

FRANCHISE DISCLOSURE DOCUMENT



Franchisor:

COMMUNITY LOAN CENTER CORPORATION

642 E. Washington Street

Brownsville, TX 78521

(956) 541-4955

www.rgvcommunityloancenter.com

COMMUNITY LOAN CENTER CORPORATION, a Texas corporation ("CLC" or "Community Loan Center"), is a part of the Rio Grande Valley Multibank Corporation ("RGVMB"). RGVMB was founded in 1995 by six stockholder banks and its current operations cover the Rio Grande Valley. The Community Loan Center Corporation was established by RGVMB to administer its "Affordable Small Dollar Loan Program" to provide a community service in the form of an alternative to payday loans and other costlier loan programs.

Subfranchisor:

TEXAS COMMUNITY CAPITAL d/b/a: COMMUNITY LOAN CENTER OF AMERICA

3301 Northland Dr., Ste 410

Austin, Texas 78731

(512) 916-0508

www.tccapital.org

TEXAS COMMUNITY CAPITAL, a Texas corporation ("TCC"), is a non-profit lending intermediary providing loan products and development services to Texas Community Development Corporations ("CDCs"), Community Development Financial Institutions ("CDFIs") and other community development organizations. TCC has been authorized and licensed by CLC to act as Subfranchisor and to identify and enter into franchise agreements with qualifying local lenders under which TCC grants a license to the local lenders allowing them to use "Community Loan Center" licensed software and licensed trademarks. TCC does business as "Community Loan Center of America".

The Franchise: A "Community Loan Center" franchise gives you the right to offer small dollar loans (a cash advance of typically, no more than, \$1000) in a designated geographic territory ("Franchise Area"). You will operate under the "Community Loan Center" business system, as well as any trademarks, service marks, logos and commercial symbols we authorize. You will raise loan capital through grants, investments and loans or other sources, at your discretion. You will have agreements with local employers (located within your Franchise Area) to provide small-dollar loans to their qualifying employees. Your rights to use the origination and servicing services provided by the Community Loan Center internet-based software will be governed by and implemented through a single traditional franchise agreement (the "Franchise Agreement"). Your Franchise Agreement with TCC will also

grant a sublicense of the “Community Loan Center” brand products and support services.

Initial Investment Amount. The total investment necessary to begin operation of a “Community Loan Center” franchise is approximately \$265,000- \$500,000. This includes a Franchise Fee of \$10,000 (for four years with the option to pay \$2,500 annually) that must be paid as set forth in the Franchise Agreement to the Subfranchisor and approximately \$350,000 for the loan pool, at least \$50,000 of which shall be maintained in a Community Loan Center escrow account with Frost Bank, a member bank of RGVMB. The franchised business may be conducted on the internet and by arrangement with participating employers; no office facility is required and accordingly no estimated expenses for office facilities are provided for herein, although franchisees who currently conduct any related financing or community investment business through existing office facilities may make use of such office facilities to the extent they elect.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure statement in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Matt Hull at matt@tacdc.org or at 3301 Northland Dr., Ste 410., Austin, Texas 78731 or 512-916-0508.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission (FTC). You can contact the FTC at 1-877-FTC-HELP, or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

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Updated periodically

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Exhibits

- A. *COMMUNITY LOAN CENTER* Franchise Agreement
- B. *COMMUNITY LOAN CENTER* Audited Financial Statements, 2024 and 2025
- C. *TEXAS COMMUNITY CAPITAL* Audited Financial Statements, 2023 and 2024

ITEM 1: THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language, this disclosure document uses “we” or “us” to mean COMMUNITY LOAN CENTER (or CLC) and TEXAS COMMUNITY CAPITAL (or TCC), the Franchisor and Subfranchisor. “You” means the individual, corporation or other entity that buys a “Community Loan Center” franchise.

Franchisor, Parent, and Affiliates

Franchisor

We conduct business under the names:

COMMUNITY LOAN CENTER/COMMUNITY LOAN CENTER CORPORATION

“Community Loan Center” is a part of the Rio Grande Valley Multibank (“RGVMB”). RGVMB was founded in 1995 by six investing stockholder banks covering the investment area of Cameron County. It expanded its investment area to include Hidalgo, Starr, and Willacy Counties in March 2001 and currently has 13 equity investor banks.

The mission of the RGVMB is to improve the economic conditions of people in the Rio Grande Valley through the cooperative efforts of our investment partner shareholder institutions.

CLC was established by RGVMB to administer its “Affordable Small Dollar Loan Program” to help ensure that individual and families struggling to make ends meet have an alternative to payday loans and other costlier loan programs. We currently conduct “Community Loan Center” operations comparable to the franchises being offered hereby from a single location in Brownsville, Texas. Key features of the Community Loan Center Affordable Small Dollar Loan Program are as follows:

- Low-interest loans from \$550 up to \$1,000
- 12 month term to repay loan (52 weeks)
- Online origination and servicing of loans
- Easy payments through payroll deduction
- Free financial counseling available
- No credit history needed
- No collateral
- No prepayment penalties
- Money deposited directly into the borrower’s checking account after employment verification from borrower’s company
- Payments due in accordance with payroll period

CLC's principal business address is:

642 E. Washington Street
Brownsville, TX 78521

Subfranchisor

We conduct business under the names:

TEXAS COMMUNITY CAPITAL/COMMUNITY LOAN CENTER OF TEXAS/COMMUNITY LOAN CENTER OF AMERICA

TEXAS COMMUNITY CAPITAL (TCC) is a Texas nonprofit corporation that was incorporated on February 17, 2004 and received its 501(c)(3) status on August 11, 2004. TCC also conducts business under the names "Community Loan Center of Texas" and "Community Loan Center of America". TCC entered into its agreement with CLC conferring subfranchising rights with respect to the franchises to be offered hereunder on October 14, 2014.

Our principal business address is:

3301 Northland Dr. Ste 410
Austin, Texas 78731

Agent for Service of Process

Franchisor

CLC's agent for service of process is Nick Mitchell-Bennett. His principal business address is 901 E. Levee Street, Brownsville, TX 78520.

Subfranchisor

TCC's agent for service of process is Matt Hull. His principal business address is 3301 Northland Dr. Ste 410 Austin, Texas 78731

Prior Experience

Franchisor

COMMUNITY LOAN CENTER was incorporated as a Texas corporation on August 26, 2010, and started operating small dollar loan businesses in 2011. We currently conduct "Community Loan Center" operations comparable to the franchises being offered hereby from one location in Brownsville, Texas and have reserved the right to operate Community Loan Centers in Starr, Hidalgo, Willacy and Cameron counties while granting to TCC as Subfranchisor the right to license such operations in other parts of Texas and in other states and territories in the United States. We began selling "Community Loan Center" franchises in conjunction with TCC as Subfranchisor in October 2014 to two other qualifying local lenders in major Texas markets whose levels of experience and other business activities qualified them as fractional franchisees. No other franchises in financial services or other lines of businesses have been offered, sold or distributed by the Franchisor or RGVMB using this or any other trademark.

