



### **Mission Statement:**

The Arizona Community Reinvestment Collaborative,(Collaborative) is a coalition of organizations founded to support the development and stabilization of affordable housing in Arizona. The Collaborative accomplishes this mission through the provision of capacity building grants, training, and technical assistance to nonprofit neighborhood-based organizations engaged in affordable housing for the low to moderate-income population.

The objectives of the Collaborative are to create a greater impact with a group, bring in other organizations besides financial institutions, provide more resources for everyone involved, and to gain more knowledge of the organizations who are engaged in affordable housing throughout the state of Arizona.

### **Proposal**

It has been determined that a pool of funds, services, training and networking opportunities should be set-up for the non-profits that have been selected to be recipients of the program. The Collaborative would perform the following:

- 1) Periodically assess the needs of the non-profits
- 2) Accept, hold and manage the contributions from the contributors
- 3) Allocate the funds on some periodic and competitive basis to both existing and new non-profit organizations engaged in affordable housing for low-to-moderate income populations.
- 4) Organize periodic training sessions
- 5) Provide networking opportunities
- 6) Provide a referral source for technical assistance
- 7) Evaluate the effectiveness of the program
- 8) Educate other potential funders about the collaborative

### **The Proposal for a Pooling of Funds Mechanism**

- 1) An agency must be selected to be the pool administrator to manage the funds
- 2) The pool must be set-up to accept contributions
- 3) The funds will be distributed to the non-profit organizations on a competitive basis. Representatives from the Collaborative will be responsible for oversight of the program.

### **Fiscal Agency**

The Collaborative has decided to use Arizona Community Foundation to manage the Fund.

## **Collaborative Responsibilities**

### ***Contributions***

- 1) Contribute donations
- 2) Expand membership base

### ***Application/Distribution Process***

- 1) Send applicant letter notifying them the packet has been received and is complete
- 2) Obtain additional information from the applicants
- 3) Notify applicants of the decision
- 4) Follow-up on any conditions placed on awards
- 5) Send grant agreements outlining reporting requirements for each grant recipient

### ***Other***

- 1) Market the collaborative

## **Fiscal Agent Responsibilities**

### ***Contributions***

- 1) Deposit monies
- 2) Write/send contribution receipt letters
- 3) Track contributions from organizations

### ***Application/Distribution Process***

- 1) Receive applications
- 2) Review packets for completeness
- 3) Copy and provide grant proposals to the representatives of the Collaborative
- 4) Disburse monies/grant agreements to organizations with grant letter, as approved by the Advisory Board

### ***Other***

- 1) Collect reports from the non-profit

## **Proposed Fee Structure**

### ***Members***

Large Financial Institution *	\$5,000
Small to Intermediate Financial Institution *	\$2,500

### ***Contributors***

Unlimited

\* As defined by Regulation BB/CRA as of 2007

## **Fees to Agency**

- 3% of contributions collected

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\$150,000.00

**CDFI**  
**2.00% SUBORDINATED NOTE, SERIES 2004A**

<u>Interest Rate</u>	<u>Initial Stated Maturity Date</u> <sup>1</sup>	<u>Issue Date</u>
2.0% per annum	December 31, 2009	June 30, 2004

Registered Owner:

Principal Amount: One Hundred Fifty Thousand and 00/100.

FOR VALUE RECEIVED, a Arizona nonprofit limited liability corporation (together with its successors, the "*Issuer*") hereby promises to pay the Registered Owner or registered assigns (the "*Holder*"), the principal amount stated above (the "*Principal Amount*") on December 31, 2009 (the "*Initial Maturity Date*"), or such later Extended Maturity Date (as defined below) as may be determined in the manner provided herein, together with interest at the rate of 2.00% per annum (the "*Note Interest Rate*") on the Principal Amount or such portion thereof that from time to time remains unpaid hereunder, as provided below. Interest shall accrue on the outstanding Principal Amount from the date of this Note (the "Issue Date") until payment in full of the Principal Amount. Accrued interest shall *not* be added to the principal of this Note; no interest shall accrue or be payable on accrued interest hereunder. Interest under this Note shall be calculated on the basis of a 365 or 366-day year, as applicable, and the actual number of days elapsed.

