

**CEF SMALL BUSINESS AND MICRO LOAN FUND
GRANT AGREEMENT
(NEW FUND AGREEMENT WITH COVID-19 RELIEF)**

THIS GRANT AGREEMENT (the "Agreement") is made this 20th day of April, 2020, ("Effective Date") by and between The City of Brighton, Colorado ("Grantor") and the Colorado Enterprise Fund, Inc., a Colorado nonprofit corporation ("Grantee" or CEF). Grantor and Grantee shall be referred to herein collectively as the "Parties".

RECITALS

WHEREAS, Grantee desires to receive grant funds to finance the capitalization of Grantee's small business and micro loan pool ("Loan Pool Program") to provide loans to qualified businesses and nonprofit organizations located in City of Brighton limits or boundaries ("Program Area") and for costs associated with the administration of the Loan Pool (the "Grant"); and,

WHEREAS, the purpose of the Loan Pool Program is to provide access to capital in the form of business loans to small businesses with annual gross revenues generally under two million dollars annually and nonprofit organizations that cannot obtain financing through conventional sources, but who are capable of sustaining its business and repaying debt; and,

WHEREAS, Grantee desires to receive grant funds to finance the deployment of COVID-19 Relief Loans, described in Attachment B. The purpose of COVID-19 Relief Loan deployment is to provide small businesses and nonprofits access to capital to cover short-term working capital needs and serve as a bridge loan to other debt products as credit becomes available elsewhere and credit market stabilizes; and,

WHEREAS, the general objectives of the Loan Pool Program are to:

- Bridge the gap for businesses which might eventually qualify for bank financing and prepare them for traditional bank relationships.
- Facilitate business creation and retention for small businesses that would access the Fund.
- Collaborate with other resource partners to promote entrepreneurship and business innovation as a means of investing in the economic success of the community.
- Encourage business ownership and self-employment as a means of economic self-sufficiency and job creation.
- Help businesses sustain during disruption of COVID-19 pandemic and recover afterwards.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, Grantee and Grantor agree as follows:

1. Grant Amount. Grantor agrees to provide, and Grantee agrees to receive a Grant in the aggregate amount of five hundred thousand dollars (\$500,000.00) pursuant to the

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terms provided herein ("Grant"). Grantee received the Grant on April 3, 2020 and will be, subject to all terms, provisions, conditions, covenants, and agreements contained in this Agreement.

2. Use of Grant.
 - a. \$425,000 of the Grant ("Loan Capital Grant") shall be used for funding loans to qualified small businesses located in Program Area in accordance with the criteria described Loan Pool Program Eligibility Guidelines in Attachment A or Attachment B ("Eligible Projects").
 - b. \$75,000 of the Grant ("Administrative Grant") shall be used for administrative costs of the Loan Pool including, but not limited to, marketing and outreach, underwriting and closing, loan servicing and technical assistance.
 - c. \$0 of the Grant shall be used to subsidize small business borrowers. Adams County is providing a separate grant under separate agreement to reduce the COVID-19 Relief Loan interest rate to 3.5% per annum ("Buy-down Interest Rate") for the term of loan ("Interest Buy-down Grant") in the Program Area.
 - d. \$0 of the Grant shall be used to subsidize small business borrowers. Adams County is providing a separate grant under separate agreement to waive Grantee's standard origination fee of 3% of COVID-19 Relief Loans ("Fee Buy-down Grant") in the Program Area.
 - e. Interest Buy-down Grant and Fee Buy-down Grant shall be used to subsidize COVID-19 Relief Loans up to \$850,000.
3. Matching Funds. Upon receipt of Grant funds, CEF shall contribute 1:1 matching funds of Loan Capital Grant, from sources other than the Grant, to the Loan Pool Program to be used as additional loan capital ("Matching Funds").
4. Loan Capital Debt. In addition to Loan Capital Grant and Matching Funds, Grantee may borrower additional loan capital from various sources other than Grantor ("Loan Capital Debt"). Loan Capital Debt is to be used for the loans in accordance with the Agreement to provide additional lending capacity.
5. Maximum Loan Amount. The maximum amount of each loan in the Loan Pool Program will be \$50,000 from the Loan Capital Grant and \$50,000 with Matching Funds, totaling \$100,000. Loans larger than \$100,000 may be provided by co-funding funds from outside of the Loan Pool Program.
6. Performance Period. Grantee must disburse a minimum of 50% Loan Pool Program loan capital for Eligible Projects within 2 years of the Effective Date. If this requirement is not met, Grantor may request any unused portion of the Loan Capital Grant, Interest Rate Buy-down Grant and Fee Buy-down Grant to be returned to Grantor. The Administrative Grant to establish the Loan Pool Program will be considered

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earned and non-refundable as of 12 months after Effective Date. When the Grantee commits all of Loan Pool Program loan capital for Eligible Projects, the Loan Capital Grant of the Loan Pool funds may be considered as Grantee's unrestricted net assets.

