateral from the calculation of the Required Overcollateralization, the Eligible CDFI may substitute such Non-Performing Collateral with Secondary Loans or Other Pledged Loans of equal or greater outstanding principal balances which demonstrate no more than two (2) delinquencies in payment of debt service of greater than thirty (30) days, but less than sixty (60) days, during the immediately prior twenty-four (24) months; provided, however, that if the Eligible CDFI is unable to provide substitute loans in accordance with this paragraph the Eligible CDFI may provide</p>

	<p>funds other than proceeds of the Bond Loan to effectuate a prepayment of the Bond Loan such that the Required Overcollateralization is again in compliance with the Required Overcollateralization covenant set forth in this section.</p> <p>[Describe any additional Credit Enhancements (including guarantees and cash collateral) any and all such collateral as may be assigned to the Qualified Issuer or the Master Servicer/Trustee pursuant to any collateral assignment or any Principal Loss Collateral Provision].</p> <p>Additionally, without the prior written consent of the Guarantor, in the Guarantor’s sole discretion, the Eligible CDFI will covenant and agree not to pledge, sell, mortgage, encumber, lease, transfer or otherwise dispose of the Bond Loan Collateral to any person during the life of the Bond Loan and not to create or suffer to be created or exist any lien upon any of the Bond Loan Collateral, then owned or thereafter acquired by the Eligible CDFI other than Permitted Liens.</p> <p>Further, the Eligible CDFI will pledge all of its assets as collateral, as part of the Trust Estate, and execute an assignment of any and all of the Eligible CDFI’s right, title and interest in and to the collateral to the Qualified Issuer to be simultaneously pledged and further assigned to the Master Servicer/Trustee for the benefit of the Bond Purchaser to secure the repayment of the Bond Loan. This collateral assignment will also be used as a monitoring tool to ensure that the unpaid principal balance of the Bond Loan Collateral exceeds the unpaid principal balance of the Bond Loan in accordance with the terms of the Bond Loan Documents, at all times.</p> <p>The Eligible CDFI shall have a transferable ownership interest in all Bond Loan Collateral and Other Pledged Loans.</p>
<p>CONDITIONS PRECEDENT</p>	<p>A. The obligation of the Qualified Issuer to close the Bond Loan is subject to the satisfaction of the following conditions precedent:</p> <ul style="list-style-type: none"> (1) All conditions precedent pursuant to the Agreement to Guarantee shall have been satisfied to the satisfaction of the CDFI Fund. (2) The Qualified Issuer and the CDFI Fund have received the following, in form and substance satisfactory to the CDFI Fund, as applicable: <ul style="list-style-type: none"> (a) The Bond Loan Agreement duly executed by the Qualified Issuer, as lender, and the Eligible CDFI, as borrower, including: (i) the

	<p>Promissory Note duly executed by the Eligible CDFI, substantially in the form of the <u>Exhibit A</u> attached to the Bond Loan Agreement and dated the Bond Issue Date, (ii) the favorable written opinion of legal counsel to the Eligible CDFI substantially in the form of the Exhibit B attached to the Bond Loan Agreement and dated the Bond Issue Date, and (iii) the Reimbursement Note duly executed by the Eligible CDFI and dated as of the Bond Issue Date;</p> <ul style="list-style-type: none">(b) The Operating Agreement duly executed by the Eligible CDFI, Controlling CDFI(s), and all other members as applicable.(c) UCC Financing Statements which, when filed, will secure the Qualified Issuer's interest in the Bond Loan Collateral;(d) Audited financial statements of the Controlling CDFI(s) for the prior three (3) most recent fiscal years, pro forma financial statements of the Eligible CDFI for the subsequent three (3) fiscal years, and unaudited financial statements of the Controlling CDFI(s), for the immediately prior quarter end of the fiscal year (provided that in the event such quarter end is the end of the fiscal year, then unaudited financial statements for such fiscal year end);(e) The Eligible CDFI's organizational documents (articles of incorporation; bylaws; good standing certificate; IRS tax-exemption letter, if applicable);(f) Certificates of each of the Eligible CDFI and the Qualified Issuer regarding lobbying required to be filed by recipients of Federal loans and/or Federal guarantees or insurance under 31 C.F.R. Part 21;(g) Certificates of each of the Eligible CDFI, the Controlling CDFI(s) and the Qualified Issuer that no default, event of default, or due and unsatisfied liability has occurred and is continuing with respect to any obligations of the Qualified Issuer, the Controlling CDFI(s) and the Eligible CDFI, respectively, to the
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CDFI Fund, the Guarantor, the Bond Purchaser, the U.S. Internal Revenue Service, or any other agency, authority or instrumentality of the Federal Government; and