The outstanding Principal Amount and all accrued but unpaid interest shall be payable at Maturity (as defined below).

Interest hereunder shall be calculated and paid quarterly on the last Business Day of each March, June, September and December, commencing on the next such date after the Issue Date and at Maturity, but shall be required to be made only out of the Issuer's available cash flow after satisfying all other obligations, including all operating expenses and Senior Debt. Any such payment of accrued interest ("*Interest Payment*") shall be paid to the Person who, according to the records of the Issuer, is the registered Holder as of the close of business on the date which is fifteen (15) calendar days prior to the date of such Interest Payment, whether or not such date is a Business Day. Interest payable on this Note at Maturity will be payable to the Person who, according to the records of the Issuer, is the registered Holder at Maturity.

Payment of the principal of and interest on this Note will be made to the Holder in lawful money of the United States of America. As provided in the Note Purchase Agreement (as

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<sup>1</sup> Subject to extension to a later maturity date in the manner provided herein.

defined below), payments of principal and interest on this Note shall be made *pari passu* with payments of principal and interest on all other Subordinated Notes, Series 2004A.

The Issuer may prepay the Principal Amount of this Note in whole or in part at any time without premium or penalty upon ten (10) Business Days' prior written notice to the Holder. Any partial prepayment shall be applied first against any accrued but unpaid interest, and second to the outstanding and unpaid Principal Amount.

This Note is the Note referred to in, and is entitled to the benefits of, and is subject to the terms and conditions of, that certain Note Purchase Agreement (as such Agreement may be amended, modified, supplemented, restated or replaced from time to time, the "*Note Purchase Agreement*") dated as of the date hereof between the Issuer and the initial Holder named therein. Capitalized terms used in this Note that are not expressly defined in this Note shall have the meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a 2.0% Subordinated Note, Series 2004A with an Initial Maturity Date of December 31, 2009, issued pursuant to a Note Purchase Agreements between the Issuer and the initial holder named therein, dated on the date of issuance of such Subordinated Note, Series 2004A.

### **Maturity; Extension of Maturity**

For purposes of this Note, "*Maturity*" means the Initial Maturity Date, as extended to the Extended Maturity Date as hereinafter provided, or on any other date on which the Principal Amount becomes due and payable as herein provided, whether by declaration of acceleration, request for redemption or otherwise.

On December 31, 2004, and on December 31 of each year thereafter (each such date referred to herein as an "*Extension Effective Date*"), the Maturity Date shall automatically be extended for the period of one additional year (each such extended Maturity Date referred to herein as an "*Extended Maturity Date*"), *unless* the Holder exercises its right to cancel such automatic maturity extension provisions of this Note as hereinafter provided.

Between the date hereof and December 31, 2008 (the "*Compliance Period*"), the Holder shall have the right to cancel automatic maturity extensions only if (i) the Issuer is in default of its Performance Covenants, as defined in the Note Purchase Agreement (a "*Performance Covenant Default*"), and (ii) such Performance Covenant Default exists upon the date the Holder delivers a written notice of such termination (an "*Extension Termination Notice*") to the Issuer.

After December 31, 2008, the Holder may, in its sole discretion, elect to cancel any further automatic extensions for any reason.

To exercise the right to cancel automatic extensions, the Holder must deliver an Extension Termination Notice to Issuer not less than thirty (30) days prior to the next scheduled Extension Effective Date in order to be effective for such Extension Effective Date. If the Extension Termination Notice is delivered at a time when the Holder is entitled to terminate

automatic extensions, the Maturity Date of this Note shall automatically be fixed to the applicable maturity date in effect as of the date of such Extension Termination Notice, and such Maturity Date shall not be subject to the automatic annual extensions described above.