7. Compliance Period. As detailed in this Agreement, Grantee's use of the Loan Capital Grant, including revolved loan capital, shall continue to be governed by the terms of this Agreement so long as the Loan Pool Program exists. ("Compliance Period"). The Loan Pool shall continue indefinitely with the purpose and activity described herein, until Parties mutually agree to discontinue the Program in writing.

8. Promotion of Loan Pool. Grantee and Grantor shall each have the right to promote the Loan Pool and include in their respective organization's materials or reports information regarding the Loan Pool including, but not limited to, their individual and/or collective contributions to, and the community impacts and the performance of the Loan Pool. Promotion of the Loan Pool may include, but is not limited to: written materials, presentations and discussions of the Loan Pool Program. Neither Party may promote details of individual loans without the consent of the borrower.
 - a. Grantee will
 - i. conduct bank officer orientation sessions about the Program, outreach to bank and community partner contacts, and follow-up on referrals,
 - ii. maintain regular contact with appropriate Small Business Development Center (SBDC) and other community partners for pre-loan technical assistance, workshops and counseling,
 - iii. recognize Grantor as co-sponsor(s) of Loan Pool Program in relevant marketing collateral, website, social media,
 - iv. work with Grantor to identify private investors for additional loan capital and operating grants to build and support the Loan Pool Program.

 - b. Grantor will
 - i. introduce Grantee to community contacts, including banks, economic development organizations, chambers of commerce and other community partners in order to cultivate loan referrals;
 - ii. introduce Grantee to community contacts such as foundations, corporations, municipal offices, and other resources to cultivate additional funding sources to support the Loan Pool Program;
 - iii. meet with Grantee no less than annually to formally strategize and collaborate on initiatives intended to solicit community contacts for annual operations funding of the Loan Pool
 - iv. provide access to local media to promote the Loan Pool;
 - v. promote the Loan Pool and program via its own resources, like marketing

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collateral and website and social media.

9. The Parties agree as follows:

- a. All Loan Capital Grant funds and Matching Funds will be utilized under the Loan Pool Program for loans to qualified businesses and nonprofit organizations located in Program Area in accordance with this Agreement and the Loan Pool Eligibility Guidelines, attached as Attachment A and Attachment B
- b. During the Compliance Period, Grantee shall provide i) audited financial statements annually to the Grantor within 120 days of the end of the Grantee's fiscal year, and ii) internally-prepared interim financial statements (balance sheet and income statement) quarterly to Grantor, within 45 days of each quarter ending.
- c. During the Compliance Period, Grantee shall provide loan activity and impact reports to Grantor within 45 days of each quarter ending. Quarterly reports will include Loan Capital Fund balance, total loans outstanding, loan list with business name, origination date, amount, terms, rate, current balance and impact measurements, such as, but not limited to, jobs created or retained, business sector, borrower demographics.
- d. Repayments of principal from borrowers under the Loan Pool Program to the Grantee shall be used to help recapitalize (revolve) the Loan Pool Program, until Parties mutually agree to discontinue the Loan Pool Program.
- e. All fees and interest payments from small business lending activity under the Loan Pool shall be considered Grantee's earned income.
- f. Grantor will not receive program or investment income from the Grantee or the Loan Pool Program.
- g. Loan losses will be allocated pro-rata between Grantor and Grantee and any other Loan Pool Program investor that provides loan capital grant, only after Grantee has fully exhausted any applicable loan guarantee resources available to it through federal and state guarantee or loan loss reserve programs. Grantor also agrees for the loan losses from Loan Capital Debt to be allocated pro-rata between Grantee and Grantor's Loan Capital Grant. In any event, loan losses allocated to Grantor shall not exceed Loan Capital Grant amount provided by Grantor.
- h. Grantee shall provide all other applicable loan products, programs and services, including servicing and technical assistance, to borrowers of the Loan Pool.
- i. Grantee shall use funds in the Loan Pool in compliance with all applicable laws, rules, regulations and other legal requirements.
- j. No term or condition of this Agreement shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protections or other provisions of the Colorado Governmental Immunity Act, C.R.S. §§ 24-10-

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101, et seq.