Subfranchisor

TCC was incorporated as a Texas non-profit corporation on February 17, 2004 and received its federal tax exempt status as a 501(c)(3) on August 11, 2004. Although TCC has made other loans to nonprofits, the Community Loan Center Program was a new program for TCC. TCC was licensed by the Texas Office of Consumer Credit Commissioner as a regulated lender on January 14, 2014 and at times has been originated “Community Loan Center” loans using its d/b/a, “Community Loan Center of Texas”. TCC contracted in October 2014 with CLC for the right to act as Subfranchisor for the further offer and sale of Community Loan Center franchises in the State of Texas (outside CLC’s reserved territory of Starr, Hidalgo, Willacy and Cameron counties) and in other states and territories in the United States. “Community Loan Center” franchises will be offered to qualifying local lenders in Texas, and other states and territories, pursuant hereto. No other franchises in financial services or other lines of businesses have been previously offered, sold or distributed by the Subfranchisor using this or any another trademark.

The Franchise Business We Offer

A “Community Loan Center” franchise gives you the right to offer small dollar loans (a cash advance of no more than \$1,000, repayable in equal payments) in a designated geographic territory (“Franchise Area”). You will operate under the “Community Loan Center” business system and trademark, as well as any other service marks, logos and commercial symbols we authorize.

You will raise loan capital through grants, investments and loans or other sources, at your discretion. You will have agreements with local employers (located within your assigned operating Franchise Area) to provide small-dollar loans to all of their qualifying employees. It is anticipated that franchisees will typically be non-profit community lending or finance entities, although there is no requirement that you be a non-profit entity.

You will enter into a Franchise Agreement (as defined below) with CLC and TCC to receive rights to use the origination and servicing services provided by CLC’s internet-based software and a sublicense of the CLC brand products and support services.

You will have a designated account at an RGVMB-approved bank (the “RGVMB Account”) with a starting balance of at least \$50,000, from which funds will be drawn when a loan is originated to an employee of an employer partner of your franchised business. When the loans are repaid, you will have the choice of having those funds held in your RGVMB Account or sent to another non-RGVMB account, provided that when the balance in the RGVMB Account draws down to \$15,000, you will be sent a notice to replenish the account back up to \$50,000. In exchange for the services we provide you, we will collect a portion of both the origination fee and of the interest due on the loan, but you will keep the remainder of those fees, as explained in Item 7 below.

Your “Community Loan Center” franchise is implemented by a traditional franchise agreement (“Franchise Agreement”).

The general market for the loans you will offer is developing. The loans will be provided to employees of select employers with whom you choose to partner. Competitors include payday lenders, title lenders and any other high-cost lending sources, such as pawnshops that such lower-income employees might otherwise access on their own.

In consideration for the four-year \$10,000 franchise fee, we will grant you a limited, non-sublicensable, non-assignable, royalty-free right and sublicense to use the Sublicensed Software and Sublicensed Trademarks during the term of the franchise and in your Franchise Area (with defined exclusivity rights within such Franchise Area), as defined in the Franchise Agreement, solely to the extent necessary for you to participate in the program, although

you will be required to pay origination fees and service fees with respect to each loan made under the Community Loan Center Program pursuant to the Franchise Agreement. You will not be authorized to use, or permit any third party to use, the sublicensed software or the sublicensed trademarks for any other purpose.

Applicable Laws and Regulations

You must comply with federal, state, and local laws, regulations and ordinances that concern lending practices and apply to your business. In order to operate a “Community Loan Center” franchise, you must be licensed by the relevant authority in the state in which you will be operating the “Community Loan Center” franchise, or must otherwise be qualified under applicable laws, regulations and ordinances to operate as a lender, and you must maintain that license or qualification through compliance with the rules and regulations of the relevant state or federal authority, including necessary renewals.

The laws concerning consumer lending practices govern such items as interest rates or fees charged on consumer loans, which may vary widely depending upon the type of loan and the amount borrowed. Such laws may also describe regulated lender license requirements in order to make consumer loans and provide for required disclosure of fees and provisions for certain transactions Government agencies and legislative bodies may change these laws from time to time and you should be aware of any recent or pending changes. You must comply with all laws, regulations and ordinances that apply to you and your “Community Loan Center” franchise.

These laws, regulations and ordinances concerning lending practices in the states vary. Consult the relevant agency in your state.

The following federal consumer protection laws and regulations will generally apply to the making of small dollar loans under the franchised business:

- The Truth in Lending Act (TILA) and its implementing regulation, Regulation Z, require lenders to disclose loan terms and Annual Percentage Rates. Regulation Z also requires lenders to provide advertising disclosures, credit payments properly, process credit balances in accordance with its requirements, and provide periodic disclosures. Note that the requirements for open-end and closed-end loans differ.
- The Consumer Credit Protection Act protects employees from discharge by their employers because their wages have been garnished for any one debt, and limits the amount of an employee's earnings that may be garnished in any one week.
- The Electronic Fund Transfer Act (EFTA) and its implementing regulation, Regulation E, protect consumers engaging in electronic fund transfers. Among other things, Regulation E prohibits lenders from requiring, as a condition of loan approval, a customer's authorization for loan repayment through a recurring electronic funds transfer (EFT), except in limited circumstances.
- Fair Debt Collection Practices Act (FDCPA) governs collection activities conducted by: (1) third-party collection agencies collecting on behalf of lenders; (2) lenders collecting their own debt using an assumed name, to suggest that a third person is collecting or attempting to collect such debt; and (3) any collection agency that acquires the debt if the collector acquired the debt when it already was in default.
- The Fair Credit Reporting Act (FCRA) and its implementing regulations require that furnishers of information to consumer reporting agencies ensure the accuracy of data placed in the consumer reporting system. Additionally, the FCRA prohibits the use of consumer reports for impermissible purposes, and it

requires users of consumer reports to provide certain disclosures to consumers. The FCRA also limits certain information sharing between affiliated companies.