Notwithstanding the foregoing, if the Extension Termination Notice is delivered during the Compliance Period, the Extension Termination Notice shall identify the then existing Performance Covenant Default and shall specify in reasonable detail the performance measures that must be achieved or otherwise satisfied in order to cure the Performance Covenant Default. If the Performance Covenant Default described in such Extension Termination Notice is cured in all material respects within sixty (60) days after receipt by the Issuer of such Extension Termination Notice, then such Extension Termination Notice shall become void and the Extended Maturity Date shall automatically be extended for one additional year with the same force and effect as if such Extension Termination Notice had never been delivered. If such Performance Covenant Default is not cured as provided above, the Maturity Date of this Note shall automatically be fixed to be the applicable Maturity Date in effect as of the date of such Extension Termination Notice, and such Maturity Date shall not be subject to any further automatic annual extensions.

The failure by the Holder to deliver an Extension Termination Notice as a result of a Performance Covenant Default that occurs and is continuing during the Performance Covenant Compliance Period shall not constitute a waiver by the Holder of such Performance Covenant Default or of its right to deliver an Extension Termination Notice at any time thereafter for so long as such Performance Covenant Default remains uncured.

If the Holder has delivered an Extension Termination Notice, the Holder may, in its sole discretion at any time prior to Maturity, reinstate the automatic extension provisions of this Note by giving written notice to the Issuer rescinding the notice. In such case, the Extended Maturity Date of this Note shall automatically be reset to the date that the Extended Maturity Date would have been if the Holder had not delivered the Extension Termination Notice, and the automatic maturity extension provisions described above shall be reinstated.

### **Subordination**

Notwithstanding any provision herein to the contrary, the indebtedness evidenced by this Note, including all interest hereon, is subordinate and junior in right of payment to all obligations of the Issuer, whether now outstanding or subsequently incurred, other than each obligation which, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, provides that such obligation is not senior in right of payment to this Note. Notwithstanding the foregoing, the indebtedness evidenced by this Note shall be on a parity with other Series 2004A Notes of the Issuer.

### **Limitation of Issuer's Liability**

Notwithstanding any provision in this Note or in the Note Purchase Agreement to the contrary, the Issuer shall not be required to make any payment of principal or interest with respect to this Note when such payment is due if as a result of such payment, the Issuer would be

unable to make a full payment of principal or interest which is then due with respect to any Senior Debt (other than a payment which is then due with respect to such Senior Debt as a result of the occurrence of a non-payment default thereunder) provided, however, that the Issuer shall not in such case be released from the obligation to make such payment or payments to the Holder of this Note, but rather the Issuer's obligation to make such payment shall only be deferred until the first Business Day following the first date thereafter on which such payment may be made without violating the terms of this paragraph.

### **Miscellaneous**

The Holder may assign this Note in accordance with applicable law. The Issuer will maintain a registry of holders of this Note. The Issuer and any agent of the Issuer will be entitled to treat the registered Holder of this Note as the owner for all purposes, notwithstanding any notice to the contrary.

This Note shall be governed by and construed in accordance with the laws of the State of Arizona.

IN WITNESS WHEREOF, the Issuer has caused this Note to be duly executed under seal as of the day and year first above written.

CDFI

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

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### ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

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Print or Type Name and Address of Transferee

the within Note and all rights thereunder, and hereby authorizes the transfer of the within Note on the books kept by the President for the registration and transfer of Notes.

Dated: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular.

Signature Guaranteed By:

[SEAL OF BANK]

\_\_\_\_\_  
(Name of Bank)

By \_\_\_\_\_  
Title \_\_\_\_\_

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### PROVISIONS FOR REGISTRATION

This Note shall be registered on the books of the Issuer kept by the President, at the Issuer's offices, upon presentation hereof to such registration in the registration blank below, and this Note may thereafter be transferred only upon a duly executed assignment of the registered holder of this legal representative in such form as shall be satisfactory to the President, such transfer to be made on such books and endorsed hereon by the President. This Note shall be payable only to or upon the order of the registered holder or his legal representative.