(h) Such other documents and certificates as the Qualified Issuer, the CDFI Fund, the Guarantor, the Bond Purchaser or Bond Counsel shall require.

(3) No event has occurred and is continuing, or will occur upon the borrowing of the Bond Loan or the execution, filing or recordation of any of the Bond Loan Documents, which constitutes an Event of Default under the Bond Loan Agreement, or would violate, result in a breach of or constitute a default under any covenants, conditions or agreements contained in any other debt obligation of the Controlling CDFI(s) or the Eligible CDFI or which, upon the giving of notice, the lapse of time, or both, would constitute such an event of default, violation, or breach.

(4) Any Bond Loan Document deemed necessary by the Qualified Issuer to be executed, recorded or filed to create or perfect the liens and security interests intended to be created for the benefit of the Qualified Issuer pursuant to the Bond Loan Documents will have been delivered to Qualified Issuer in recordable form or filed; and all taxes and other charges in connection with the execution of any of the Bond Loan Documents or the recording or filing thereof have been duly paid in full by the Eligible CDFI.

B. The obligation of the Qualified Issuer to make the Initial Advance under the Bond Loan is subject to the satisfaction of the following conditions precedent:

(1) The Qualified Issuer and the CDFI Fund have received the following, in form and substance, satisfactory to the Qualified Issuer and/or the CDFI Fund, as applicable:

(a) The Escrow Agreement and Custody Agreement, both duly executed by the Eligible CDFI.

	<p>(b) A certificate of the Eligible CDFI, in which the Eligible CDFI shall represent and warrant that, as of the date of requisition for an Initial Advance, i) No event has occurred and is continuing, or will occur upon the Initial Advance, that will violate, result in a breach of or constitute a default under any covenants, conditions or agreements contained in any other debt obligation of the Eligible CDFI or which, upon the giving of notice, the lapse of time, or both, would constitute such an event of default, violation, or breach; and ii) No event has occurred and is continuing, or will occur upon the borrowing of the Loan or the disbursement of the Initial Advance which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both, would constitute an Event of Default.</p> <p>(c) The favorable written opinion of legal counsel to the Eligible CDFI substantially in the form of Exhibit B attached to the Bond Loan Agreement, as related to those documents executed after the Closing Date but prior to the Initial Advance.</p> <p>(d) Such other documents and certificates as the Lender, the Guarantor, the CDFI Fund, the Bond Purchaser or Bond Counsel shall require.</p> <p>(2) Any additional Loan Document deemed necessary by the Lender to be executed, recorded or filed to create or perfect the liens and security interests intended to be created for the benefit of the Lender pursuant to the Loan Documents has been delivered to the Lender in recordable form or filed; and all taxes and other charges in connection with the execution of any of the Loan Documents or the recording or filing thereof have been duly paid in full by the Eligible CDFI.</p>
<p>MANDATORY PREPAYMENT PROVISIONS</p>	<p>The Eligible CDFI shall prepay the Bond Loan in whole or in part, at any time the Bond is mandatorily pre-payable pursuant to the Supplemental Indenture and subject to any conditions set forth in the Bond Indenture, the Supplemental Indenture and the Bond Loan Agreement.</p> <p>Subject to such make whole premiums or discounts as are set forth in the Bonds, the Bonds and the advances made thereunder</p>

shall be subject to redemption, in whole or in part, at the option and upon the written direction of the Qualified Issuer, as follows:

- (1) [On the Calculation Date (as defined below) of each calendar year, such Authorized Denominations (as defined below) as are on deposit in the Relending Account related to the Bonds that exceeds the applicable Relending Account Maximum (as defined below) by \$100,000 or more shall be transferred to the Redemption Account related to the Bonds of the Debt Service Fund and applied to redeem Bonds on the next succeeding Payment Date; provided that the sum of such amounts transferred from the Relending Account shall constitute the requisite amounts of principal, together with any interest and redemption premiums or discounts, necessary to effectuate such mandatory redemption on the date set for redemption such that no additional funds shall be required in order to do so][OR][Upon the failure of the Eligible CDFI to maintain the Required Overcollateralization subject to any applicable cure periods]; and
- (2) Upon the liquidation of any collateral in connection with the exercise by the Guarantor, the Qualified Issuer or the Bond Purchaser of remedies upon default of the related Bond pursuant to Section 811 of the Bond Trust Indenture, any amounts remaining after the repayment of any amounts drawn under the Guarantee shall be deposited in the Redemption Account of the Debt Service Fund and applied in accordance therewith on the date set for redemption. Any amounts remaining after such mandatory redemption of Bonds shall then be applied in the following order of priority: FIRST, to the replenishment of any funds drawn from accounts of the Risk-Share Pool Fund relating to other Bonds of other Eligible CDFIs participating in the Bond Issue and SECOND, to the Eligible CDFI for application in accordance with Secondary Loan Documents

[“**Calculation Date**” means, following the Notification Date (as hereinafter defined), the earlier of: (i) the date on which the balance in the applicable Relending Account becomes less than or equal to the applicable Relending Account Maximum or (ii) six (6) months following the Notification Date. “Notification Date” means the date on which the Master Servicer/Trustee notifies the Eligible CDFI that the balance in the applicable Relending Account exceeds the applicable Relending Account Maximum. “Relending Account Maximum” means ten percent (10%) of the principal amount outstanding of the Loan minus the

	amount on deposit in the applicable account of the Risk-Share Pool, as of the Calculation Date. “Authorized Denominations” means \$100,000 or any integral multiples thereof.]
REQUIRED PARTIAL PREPAYMENT CONDITIONS	<p>No later than thirty (30) calendar days after any Financial Test Date, the Eligible CDFI shall furnish to the Qualified Issuer a certificate certifying as to the Financial and Additional Debt Covenants as of the Financial Test Date and for each future Financial Test Date through the Final Maturity Date.</p> <p>If the certificate required above shows that the Eligible CDFI is not in compliance with any of the Financial and Additional Debt Covenants, as defined herein and subject to any cure periods, the Master Servicer/Trustee shall withdraw funds from the Lock-Up Account and ratably apply such amounts to the unpaid principal balance of advances made under the Bond Loan until the Eligible CDFI is again in compliance with the Financial and Additional Debt Covenants.</p> <p>“Financial Test Date” means, the date designated for the purpose of calculating the Financial and Additional Debt Covenants that occurs quarterly.</p>
OPTIONAL PREPAYMENT PROVISIONS	<p>The Eligible CDFI may prepay the Bond Loan in whole or in part, at any time that the Bond is optionally pre-payable, subject to the conditions that:</p> <ol style="list-style-type: none"> (1) the Eligible CDFI has given the Qualified Issuer written notice of its intention to prepay the Bond Loan, specifying the amount of the prepayment, the Bond to which such prepayment relates and the date of prepayment, at least ten (10) business days prior to the date of prepayment; subject to a right to rescind such notice before 3:30 p.m. (Washington, D.C. time) two (2) Business Days before the date of the intended prepayment; (2) any prepayment must be in an amount of at least \$100,000; and (3) the Eligible CDFI pays to the Qualified Issuer on the date of prepayment an amount equal to any premium, if any, required to be paid on the Bond that is called as a result of such prepayment as well as any expenses due under any Bond Loan Document.
FINANCIAL AND ADDITIONAL DEBT COVENANTS	<p>[INSERT SPECIFIC FINANCIAL COVENANTS FOR THE ELIGIBLE CDFI] The Eligible CDFI will covenant and agree that until payment in full of the principal of and interest on the Bond Loan and other obligations, the Eligible CDFI will maintain the following Financial and Additional Debt Covenants</p>