- The Gramm-Leach-Bliley Act (GLBA) and its implementing regulations prevent financial institutions from impermissibly sharing a consumer's nonpublic personal information with third parties, and it requires financial institutions to disclose their privacy policies.
- The Equal Credit Opportunity Act (ECOA) and its implementing regulation, Regulation B, set forth requirements for accepting applications and providing notice of any adverse action, and they prohibit discrimination against any borrower with respect to any aspect of a credit transaction:
 - On the basis of race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract);
 - Because all or part of the applicant's income derives from any public assistance program; or
 - Because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.
- The Consumer Financial Protection Bureau proposed regulations on June 2, 2016 that would apply to vehicle title and other short-term loans, which, if implemented as proposed, would require lenders to verify certain information about the borrower, including net income, existing debt obligations, housing expenses, as well as projecting basic living expenses of the borrower and determining the borrower's ability to repay the loan based on the above information.

In addition, under the Military Lending Act (MLA), special protections apply to "consumer credit," which has been defined through implementing regulations issued by the Department of Defense to include closed-end payday loans of \$2,000 or less with terms of 91 days or fewer that include creditors' access to consumer deposit accounts. You should investigate further the application and existence of these laws and any other laws affecting the consumer credit industry.

ITEM 2: BUSINESS EXPERIENCE

Franchisor Management:

Sergio Gonzalez, Board Chair, has twenty-five years of experience in banking, accounting, consulting, and government. He graduated from University of Houston Executive MBA program. Mr. Gonzalez worked in the Department of Commerce in D.C. as international trade analyst. Subsequently, he worked as an international tax consultant for the top three national accounting firms in the International Tax Divisions emphasizing in AD/CVD and FTZ matters. Mr. Gonzalez also enjoys community civic responsibilities and is currently serving as president of the Cameron County Housing Finance Corporation, president of UTRGV School of Business Advisory Board, president of Tip-o-Tex Boy Scouts of America, and Board Member of Community Bereavement Center.

Wendy Hanson, Board Vice Chair is a Board member of CLC and RGVMB. She is the Community Impact Director of United Way of Southern Cameron County, having served in that role for the last ten years. Her previous experience includes economic development efforts in South America. She is the convener of the Financial Stability Partnership and has developed VIDA EIC tax centers throughout southern Cameron County. She has focused her efforts on the Board toward individual and community strategies for asset building.

Lee Reed, Board Secretary/Treasurer is Executive Vice President at the International Bank of Commerce – Brownsville and chief credit manager and has been in banking for over 30 years. Mr. Reed currently manages \$125 million in commercial loan portfolio and manages eight lenders with a combined portfolio of over \$400 million.

Mark A. Yates – Board member, CPA, undergraduate in accounting and master's degree in Community & Regional Planning from the University of Texas, Austin. Served as the Cameron County Auditor for fourteen years, Owned and managed my own company selling wild-caught shrimp. Served seven years as Cameron County Director of Economic Development & Community Affairs. Employed as the current Executive Director for the Cameron County Housing Finance Corporation. Served on the Rio Grande Boy Scout Council Board as treasurer, and I served as Pack 206 Den Leader and assistant Troop Leader for Troop 206. I have served on the St. Anthony's School Board as president, on the St. Alban's Vestry as the Junior Warden, and I am currently on the St. Alban's Episcopal Day School Board.

In addition, the staff of CLC has the following lending experience:

Nick Mitchell-Bennett is the Executive Director and Administrator of RGVMB and the Community Development Corporation of Brownsville ("CDC Brownsville"), a position he has held since 2008. Prior to joining CDC Brownsville in 1997, he served as the Director of the Mennonite Partnership Building Initiative, working in the colonia areas of the Rio Grande Valley. From 1997-2000, he served as CDC Brownsville's Housing Programs manager overseeing housing program activities in rural and colonia areas. In 2007 he worked as the Resource Development Director with United Way of Southern Cameron County. He returned to CDC Brownsville in October 2008 to serve as the Executive Director. Mr. Mitchell-Bennett has a B.A. in Political Science and a M.S. in Economic Development. As Administrator of RGVMB, he is responsible to the RGVMB Board for overseeing implementation of all RGVMB programs and assuring compliance with regulatory guidelines. Under his leadership, the RGVMB launched the Small Dollar Loan Program and became the first CDFI member of the Federal Home Loan Bank of Dallas in 2011.

Edna Oceguera is the Deputy Director of CLC and of CDC Brownsville, a position she has held since 2011. Ms. Oceguera also held the position of Director of Administration and Operations of CDC Brownsville from September 2007 through April 2011. She also worked for Mercantile Bank in various areas, including loan and credit operations, for a total of 18 years of banking experience. Ms. Oceguera oversees administration, finance and loan operations for RGVMB and CLC. She oversees loan servicing, manages interim and warehouse lines of credit, enforces internal accounting policies and procedures, and coordinates audits and reporting functions with supervising agencies and member banks.

Nadia Erosa is the Operations Manager of RGVMB, a position she has held since October 2014. Ms. Erosa has extensive loan servicing experience, gained through her time as a Loan Servicing Accountant with CDC Brownsville, a position she held from February 2009 until October 2014.

Subfranchisor Management:

Gloria Sanderson, Board Chair, currently serves as the CRA Community Development Officer for Sunflower Bank, N.A. since October 2013, focusing on enhancing community engagement and visibility across Texas. Prior experience includes roles as Senior Vice President and CRA/Fair Lending Officer at Pioneer Bank, SSB, where Gloria guided efforts to meet community credit needs while monitoring fair lending practices. As Principal at Sanderson Solutions, expertise was provided in real estate finance and community planning. Previous positions

include Senior Project Manager at Bazilio Cobb Associates, Vice President at WaMu, Program Director at Local Initiatives Support Corporation, and Vice President at Bank of America, along with an earlier role at the Resolution Trust Corporation. Gloria holds a B.S. from Texas Woman's University.

In addition, the staff of TCC has the following lending experience:

Matt Hull is the Senior Administrator of TCC and also the Executive Director of the Texas Association of Community Development Corporations ("TACDC"), a position he has held since July 2012. In his work for TACDC, Mr. Hull has worked with a number of nonprofits across the state to provide training and technical assistance in connection with accessing state and federal loan programs, including developing underwriting guidelines for hard to serve families, and maintaining compliance with the SAFE Act. From April 2008 to July 2012, Mr. Hull was the Executive Director of Habitat for Humanity of Texas. In that position, Mr. Hull provided training to Habitat affiliates across Texas on mortgage underwriting guidelines, equal opportunity lending, and the federal SAFE Act. Mr. Hull has completed training from the National Development Council on Affordable Housing Finance and has a Masters of Regional Planning with a specialization in economic development from the University of North Carolina at Chapel Hill. Mr. Hull has also had experience with providing small dollar loans through his work with TCC, where he oversaw TCC's interim lending under the CLC program.

ITEM 3: LITIGATION

No litigation is required to be disclosed in this item.

ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5: ANNUAL FEES

Franchisee is required to pay a franchise fee to Subfranchisor ("Franchise Fee") of \$10,000. The Franchise Fee is payable, at Franchisee's option, in one of two ways: (i) \$10,000 in a lump sum payment payable upon the Effective Date of the Franchise Agreement, or (ii) \$2,500 for each year of the Term, the first such \$2,500 annual fee payable upon the Effective Date of the Franchise Agreement and subsequent annual fees payable upon the first, second and third anniversaries of the Effective Date. The Franchise Fee is nonrefundable upon payment and is paid for the use and sublicense of the Loan Program Intellectual Property, the Trademarks and certain loan services, within a defined Franchise Area as specified in the Franchise Agreement; however, as a startup incentive for the first ten (10) nonprofit community lenders to purchase a CLC franchise in Texas, all Franchise Fees have been prepaid by a philanthropic donor on behalf of such initial 10 nonprofit community lenders who become CLC affiliates. At present there are no open positions for this startup incentive. Other than the startup incentive described above, this Franchise Fee is intended to be uniformly assessed upon all franchisees entering into Franchise Agreements at a particular time, but we reserve the right to change such fees from time to time in the future.

This \$2,500 annual fee is divided by the Franchisor as follows: \$[1,250] to CLC, the Franchisor, and \$[1,250] to be retained by TCC, the Subfranchisor.

For franchise locations in Indiana, this \$2,500 annual fee is divided by the Franchisor as follows: \$[1,000] to CLC, the Franchisor, \$500 to Prosperity Indiana and \$[1,000] to be retained by TCC, the Subfranchisor.

ITEM 6: OTHER FEES

The following fees or charges must also be paid to us, or may in the indicated circumstances become payable to us. Such fees or charges are uniformly assessed upon all franchisees signing franchise agreements at this time, but we reserve the right to change such fees from time to time in the future.

OTHER FEES			
Type of fee	Amount	Due Date	Remarks
Monthly Loan Origination Fee	\$10.50 times the number of Administrative Fees generated by Franchisee's loan portfolio during the month	Monthly	A \$20 Administrative Fee is charged to the Community Loan Center loan borrowers for each loan, of which \$9.50 will be paid to the Franchisor for administrative fees, \$1.00 will be paid to the Subfranchisor for administrative fees, and the remaining \$9.50 will be paid to you.
Monthly Loan Servicing Fee	0.45% of the outstanding monthly balance for each Community Loan Center loan originated by you.	Monthly	We will charge you a loan servicing fee for support services related to origination and servicing for loans originated by you.
Optional Services Fees for services that fall outside the scope of usual scheduled services described in the Franchise Agreement	To be determined upon prior written agreement by the Parties	As incurred	See Sections 7.1, 7.2, and 7.3, Schedule 1, and Exhibit A-2 of the Franchise Agreement for services included in the initial fee, origination fee and loan servicing fee, as well as examples of Optional Services Expenses.
Late Fees	Varies	As incurred	If you fail to pay us, the amount due shall bear interest from the due date to the date of payment for each day the payment is overdue at a per annum rate (based on a year of 365/366 days) equal to the U.S. Prime Rate, as reported in the "Money Rates" section of The Wall Street Journal on such day.
Indemnification	Varies	As incurred	You must hold us harmless against third party claims relating to your provision of local lender services
Audit or Review Expense	Varies	As incurred	Both you and we have the right to conduct an audit, review or accounting from time to time of amounts you owe us. If any such audit should detect an underpayment of 10% or more for the

			period audited, you will be required to reimburse us for our audit expense in the form of offsets to future payments otherwise due such underpaying party, and must also and in any case promptly pay the underpaid amount plus interest at the <i>Wall Street Journal</i> -published prime rate.
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ITEM 7: YOUR ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Franchise Fee ¹	\$10,000	\$10,000 in lump sum payment, or \$2,500 for each year of the Term	At signing of Franchise Agreement if lump sum payment; at the signing of Franchise Agreement and annually on the anniversary of the signing of the Franchise Agreement if \$2,500 payments	Us (TCC/CLC)
Regulated Lender Application and License Fee	Amount varies by state	Lump sum	Must be licensed within 6 (six) months of entering into Franchise Agreement with us (TCC/CLC)	Relevant state agency
Directors and Officers Liability Insurance	Amount varies	As incurred	As invoiced	Insurance company
Minimum net assets required for loans or other working capital to engage in lending business ²	At least \$200,000 in cash or other liquid net assets	Not Applicable	Before engaging in lending business	Not Applicable
Total resources estimated for initiation of franchised business	\$265,000-500,000	Not Applicable	Not Applicable	Not Applicable

¹ This fee is non-refundable under the terms of the Franchise Agreement and is the fee for use and sublicense

of the Loan Program Intellectual Property, the Community Loan Center trademarks and related services.

- 2 The amount represents the net assets you must have on hand to commence the franchised Community Loan Center business (at the low end of the range) and the greater amounts that we believe it might be prudent to have on hand for loan purposes before commencing business, although such greater amount will vary with the size of your market and the likely number of initial associated employers with whom you will do business. In any case, you must comply with any state agency requirements for minimum net assets to commence business and you must have at least \$50,000 deposited to your RGVMB Account to commence business.
- 3 It is generally anticipated that your Community Loan Center franchise will be operated as an adjunct to some pre-existing business that will provide you with any necessary office space, furniture, fixtures and equipment. However, the Community Loan Center franchise is primarily operated through contractual arrangements with local employers and their qualifying employees and is primarily conducted on-line, so that we do not require any particular office facilities or place of business, other than basic computer equipment and access to the Internet. Accordingly, our estimate for these purposes is based upon an assumption that you will need only to acquire a dedicated computer for the franchised business.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required purchases

1. Required Purchases/Leases. Currently, we do not require you to purchase real estate, signs, computers, fixtures or equipment relating to the establishment or operation of the franchise business directly or indirectly from the franchisor or other designated vendors, except as follows:
 - a. You will be required to use only the licensed software (KENN) for making “Community Loan Center” loans. The cost for such license is represented by the initial fee (in addition you pay an origination fee and recurring service fees for loans originated by you).

The Community Loan Center franchise does not currently require you to maintain a physical office and, if you have an existing office or create one in the future, we do not currently regulate the design, size or appearance of your office facility (except that, if you have an office, we do reserve the right to require reasonable standards of cleanliness, safety and attractiveness). Accordingly, we do not offer, nor do any of our affiliates offer, computers, furniture, fixtures, signs, or supplies for sale or impose particular supplier approval requirements or standards with respect thereto.

