



KRESGE COMMUNITY FINANCE

SOCIAL INVESTMENT PRACTICE

Kresge Community Finance - Financial Covenants for Nonprofit CDFIs.

Liquidity: At all times during the term of the Loan, Borrower's Current Assets shall be equal to or greater than one hundred and twenty percent (120%) of Borrower's Current Liabilities.

Net Assets: At all times during the term of the Loan, Borrower shall maintain a ratio of a Net Assets to Total Assets of not less than _____ percent (X%).

Net Income: For each fiscal year of the Borrower, the Borrower's two-year average change in Unrestricted Net Assets shall be equal to or greater than zero (\$0).

Delinquency: At all times during the term of Loan, the aggregate outstanding principal balance of Delinquent Loans must be no greater than (i) _____ percent (X%) of the aggregate outstanding principal balance of Borrower's total loan portfolio. Delinquent Loans are defined as any loan that is past due in whole or in part by sixty (60) days or more plus all loans on non-accrual status not otherwise counted as past due by sixty (60) days or more.

Annual Losses: At all times during the term of the Loan, the aggregate amount of loan principal written off by Borrower during the then current fiscal year shall be no greater than _____ percent (X%).

Loan Loss Reserve: At all times during the term of the Loan, Borrower shall maintain on its books an allowance for loan losses, in accordance with GAAP, as a contra asset account that reduces the value of its total loans outstanding. The allowance for loan losses shall be reviewed and adjusted in accordance with Borrower's allowance for loan loss policies and guidelines.