(the “Financial Covenants”) at all times, and, unless otherwise stipulated, test and report compliance with the covenants monthly, quarterly, and/or at fiscal year-end in accordance with the reporting requirements in the Bond Loan Agreement:

- (1) **Required Overcollateralization.**
- (2) **Bond Loan Coverage Ratio.** The aggregate scheduled principal and interest payments to be received from all Secondary Loans and Other Pledged Loans over the succeeding **twelve** (12) month period divided by the aggregate scheduled principal and interest payments to be made to the Bond Purchaser over the succeeding 12 month period, is not less than [one and two tenths] times [1.2x]
- (3) **Secondary Loan Covenant Compliance.** Establish and monitor appropriate financial covenants of the Secondary Borrower and report the same to the CDFI Fund on a monthly basis.
- (4) **Other Financial Covenants Appropriate for the Particular Eligible CDFI or Credit Structure:** [To be determined].

The Eligible CDFI will also covenant and agree that on the Last Day For An Advance:

- (1) No more than five [5] percent of its assets will consist of loans to any single borrower, and

Further, the Eligible CDFI will covenant and agree:

- (2) that it has been and shall be organized solely to own and manage the seasoned assets purchased and originated from the Controlling CDFI(s) and the Bond Loan Collateral.
- (3) that no debt shall be secured by the underlying collateral of the Secondary Loans other than the Secondary Loans.
- (4) to maintain all of its books, records, financial statements and bank accounts separate from its affiliates and any other persons or entities.
- (5) not to commingle the funds and other assets of borrower with those of any affiliate, constituent party or any other person or entity and has held and will hold all of its assets in its own name.
- (6) not to incur additional indebtedness or assume or guarantee or become obligated for the debts of any

	<p>other person or entity and does not and will not hold itself out to be responsible for or have its credit available to satisfy the debts or obligations of any other person or entity.</p> <p>(7) that the value of underlying pledged collateral for Secondary Loans will be appraised in accordance with the guidelines for Secondary Loan collateral valuation.</p> <p>To the extent that the Eligible CDFI is not in compliance with any of the Financial and Additional Debt Covenants , and such non-compliance is not cured within [thirty (30)] calendar days, all available funds of the Eligible CDFI will be subject to be used for Required Partial Prepayment.</p> <p>Post-closing of the Bond Loan, all line items existing in the audited financial statements of the Eligible CDFI submitted in connection with the application for the Guarantee shall continue to be calculated in the manner calculated with respect to such audited financial statements. Any deviations from the formulas used to calculate such line items in future audited financial statements, or restatements of audited financial statements submitted in connection with the Bond Loan Agreement shall be subject to review and prior written approval of the Qualified Issuer and the CDFI Fund.</p>
RESTRICTIONS ON USE OF PROCEEDS	<p>The Eligible CDFI will covenant and agree not to apply proceeds of the Bond Loan for the following purposes, in accordance with 12 U.S.C. 47123a(c)(5):</p> <ol style="list-style-type: none"> (1) Political activities; (2) Lobbying, whether directly or through other parties; (3) Outreach; (4) Counseling services; (5) Travel expenses; (6) For the salaries or administrative costs of the Qualified Issuer or any recipients of Bond Proceeds, other than those costs covered by Bond Issuance Fees; (7) To fund the Risk-Share Pool; (8) To pay fees other than Bond Issuance Fees; (9) Any other use as may be specified in the applicable Notice of Guarantee Availability.
CASH WATERFALL	<p>The revenues of the Eligible CDFI shall be applied as follows:</p> <ol style="list-style-type: none"> (1) Budgeted operating and capital expenses;