ITEM 9: FRANCHISEE’S OBLIGATIONS

FRANCHISEE’S OBLIGATIONS		
This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in the agreement and in other items of this disclosure document.		
Obligation	Section in agreement	Disclosure Document Item
a. Site Selection and acquisition/lease	<i>Not Applicable</i>	<i>Not Applicable</i>

b. Pre-opening purchase/leases	<i>Not Applicable</i>	<i>Not Applicable</i>
c. Site development and other pre-opening requirements	<i>Not Applicable</i>	<i>Not Applicable</i>
d. Initial and ongoing training	<i>Not Applicable</i>	<i>Not Applicable</i>
e. Opening	<i>Not Applicable</i>	<i>Not Applicable</i>
f. Fees	Sections 7.1, 7.2, 7.3, 7.5, Schedule 1, and Exhibit A-2 of the Franchise Agreement	Items 5, 6, & 7
g. Compliance with standards and policies/operating manual	Section 14.1 of Franchise Agreement	Item 8 & 11
h. Trademarks and proprietary information	Sections 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 5.1, 9.1, 9.2, 10.3, and 12.1 of Franchise Agreement	Items 13 & 14
i. Restrictions on products/services offered	Section 3.1 and 3.2 of Franchise Agreement	Item 8
j. Warranty and customer service requirements	<i>Not Applicable</i>	<i>Not Applicable</i>
k. Territorial development and sales quotas	Section 10.1(d) of Franchise Agreement	<i>Not Applicable</i>
l. Ongoing product/service purchases	<i>Not Applicable</i>	<i>Not Applicable</i>
m. Maintenance, appearance, and remodeling techniques	<i>Not Applicable</i>	<i>Not Applicable</i>
n. Insurance	Section 8.1(a) of Franchise Agreement	Item 7
o. Advertising	Sections 12.1, 12.2 and 18.7 of Franchise Agreement	Item 12
p. Indemnification	Sections 15.1, 15.2, 15.3, and 15.4 of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	<i>Not Applicable</i>	<i>Not Applicable</i>
r. Records and reports	Section 11.1 of Franchise Agreement	<i>Not Applicable</i>
s. Inspections and audits	Section 11.2, 11.3, 11.4 of Franchise Agreement	<i>Not Applicable</i>
t. Transfer (Assignment)	Section 18.8 of Franchise Agreement	<i>Not Applicable</i>
u. Renewal	Section 6.2 of Franchise Agreement	<i>Not Applicable</i>
v. Post-termination obligations	Section 16.2, 16.3, 16.4 of Franchise Agreement	<i>Not Applicable</i>

w. Non-competition covenants	Section 13.1 of Franchise Agreement	<i>Not Applicable</i>
x. Dispute resolution	Sections 17.1, 17.2, and 17.3 of Franchise Agreement	<i>Not Applicable</i>
y. Other (describe)		
1. Access; Use	Section 18.1 of Franchise Agreement	<i>Not Applicable</i>
2. Irreparable Harm; Remedies	Section 9.3 of Franchise Agreement	<i>Not Applicable</i>

ITEM 10: SUMMARY OF FINANCING OFFERED

Except for the waiver of the initial fee for the first 10 franchisees described in Item 5, we do not currently offer direct or indirect financing to you with respect to the establishment of your Community Loan Center franchise.

ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, neither CLC nor TCC are required to provide you with any assistance.

Assistance

Pre-Opening Obligations: Before you open your business, we will:

1. Designate the geographic territory in which you have the right to use the Sublicensed Trademarks. (Article V, Franchise Agreement).
2. Provide training for use of software (Schedule 1 of Franchise Agreement).
3. Provide a loan-funding account to be held at Frost Bank, a participating bank of the Rio Grande Valley Multibank (Schedule 1 of Franchise Agreement).

Post-Opening Obligations: After you open your business, we will

1. Maintenance and updates of Software as required to maintain adequate operation of the Software (Schedule 1 of Franchise Agreement).
2. Access to performance and periodic reports, data and documents in electronic format (Schedule 1 of Franchise Agreement).
3. Tracking the flow of funds between Franchisee's borrowers and Franchisee's CLC Loan Funding Account (Schedule 1 of Franchise Agreement).
4. Periodic backup of data and maintenance of electronic copies of data for four (4) years, or as otherwise needed for compliance with any Legal Requirement (Schedule 1 of Franchise Agreement).
5. Notice to Franchisee when its CLC Loan Funding Account contains insufficient loan funds (Schedule 1 of Franchise Agreement).

6. Delinquency reports on Franchisee loans (Schedule 1 of Franchise Agreement).
7. Assistance with marketing and Program planning/forecasting (Schedule 1 of Franchise Agreement).
8. Assistance with recruiting and training Employers (Schedule 1 of Franchise Agreement).
9. Training on loss mitigation, raising capital, and raising operating funding (Schedule 1 of Franchise Agreement).
10. Assistance and the provision of information, as necessary, with any audit and investigative services in connection with licensing requirements by regulators (Schedule 1 of Franchise Agreement).
11. Assistance and the provision of information, as necessary, for responses to audits and investigations initiated by regulators (Schedule 1 of Franchise Agreement).
12. Assistance and the provision of information, as necessary, for reporting to regulators (Schedule 1 of Franchise Agreement).
13. Generation of appropriate and required documentation, including that required for compliance with any Legal Requirement, for each loan (*i.e.*, declination letters, promissory notes, etc.) (Schedule 1 of Franchise Agreement).

Opening

We expect that a typical length of time between signing the Franchise Agreement and the commencement of operations of your Community Loan Center will be approximately (2) two months. If Franchisee fails to commence operating within (6) six months of signing the Franchise Agreement, Franchisee shall be deemed to be in default, and TCC may terminate the Franchise Agreement.

Advertising

We will not conduct advertising on your behalf. You are not required to participate in any advertising cooperatives or otherwise contribute to any advertising funds. The guidelines you should follow in your advertising efforts are located in Sections 4.3 and 4.6 of your Franchise Agreement and include the following:

1. You may only use a business name that accurately describes the geographical area of your use, which is the Franchise Area as defined in your Franchise Agreement.
2. You may not use any colorable imitation of the Trademarks or any variant form (including variant design forms, logos, colors, or type shapes) not specifically approved by TCC.
3. You may not incorporate the “Community Loan Center” trademarks into your own product names, service names, trademarks, logos, or company names, such that the resulting composite marks form a singular commercial impression, and you may not adopt marks or logos that are confusingly similar to the “Community Loan Center” Trademarks.
4. You may not use the “Community Loan Center” Trademarks in any disparaging or controversial context that will negatively affect the reputation of the Program.

