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## EQUITY EQUIVALENT AGREEMENT

This Loan Agreement (the "Agreement") is entered into as of MONTH/YEAR by and between the, BORROWER, a STATE non-profit corporation and COMPANY.

### RECITALS

WHEREAS, BORROWER is a LOCATION non-profit community development financial institution which provides financing to local micro-enterprise programs serving micro and startup businesses across the State of STATE.

WHEREAS, BORROWER is not able to issue stock to raise capital to fund the Program.

WHEREAS, COMPANY wishes to make investments which promote the public welfare in LOCATION and is willing to assist BORROWER in the funding of the program.

WHEREAS, COMPANY in order to invest in BORROWER, COMPANY is prepared to make an equity-equivalent investment in BORROWER, structured as a loan on the terms and conditions specified in this Agreement.

NOW THEREFORE, the parties hereto agree as follows:

1. The Loan Terms. COMPANY agrees to loan to BORROWER the principal sum of \$XXX.XX at a fixed interest rate of XX% per annum (the "Loan"). Interest shall be calculated on a 360-day year consisting of twelve 30-day months and shall be payable quarterly commencing on the last day of the next calendar quarter following the initial disbursement. The principal balance of the Loan shall be due and payable five years from the date of the initial disbursement. At the end of each of the first five years from the date of the initial disbursement, COMPANY is obligated to extend the Loan's maturity for an additional year if BORROWER continues to satisfactorily perform its obligations under this Agreement. Annually thereafter, COMPANY has the option of extending the Loan's maturity for an additional year, but is not obligated to do so. BORROWER may pre-pay the Loan, in whole or in part, at any time without penalty. COMPANY agrees that this debt shall be subordinated to all other creditors.

2. Purpose and Use of Proceeds. BORROWER shall use the proceeds of the Loan to continue financing the Program through which BORROWER serves as a statewide financial intermediary program providing support for local micro-enterprise programs serving micro and startup businesses across the state of STATE (urban & rural). So long as any part of the Loan remains outstanding, BORROWER shall furnish COMPANY with a quarterly report of loan activity, in such detail as COMPANY may from time to time reasonably request.

3. Conditions. **COMPANY** obligation to make the Loan shall be subject to the following conditions:

- a. **BORROWER** shall deliver to **COMPANY** a certified copy of its Articles of Incorporation and a copy of a letter from the Internal Revenue Service confirming that **BORROWER** is in good standing as a 501(c)(3) organization.
- b. **BORROWER** shall execute and deliver this Agreement and shall provide **COMPANY** with satisfactory evidence that the loan and this Agreement have been properly authorized by its board of directors.
- c. **BORROWER** shall maintain its status as a community development financial institution in accordance with the provisions of 12 C.F.R. Sections 1805.200 and 701, as may be amended from time to time, throughout the term of this Agreement.

4. Acceleration of Maturity. Notwithstanding any other provision of this Agreement, **COMPANY** may accelerate the maturity of the Loan, and the entire balance of principal and interest shall become immediately due and payable only if **BORROWER** ceases its normal business operations. For the purposes of this Agreement, **BORROWER** ceases its normal business operations if it changes its line of business, uses the proceeds of the loan for a purpose other than that specified in Section 2 of this Agreement and the other purpose does not serve the public welfare as determined by **COMPANY**, files a bankruptcy petition or takes similar action, or is liquidated or dissolved or makes an assignment for the benefit of creditors.

5. Financial Reporting. In addition to the quarterly report on loan activity required in Section 2 of this Agreement, **BORROWER** Shall undertake the following obligations in connection with this Agreement:

- a. Permit **COMPANY** and any reasonable number of its officers or employees, or any outside representatives designated by **COMPANY** and reasonably satisfactory to **BORROWER**, to attend meetings of **BORROWER'S** board of directors as an observer, and to visit and inspect, at the expense of **COMPANY**, any of the properties of **BORROWER**, including their books and records, and to discuss their affairs, finances and accounts with their officers, except with respect to trade secrets and similar confidential information, to such reasonable extent and at such reasonable times and intervals as **COMPANY** may reasonably request without disruption of **BORROWER'S** operations.
- b. Deliver to **COMPANY** (i) as soon as practicable after the end of each fiscal quarter and in any event within forty-five (45) days thereafter, unaudited financial statements, including a balance sheet and income statement; (ii) as soon as practicable after the end of each fiscal year and in any event within one hundred and twenty (120) days thereafter, complete audited financial statements, including a balance sheet, income statement and statement of changes in cash

flows, prepared in accordance with generally accepted accounting principles and setting forth in each case in comparative form the figures for the previous fiscal

year; (iii) as soon as practicable and in any event within thirty (30) days after filing thereof, the annual tax return of **BORROWER**; and (iv) any additional documents, including the budget of **BORROWER**, reports of independent accountants and notices of an event material to the business of **BORROWER** that are sent to the directors of **BORROWER**.

6. General. The relationship of **COMPANY** and **BORROWER** is that of debtor and creditor and does not constitute a partnership, joint venture, or any other type of business organization. Neither party shall have any authority to act on behalf of or obligate the other party, and **COMPANY** assumes no liability whatsoever for any decision, action or omission taken by **BORROWER** at any time prior to, during or after the term of the loan described in this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date specified above.

**COMPANY**

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_