10. Conditions. Grantee shall be subject to the following conditions as of the Effective Date:

- a. No change shall have occurred in the financial condition of the Grantee or in any other aspect of the financing proposal of which the Grant is a part, which, in the judgment of the Grantor, materially and adversely affects or makes unreasonable or unreliable any of the financing assumption upon which the Grant is predicated.
- b. No litigation shall be pending or threatened calling into question or which, if adversely determined, would affect i) the creation, organization or existence of the Grantee, ii) the validity of this Agreement, or iii) the authority of the Grantee to make or perform this Agreement. No proceedings shall be pending or threatened against or affecting the Grantee which involve the possibility of materially and adversely affecting the properties, business, prospects, profits or condition (financial or otherwise) of the Grantee, nor shall the Grantee be in default with respect to any order of any court, governmental authority.

11. Events of Default. The occurrence of any one or more of the following events or existence of one or more of the following conditions, with respect to the Grantee, shall constitute an Event of Default under this Agreement:

- a. Grantee shall fail to perform any term, covenant or condition to be performed hereunder and such failure is not remedied within 90 days, unless a longer period is reasonably required to cure such failure, from and after written notice from Grantor to Grantee.
- b. Grantor reasonably determines that the Loan Pool Program is being mismanaged through fraud, embezzlement, misappropriation of funds or other material offenses.

12. Remedies.

- a. Upon an Event of Default related to Section 10.b, Grantor may recover the amount of unused Loan Capital Grant from Grantee and pursue all other rights and remedies provided by law or in equity. The principal amount of proceeds from existing loans made from the Loan Pool Program, if any, repaid to Grantee after the date of termination of participation by Grantor shall, subject to proportional reductions or allocations described herein, be promptly remitted to Grantor.
- b. No delay or failure of Grantor in the exercise of any right or remedy provided for hereunder shall be deemed a waiver of the right by grantor and no exercise or partial exercise or waiver of any right or remedy shall be deemed a waiver of any further exercise of such right or remedy or any other right or remedy that Grantor may have.

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13. Miscellaneous Provisions.

- a. This Agreement is not intended to benefit any person or entity other than the Grantee and Grantor and no other person or entity may rely on the terms hereof.
- b. Grantor represents that source of Grant is non-federal.
- c. Grantee shall not discriminate against any person on the basis of race, color, religion, sex, national origin, disability, age, or veteran status, sexual orientation or any other basis prohibited by law in the use of Grant Funds, administration of the Loan Pool.
- d. Grantee shall not assign or attempt to assign, any of its rights under this Agreement without the prior written consent of Grantor. The Grantee shall not convey or assign any portion of the Grant Funds, except as permitted hereunder under the Loan Pool, prior to the completion of the Compliance Period without the prior written consent of the Grantor.
- e. This Agreement contains the entire agreement between the Parties and supersedes all prior discussions, understandings and agreements. Neither this Agreement nor any provision hereof may be changed, waived, discharged, or terminated orally and may only be modified or amended in writing, signed by the Parties.
- f. Grantee shall defend, indemnify and save harmless the Grantor from and against all losses, claims, suits, judgments or liabilities incurred as a result of its activities pursuant to this Agreement, and as part of such indemnification obligation shall pay all costs and attorney's fees, if any, incurred by the Grantor as a result of any such claims or suits.
- g. The Parties expressly agree and acknowledge that their relationship is that of Grantor and Grantee and that no other relationship, including that of joint venture, partnership or other common enterprise is created by this Agreement or any other Grant-related document(s).
- h. All covenants by Grantee shall survive the making of the advances of Grant and the provisions hereof shall be binding upon Grantee, its successors and assigns and insure to the benefit of Grantor, its successors and assigns.
- i. All notices shall be in writing and shall be deemed to have been sufficiently given or served when presented personally, by email, or by mail to designated contact set forth herein. Such addresses may be changed by notice to the other party given the same manner.