5. The “Community Loan Center” Trademarks may not be used to describe any product other than the loans currently offered by the Program or such other products as are offered by the Program from time to time.
6. In any advertising, communications, documents, or electronic messaging relating to the Program, only the “Community Loan Center” Trademarks shall be used and no other marks, logos or names should be used in connection therewith without the express prior written consent of TCC.
7. You must use the proper “Community Loan Center” trademark notice at least once in all of your packaging, printed materials and advertising. Proper notification involves use of the superscript “®” at the upper, right-hand corner of the Marks,  , and the superscript “TM” within text when the Mark is used without the Design, *e.g.* COMMUNITY LOAN CENTER™.

Operating Manual

There is currently no Operating Manual made available to Franchisees, although we reserve the right to prepare and distribute such a Manual in the future that will prescribe processes (but not inconsistent with the terms of your Franchise Agreement) to be observed in the marketing of your franchised business and the origination of small dollar loans.

Training

TRAINING PROGRAM			
Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Technical Assistance concerning the various aspects of the program.	As needed	As needed	To Be Determined

ITEM 12: TERRITORY

We will designate a specific location, otherwise known as your Franchise Area, in which you may offer the “Community Loan Center” loans in accordance with the Franchise Agreement. You will operate in this one geographic area and must receive our permission before relocating.

By the terms of the Franchise Agreement or other practice, you are limited in the services you may offer for sale so as not to offer a competing financial service or other small-dollar loan product as an alternative to payday and title loans.

You will have the right to use the sublicensed trademarks on the Internet, but generally only to the extent necessary to promote and deliver services within your Franchise Area. Additionally, although you generally may only solicit employer participants within your Franchise Area, the employees participating in the program may live outside your Franchise Area.

You are expected to work collaboratively with other “Community Loan Center” Franchisees and with us to solicit administrative funds and loan capital and in approaching and working with regional and statewide employers. You

may not reach outside of your Franchise Area for the purpose of soliciting employers for participation in the program unless it is part of a collaborative approach with another Franchisee or with us. If such a collaborative approach is successfully undertaken then this restriction does not apply to the decisions reached in that undertaking.

During the term of your franchise agreement, neither CLC nor TCC will conduct a “Community Loan Center” operation from a physical office or location within such Franchise Area nor will they market such small dollar loan program to employers headquartered within such Franchise Area, nor franchise or license any third party to conduct a “Community Loan Center” operation from a physical office or location nor will they market such small dollar loan program to employers headquartered within such Franchise Area; provided, however, CLC and TCC reserve the right to offer, or to license others to offer, small dollar loans to employees within your Franchise Area who are employed by employers headquartered outside your Franchise Area, as part of any national or regional account for such employers or otherwise.

Our intention is to expand the “Community Loan Center” program into additional markets throughout Texas and to other states and territories across the United States.

You do not receive the right to acquire additional franchises within your area.

There is no minimum loan production quota. You maintain rights to your area even if the population increases. However, if Subfranchisor finds that you have been inactive for a year or more then Subfranchisor may, at its discretion, terminate the franchise unilaterally.

During the term of the Franchise Agreement and for a period of two years after the date of termination of that Agreement, you shall not, nor shall you permit any of your Affiliates to, directly or indirectly engage in or assist others in engaging in any business or program that offers small-dollar loans to individual borrowers as an alternative to payday and title loans.

ITEM 13: TRADEMARKS

We grant you the right to operate under the name “*Community Loan Center of [Franchise Area]*.”[®] You may also use our other current or future Community Loan Center marks to operate your “Community Loan Center”[™] franchise business. We have registered the trademark indicated on the cover page of this Franchise Disclosure Document with the United States Patent and Trademark Office.

You must follow our rules when you use our “Community Loan Center” marks, which you will find in the Franchise Agreement Sections 4.1, 4.2, 4.3, 4.5, 4.6, and 4.7. You cannot use any of the Community Loan Center marks as part of your corporate or other name although you are permitted and required to assume the business name of “*Community Loan Center of [Franchise Area]*”[®] for your Community Loan Center franchised business and to file an assumed name certificate in that name. You must also follow our instructions for identifying yourself as a Franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must sign any documents we or our counsel determine are necessary to obtain protection for the “Community Loan Center” marks or to maintain their continued validity and enforceability. You may not take any action that would prejudice or interfere with the validity of our rights with respect to the “Community Loan Center” marks and may not contest the validity of our interest in the “Community Loan Center” marks or assist others to do so. You may not use CLC’s name in connection with the sale of any unauthorized product or service, or in a manner that we have not authorized in writing.

There is no pending federal or state court litigation regarding our use or ownership rights in any “Community Loan Center” marks.

No agreements limit our right to use or license the use of Community Loan Center's trademarks.

You must notify us immediately if you learn about an infringement of, or challenge to, your use of our trademark. We will take the action we think appropriate. While we are not required to defend you against a claim against your use of our "Community Loan Center" marks, we will reimburse you for your liability and reasonable costs in connection with defending our "Community Loan Center" marks. To receive reimbursement, you must have notified us immediately when you learned about the alleged infringement or challenge and such reimbursement will only be for reasonable out-of-pocket expenses, if any, that we expressly request you to incur in connection therewith.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own rights in or licenses to any registered patents or copyrights that are material to the franchise.

ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We may exercise our sole discretion in selecting an entity or person we believe will be a suitable franchisee for any particular Franchise Area, but unless a franchise is awarded to an individual (in which event such individual will be required to participate in the actual operation of the franchised business on a day-to-day basis), for an entity franchisee no particular individual will be obligated to participate in the actual operation of the franchised business on a day-to-day basis.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only those loan and financial services that we have approved (see Items 8 and 9).

You must offer all loan and financial services that we designate as required for all franchisees. These required services are small-dollar loans. These loans are customarily in initial principal amounts of not more than \$1,000, and have a repayment period of 52 weeks, 24 payments (twice a month), 26 payments (every other week) or 12 payments (one per month), with an interest rate of 18% and a \$20 administration fee. Loans will be offered to qualified employees of participating employers.

You must be licensed or otherwise qualified as a lender by the relevant state or federal agency, and you must take all necessary steps to maintain that licensure or qualification.