	<ul style="list-style-type: none"> (2) Fees, costs and expenses due to the Master Servicer/Trustee; (3) Interest portion of the Bond Loan debt service; (4) Principal portion of the Bond Loan debt service; (5) Deposits to Bond Loan Reserve; (6) Payment of the Controlling CDFI management fees; (7) Lock-Up Account, which deposits are available to fund any deficiencies in items one (1) through five (5) in accordance with the order of priority; and (8) Following the satisfaction of Restricted Payment Conditions for two (2) consecutive Calculation Dates, deposits to the Distribution Account.
<p>RESTRICTED PAYMENT CONDITIONS</p>	<p>There shall be no release to the Controlling CDFI(s) of any kind from the Lock-Up Account until the Restricted Payment Conditions have been satisfied for two (2) consecutive Financial Test Dates. Restricted Payment Conditions means that each of the following conditions have been met:</p> <ul style="list-style-type: none"> (i) all transfers and distributions required to be made pursuant to items one (1) through six (6) of the Cash Waterfall on or prior to such Financial Test Date have been satisfied in full; (ii) no default or event of default under the Bond Loan has occurred and is continuing, or would occur as a direct result of the proposed distribution of funds to the Controlling CDFI(s); (iii) the Bond Loan Reserve account has been funded in cash in an amount equal to the required balance; (iv) such transfer from the Lock-Up Account occurs only on a Financial Test Date; (v) the Eligible CDFI would not be made insolvent after the distribution.
<p>SECONDARY LOANS AND RELENDING</p>	<p>Notwithstanding anything contained in this Term Sheet to the contrary, so long as the Eligible CDFI is in compliance with the Required Overcollateralization, the Eligible CDFI shall not be subject to the covenants and requirements related to the Relending Account otherwise required by the Program; provided, however, that the Relending Account shall be established by the Master Servicer/Trustee pursuant to the Bond Trust Indenture, in any event.</p> <p>The Eligible CDFI will covenant and agree to the following with respect to the making of Secondary Loans:</p>