The terms and conditions of this Agreement shall be governed by the construed in accordance with the laws of the State of Colorado, excluding its conflicts of law provisions.

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

COLORADO ENTERPRISE FUND

By: 
Cecilia H. Prinster
President and CEO

Attest:

By: 

GRANTOR:

By: 
09AB4D1EA165454...

Attest:

By: 
E60F72D6DF78461...

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ATTACHMENT A

LOAN POOL PROGRAM ELIGIBILITY GUIDELINES

The purpose of the Loan Pool Program is to provide access to capital in the form of business loans to small businesses with annual gross revenues generally under two (2) million dollars annually that cannot obtain financing through traditional sources, but who are capable of sustaining a business and repaying debt, and who are disadvantaged for a variety of reasons.

All loans made from the Loan Pool Program will be to businesses with their primary locations within City of Brighton, Colorado ("Program Area")

In order to be an Eligible Project of the Loan Pool Program and receive a small business loan:

1. At the time of application and throughout the term of the loan, a business must have its primary office/headquarters or operations in the Program Area.
 2. Home based businesses are eligible.
 3. There are no restrictions on the type of business eligible for loans so long as the activities of the business are legal and in the best interests of the community. Cannabis businesses are ineligible.
 4. A business must file all standard Colorado Enterprise (CEF) application information and meet CEF's standard underwriting criteria for the type and size of loan.
- A. Permitted Uses of Loan. Loans may be used for most business purposes including, but not limited to the following:
1. Inventory purchase
 2. Start-up expenses
 3. Equipment purchase
 4. Operations,
 5. Tenant finish and property improvements
 6. Purchase of a business or franchise
- B. Non-permitted Uses of Loan. Loans may not be used to pay any of owner's remuneration, including but not limited to wages, bonuses and the like or to pay for legal expenses incurred in defending against a criminal violation, or to pay for penalties assessed for criminal violations, or to pay adverse civil judgments stemming from operation of the business. Loans shall not be used to pay fees, assessments, liens or penalties due to the failure of the business to collect or remit applicable taxes when due. Uses incompatible with or illegal under local or federal regulatory authority will not be permitted.
- C. Loan Amount. The maximum amount of each loan in the Loan Pool Program will be \$50,000 from the Grant investment with Matching Funds, totaling \$100,000. Loans larger than \$100,000 may be provided by co-funding Loan Pool Program funds and other funds outside of the Loan Pool Program
- D. Term of Loans. The term of a business loan will follow terms offered on existing CEF products.
- E. Interest Rates. The interest rates charged will follow the current interest rate of other loans of similar size and risk outside of Loan Pool Program

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- F. Underwriting and Application Process. CEF generally will follow its standard underwriting and loan application process, and its standard Loan Policies, Guidelines and Procedures.

ATTACHMENT B

COVID-19 Relief Loan (CEF Loan Product)

CEF's COVID-19 Relief Loan is a new financial product for viable, yet vulnerable, small businesses and nonprofit organizations experiencing disruption during the COVID-19 Pandemic. The loan is intended to:

- Provide bridge capital to larger resources from traditional lenders or SBA,
- Complement SBA products. CEF will not require that businesses apply for SBA loans, but rather align underwriting/approval with their standards and guide borrowers that way.
- Stand alone for the full term of six years or less, as another financial support for businesses;
 - Borrowers may be challenged with SBA process. Low income or immigrants may experience technology and language barriers.
 - Borrowers may get declined, not approved for sufficient funds by SBA.
 - CEF approval and disbursement is faster, more customer centric, providing additional support to borrowers with lower business acumen.
 - CEF is a mission-lender and local partner better able to assess community needs and business viability, able to rely more on character in underwriting process.
 - Businesses may need help in addition to SBA disaster loan resources.

CEF COVID-19 Relief Loan product structure

- Maximum Loan Amount: \$25,000
- Maximum Interest Rate: 4.99% per annum, or as determined by the Interest Rate Buy-down defined in Section 2(c) under Use of Grant in the Agreement herein.
- Maximum Origination Fee: 3% at loan closing date, or as determined by the Fee Buy-down Grant defined in Section 2(d) under Use of Grant in the Agreement herein.
- Maximum Term: 6 years
- 6-month interest only payments from loan closing date
- Quick underwriting, approval, close and disburse (avg. 14 days)
- Generally to businesses <40 FTE