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP		
This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.		
Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 6.2	The term of the Franchise Agreement will commence on the effective date, as that term is

		defined in said agreement, and is four years, or until termination by one or both parties upon certain stated circumstances.
b. Renewal or Extension of the term	Section 6.2	Up to two 4-year renewal terms are permitted. The renewal fee for the franchise is \$10,000 for each additional four-year period.
c. Requirements for franchisee to renew	Section 6.2	Franchisee must be current on all fees due and in good standing with Franchisor and Subfranchisor.
d. Termination by franchisee	Section 16.1(d), (e)	(d) At your sole option, provided that (i) You give us 30 days' prior written notice of your intent to terminate this Agreement, and (ii) You have no outstanding obligations under this Agreement, any of the other Transaction Documents or under the Affordable Small Dollar Loans Program (<i>e.g.</i>, outstanding loans, unpaid fees, etc.) which have not been waived, assigned or otherwise terminated (e) At your option, if we breach any covenant or representation or warranty under this Agreement or any other Transaction Document in any material respect and fail to cure such breach within 30 days after receipt of written notice of such breach from you
e. Termination by subfranchisor without cause	Section 16.1 (f) and (g)	(f) automatically upon any change in Legal Requirements resulting in the provision of any of the Services or the performance of any other obligation hereunder becoming unlawful; or (g) any default by you of any other agreement between us or our Affiliates and you shall be deemed a default under this Agreement and any default by you of this Agreement shall be deemed a default under any and all other agreements between us and you. If the nature of such default under any other agreement would have permitted us to terminate this Agreement, had the default occurred hereunder, we shall have the right to terminate this and all of the other agreements

		between us or our Affiliates and you in the same manner as provided herein for termination of this Agreement. (Is this really a “no cause” termination?)
f. Termination by franchisor with cause	Section 16.1(b), and (c)	We may terminate upon your breach of the Agreement, as defined in sections g and h below.
g. “Cause” defined—curable defaults	Section 16.1(c)	16.1(c) (vii) if you fail, for a cure period of fifteen (15) days, or such shorter period as prescribed by any Legal Requirement, after notification of noncompliance, to comply with any Legal Requirement, including, but not limited to, the loss of any applicable licensing and regulatory approval required for you by any federal and state regulatory or oversight body; (x) if you fail to maintain the insurance required by us and does not correct the failure within a cure period of (30) days regardless of when notice of such breach is sent by us; (xi) if you fail to pay us or our Affiliates any amounts due and does not correct the failure within a cure period of ten (10) days after written notice of that failure is delivered; (xii) if you fails, within a cure period of ten (10) days after written notice of failure is delivered, to pay when due any federal or state income, service, sales or other taxes due on the operation of the Franchise, unless you are in good faith contesting its liability for these taxes, or if, with respect to the Franchise, you fail to pay any other governmental charge, rent, lease payments or payments to other creditors;
h. “Cause” defined—non-curable defaults	Section 16.1(b), (c), (g)	16.1(b)(i) If you become insolvent or makes a general assignment for the benefit of creditors; files a petition in bankruptcy or one is filed against you; if you are adjudicated bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian is filed and consented to by you or if a receiver or other custodian is appointed by a court; or if proceedings for a composition with

		creditors under any state or federal law are instituted by or against you; or if a final judgment remains unsatisfied or of record for 30 days or longer; or if you are dissolved. 16.1(c) (i) if you abandon or actively fail to operate the Franchise for three (3) or more consecutive business days, unless such cessation of operation is in connection with a temporary closure during periods of inclement weather, casualty or government order; (ii) if you default in any material obligation as to which you have previously received two (2) notices of default from us within the preceding twelve (12) months, whether or not such repeated default is cured; (iii) if you (or if the Franchisee is an entity, any partner or shareholder in the Franchisee entity) purports to sell, assign, transfer, pledge, hypothecate, or encumber, in whole or in part, this Agreement or the Franchise in violation of the terms hereof; (iv) if an audit or investigation conducted by us discloses that you have knowingly understated sales or withheld the reporting of same as herein provided; (v) if you (or if the Franchisee is an entity, any officer, member of governing body or owner of ten percent (10%) or more of such entity (each a "Principal")) make or have made any material misrepresentations relating to its acquisition of the Franchise or engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchise, the Program, the Marks, and the goodwill associated therewith; (vi) if you (or if Franchisee is an entity, any Principal of Franchisee) are convicted of, pleads either guilty or no contest to, a felony, fraud, a crime involving moral turpitude, or found liable in a civil claim for fraud or any unfair or deceptive act or practice that we believe is reasonably likely to have an adverse effect on the
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		Franchise, the Program, the Marks, and the goodwill associated therewith; (viii) if you (or if Franchisee is an entity, any Principal of Franchisee) fail to comply with the covenants not to compete in Article XIII; (ix) if you (or if Franchisee is an entity, any Principal of Franchisee) knowingly make any unauthorized use or disclosure of any Confidential Information; (xiii) if any of your assets, property or interests (or if Franchisee is an entity, any Principal of Franchisee) are blocked under any law, ordinance or regulation relating to terrorist activities, or you or any Principal of Franchisee otherwise violate any such law, ordinance or regulation; or (xiv) if you fail to comply with any other provision of this Agreement or breaches any covenant or representation or warranty under this Agreement or any of the Transaction Documents in any material respect and fails to cure such breach within a cure period of thirty (30) days after receipt of written notice of such breach from us. (g) any default by you of any other agreement between us or our Affiliates and you shall be deemed a default under this Agreement and any default by you of this Agreement shall be deemed a default under any and all other agreements between you and us. If the nature of such default under any other agreement would have permitted us to terminate this Agreement, had the default occurred hereunder, we shall have the right to terminate this and all of the other agreements between us or our Affiliates and you in the same manner as provided herein for termination of this Agreement.
i. Franchisee's obligations on termination/non-renewal	Section 16.2 and 16.3(a), (b), (d)	16.2 (a) You must pay the amounts due to us, including any unpaid Franchise Fees, Services Fees, Services Expenses, and all other amounts owed to us as provided in this Agreement in full