	<ol style="list-style-type: none"><li data-bbox="646 197 1422 814">(1) Execute Secondary Loan documents (in the form of loan agreements and promissory notes) with Secondary Borrowers as follows: (i) not later than twelve (12) months after the Bond Issue Date, Secondary Loan documents representing at least fifty percent (50%) of the Bond Loan proceeds allocated for Secondary Loans, and (ii) not later than twenty-four (24) months after the Bond Issue Date, Secondary Loan documents representing one hundred percent (100%) of the Bond Loan proceeds allocated for Secondary Loans. In the event that the Eligible CDFI does not comply with the foregoing requirements of clauses (i) and (ii) of this paragraph, the available Bond Loan proceeds at the end of the applicable period shall be reduced by an amount equal to the difference between the amount required by clauses (i) or (ii) minus the amount previously committed to Secondary Loans in the applicable period.<li data-bbox="646 835 1422 1012">(2) Make each Secondary Loan in accordance with the Secondary Capital Distribution Plan approved by the Guarantor, as it may be amended from time to time, and underwritten and approved in accordance with the Secondary Loan Requirements.<li data-bbox="646 1033 1422 1650">(3) Ensure that each Secondary Loan agreement, and the corresponding Secondary Loan documents, (i) comply with the requirements set forth in Section 1808.307 and/or Section 1808.308 of the Regulations, as applicable, and (ii) contain all such representations, warranties and covenants of the Secondary Borrower with respect to the Secondary Borrower, the Secondary Loan, the Eligible Purposes and the collateral securing the Secondary Loan, as are required of the Eligible CDFI by the Bond Loan Agreement with respect to the Eligible CDFI, the Bond Loan, the Eligible Purposes and the Bond Loan Collateral. Each proposed Secondary Loan shall be approved by the credit committee of the Eligible CDFI or its equivalent, in accordance with applicable Secondary Loan Requirements and the Eligible CDFI's own underwriting requirements.<li data-bbox="646 1671 1422 1875">(4) [Use best and commercially reasonable efforts to ensure that amounts on deposit in the applicable account of the Relending Fund does not equal more than the Relending Account Maximum. Any amounts retained in the applicable Relending Account that exceeds the Relending Account Maximum by \$100,000 or more as
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	<p>of the applicable Calculation Date shall be transferred to the Redemption Account of the Debt Service Fund to effectuate a mandatory redemption of the Bond. The determination of the actual amount on deposit on any Calculation Date shall exclude amounts then obligated pursuant to any executed promissory notes for Secondary Loans, whether then disbursed or undisbursed.]</p> <p>(5) Ensure that Secondary Loans made from proceeds of the Bond Loan or from the Relending Account, as applicable, shall not be effectuated through the commingling of such funds with funds derived from other sources or other Bond Loans of the Eligible CDFI. Each Secondary Loan must be separate and distinct and, as such, must be evidenced by separate and distinct agreements, notes and other applicable instruments or contracts.</p>
CHANGE OF CONTROL	The Controlling CDFI(s) shall not permit any change in control of the Eligible CDFI to occur without the prior written consent of the CDFI Fund in its sole discretion.
OTHER COVENANTS	<p>The Eligible CDFI must obtain an annual assessment of its overall financial strength, creditworthiness, and ability to achieve its policy /program objectives. In such connection, the Eligible CDFI shall notify the CDFI Fund in writing of the vendor(s) to render the annual assessment at least thirty (30) days prior to such assessment, together with a certification that the vendor(s), which may be the Qualified Issuer, has/have demonstrated experience in similar assessments, and which form of assessment has been approved by the Qualified Issuer or the CDFI Fund. In the event the Eligible CDFI or the Qualified Issuer desire to substitute the vendor described in this paragraph, such vendor shall have demonstrated experience in similar assessments, the substitution shall be subject to mutual agreement of the Controlling CDFI(s) and the Qualified Issuer, and the Eligible CDFI shall notify the CDFI Fund of such selection in writing, together with a certification that the selection complies with the applicable requirements and is acceptable to the Qualified Issuer.</p> <p>The Eligible CDFI agrees to such covenants and negative covenants including but not limited to, those related to Information Reporting; Books and Records; Eligible CDFI's Corporate Existence and Certifications; Compliance with Laws; Insurance; Taxes; Expenses; Indemnities; Disposition of Property and Assets; and Conveyance of Interest in the Eligible</p>

	CDFI as set forth in the Regulation and form of Bond Loan Agreement that have been submitted to the Eligible CDFI.
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The signatures below attest to the agreement between the Qualified Issuer and the Eligible CDFI with respect to the material terms herein set forth. Both parties hereto acknowledge that the closing of the Bond Loan is subject to the conditions precedent, the delivery of specific diligence material and the execution of all Bond Loan Documents and closing papers required to consummate the transaction. The consummation of the transaction is subject to the approval of the Guarantor and the Bond Purchaser. Therefore, the Qualified Issuer makes no guarantee that the closing will occur.

Sincerely,

[QUALIFIED ISSUER], as lender

By: _____

Name: _____

Title: _____

Date: _____

ACKNOWLEDGED AND AGREED TO:

[ELIGIBLE CDFI], as borrower

By: _____

Name: _____

Title: _____

Date: _____