DATE OF  
REGISTRATION

NAME OF  
REGISTERED OWNER

SIGNATURE OF  
PRESIDENT

\_\_\_\_\_

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# RECOVERABLE GRANT AGREEMENT

This Recoverable Grant Agreement (this Agreement) is entered into as of XXXXXXXX by and between Bank, an Arizona banking corporation ("Bank"), and Corporation (""), a non-profit corporation.

## RECITALS

- A. XXXXX is an Arizona non-profit operating entity dedicated to promoting entrepreneurship and economic development in underserved communities, particularly among socially economically disadvantage individuals or neighborhoods;
- B. In entering this agreement, XXXXX plans to facilitate a revolving loan fund to foster community development by addressing the unmet capital needs of small companies crucial to the economic prosperity of xxxxx and by emphasizing particularly loans to borrower companies located in xxxxx and/or by retaining and creating jobs available to low to moderate income persons;
- C. Bank is willing to make an equity-equivalent investment in XXXXX in accordance with the terms and conditions specified in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

- 1. The Recoverable Grant. Bank hereby agrees to loan to XXXXX the principal sum of \$50,000 ("the Recoverable Grant"). The entire principal balance of the Recoverable Grant shall be due and payable ten years from the date of this Agreement. XXXXXX may prepay any portion of the Recoverable Grant without penalty. XXXXXX recognizes, however, that because the Recoverable Grant is not a revolving credit facility, Bank is under no obligation to relend these pre-paid monies to XXXXXX.
- 2. Purpose and Use of Proceeds: Recoverable Grant proceeds will be used by XXXXXX solely for the revolving loan fund.
- 3. Reports: So long as the Recoverable Grant monies remain outstanding, XXXXXX shall forward to Bank an annual financial report on the status of the loan fund indicating the status of loans outstanding, delinquencies and copies of XXXXXX's annual financial statements within 120 after the close of the fiscal year end (June 30).
- 4. Recoverable Grant Not a General Credit Obligation of XXXXXX. Bank agrees that this debt shall be unsecured and shall not be a general credit obligation of XXXXXX. Bank further agrees that this debt is without recourse to XXXXXX and that repayment will come from the repayment of loans from the revolving loan fund.
- 5. Conditions. Bank's obligation to make advances to XXXXX shall be subject to the following conditions:
  - a. XXXXX shall execute and deliver this Agreement and shall provide Bank with satisfactory evidence that this Agreement has been duly authorized by XXXXX; and



- b. XXXXX shall deliver to Bank a certified copy of its Articles of Incorporation and a copy of a letter from the Internal Revenue Service confirming that it is in good standing as a 501(c)(3) organization.
- 6. Acceleration of Maturity. Subject to this Agreement, Bank may accelerate the maturity of the Recoverable Grant, and the entire balance of principal and interest shall become immediately due and payable if:
  - a. Any portion of the proceeds of the Recoverable Grant is used for a purpose other than specified in Section 2 of this Agreement following 14 days written notice of XXXXXX of such unauthorized use; or
  - b. A bankruptcy petition, or similar action, is filed by or against XXXXXX or XXXXXX is otherwise unable to pay its debts generally as they come due; or
  - c. The Program is discontinued and liquidated or dissolved.
- 7. Conversion of Recoverable Grant. At any time, in its sole discretion and without any obligation to do so, Bank may convert all or part of the outstanding loan amount to a grant upon such terms and conditions as Bank and XXXXXX shall mutually determine.

GENERAL. The relationship of bank and XXXXXX is that of creditor and debtor and does not constitute a partnership, joint venture, or any other type of business organization. Neither party shall have the authority to act on behalf of or obligate the other party. This Agreement hereunder constitutes the entire agreement between the parties and supersede all prior or contemporaneous agreements between the parties.

This Agreement is entered into in Phoenix, Arizona and shall be interpreted according to the internal laws of the state of Arizona by a sole arbitrator in Phoenix, Arizona in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

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

BANK

XXXXXX

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

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

Title: \_\_\_\_\_

Title: \_\_\_\_\_