		within five (5) days after rescission or termination of this Agreement. (b) Return Confidential Information and property belonging to us to the locations that we reasonably designate. If requested by us, you will destroy or erase all copies of the Confidential Information in your possession, or in the possession of any of your employees, consultants, agents, representatives, contractors or subcontractors, including copies on paper or other hard copy and copies on computer or other storage media. 16.3 (a) You must immediately provide us with a list of then-existing borrowers and respective outstanding loans as of the date of rescission or termination of this Agreement. You must immediately provide us with a detailed plan outlining when interest payments and principal repayments of the outstanding loans will be made. (b) Upon termination or expiration of this Agreement, you must cease all operations related to your participation in the Program. You must take the following actions: (i) discontinue all new lending activities; (ii) discontinue all advertising, promotional, and marketing activities; (iii) discontinue any use of the Software, except for the use necessary to monitor repayments of existing loans; (iv) discontinue any acts that identify itself or any other business which it owns as a participant in the Program or as otherwise being associated with Subfranchisor, including, but not limited to, the use of the Marks; (v) immediately return to Subfranchisor all copies of the reporting forms, completed application forms and other written materials
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		pertaining to the Program in Franchisee's possession; and (vi) cancel or change all telephone numbers, internet addresses and other communication equipment listings used in participating in the Program, or assign such listings to Subfranchisor or to its designee as Subfranchisor directs. Franchisee hereby grants to Subfranchisor his power of attorney to cause such assignment. (d) You must stop generating new loan applications through any webpage using the Domain Name and must remove all Marks from any webpage using the Domain Name
j. Assignment of contract by franchisor ⁽¹⁾	Section 18.8	We have the right to transfer or assign all or any part of the Franchise Agreement to any person or legal entity,
k. "Transfer" by franchisee—defined	Section 18.8	"Assignment" shall mean any transfer of this Agreement or the rights or obligations hereunder, whether voluntary or involuntary, and shall include, but is not limited to, an assignment by operation of law, merger, consolidation, amalgamation, or any other similar transaction with such result that the ultimate controlling persons or entity of Franchisee have been changed
l. Franchisor ⁽¹⁾ approval of transfer by franchisee	Section 18.8(a)	Prior written consent of TCC is required for your assignment of Agreement
m. Conditions for franchisor ⁽¹⁾ approval of transfer	Section 18.8 (a)	(i) Franchisee shall have fully complied with all of the terms and provisions of this Agreement or any other agreement with Subfranchisor or its Affiliates, and at the time of assignment, shall not be in default thereof; (ii) the assignee shall be reasonably qualified to operate the Franchise, as determined by Subfranchisor, including, but not limited to, sufficient business experience in financial lending, aptitude and financial resources required to operate the Franchise; and (iii) the assignee shall sign the then-current form of Community Loan Center franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement

n. Franchisor's ⁽¹⁾ right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o. Franchisor's ⁽¹⁾ option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Section 13.1	You and your Affiliates may not, directly or indirectly, operate or own an interest in any entity that engages in any business or program (except the Program) that offers small dollar loans to individual borrowers as an alternative to payday and title loans in the Franchise Area, nor may you intentionally interfere with business relationships between us and any other Party in connection with the Affordable Small Dollar Loans Program without our prior written consent; you may not solicit any business away from another Franchisee without prior written consent.
r. Non-competition covenants after the franchise is terminated or expires	Section 13.1	The above-described restriction in section q is applicable for 2 years after the termination of the Services Agreement.
s. Modification of the agreement	Section 18.5	Any amendment or modification must be mutually agreed upon and in writing.
t. Integration/merger clause	Section 18.4	Agreement contains the entire agreement of the parties thereto and no other agreements relating to the subject matter in the Agreement exist between the parties.
u. Dispute resolution by arbitration or mediation	Section 17.1 and 17.2	Disputes may be directly negotiated, but if not resolved during that period, must be submitted to mediation in Texas.
v. Choice of forum	Section 18.7	Litigation must be in United States District Court for the Western District of Texas or if that court lacks jurisdiction, in a state district court sitting in Travis County, Texas.
w. Choice of law	Section 18.2	Texas law governs.

ITEM 18: PUBLIC FIGURES

We do not use any public figure to promote the Community Loan Center system or franchise and have not paid

anyone for the right to use his or her name in promoting the sale of our franchises.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATION
(Based on Actual Historical Performance Results)

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We make no representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Community Loan Center business, however, we may provide you with actual records of that Community Loan Center business. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Howard Porter at (512) 916-0508, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION (Table No. 1)				
SYSTEMWIDE OUTLET SUMMARY for years 2021 to 2025				
Outlet Type	Year	Outlets at Start	Outlets at the End	Net Change
Franchised	2021	16	16	0
	2022	16	16	0
	2023	16	17	1
	2024	17	17	0
	2025	17	18	1
Company Owned	2021	2	2	0
	2022	2	2	0
	2023	2	2	0
	2024	2	2	0
	2025	2	2	0
Total Outlets	2021	18	18	0
	2022	18	18	0
	2023	18	19	1
	2024	19	19	0
	2025	19	20	1

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION (Table No. 2)								
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (Other than the Franchisor) For years 2021-2025								
One								

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION (Table No. 3)								
STATUS OF FRANCHISED OUTLETS For years 2021-2025								
State	Year	Outlets at Start of Year	Outlets Added	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
All	2021	18	0	0	0	0	0	18
	2022	18	0	0	0	0	0	18
	2023	18	2	0	0	0	1	19
	2024	19	1	0	0	0	1	19
	2025	19	1	0	0	0	0	20

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION (Table No. 4)							
STATUS OF COMPANY-OWNED OUTLETS For years 2018-2022							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets sold to Franchisee	Outlets at End of Year
All	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION (Table No. 5)			
PROJECTED OPENINGS AS OF DECEMBER 31, 2025			
State	Franchise Agreements Signed But Not Opened	Projected New Franchises in Next Fiscal Year	Projected New Company-Owned Outlets in Next Fiscal Year
Texas	0	0	0
Indiana	1	0	0
Missouri	0	0	0
Tennessee	0	0	0
North Carolina	0	0	0
Maryland	0	0	0
Idaho	0	0	0
Arizona	0	0	0
Michigan	1	0	0
Florida	0	0	0
Total	2	0	0

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

The Franchisor had 15 franchises operating at the end of 2024. The only two company-owned outlet in operation at the end of 2024 was the COMMUNITY LOAN CENTER INC. based in Brownsville, TX and the COMMUNITY LOAN CENTER OF TEXAS based in Austin, TX, which is not an active lender at this time.

The names, addresses, telephone numbers, contacts, contract e-mail addresses, websites, and approved territories of all of the currently licensed and operating Franchises` are as follows:

CLC of Austin

Effective Date: 9/16/2014

Contact: Raquel Valdez

rvaldez@bcloftexas.org

Phone: (512) 912-9884

Operated by BCL of Texas

Approved territory: Travis County in Texas

CLC website: www.clcofaustin.org

Approved Territory: Travis County in Texas

CLC of Dallas

Effective Date: 9/16/2014

Contact: Raquel Valdez

rvaldez@bcloftexas.org

Phone: (512) 912-9884

Operated by BCL of Texas
CLC website: www.clcofdallas.org
Approved Territory: Dallas County in Texas

CLC of the Brazos Valley (inactive)

Effective Date: 10/15/2014
Contact: Paul Turney
PTurney@BVAHC.org
Phone: (979) 595-2809 ext 5
Operated by Community Development Corporation of the Brazos Valley
CLC website: www.clcbv.org
Approved Territory: Brazos, Burleson, Grimes, Houston, Leon, Madison, Robertson, Walker, Waller and Washington Counties in Texas
Terminated: 2019

CLC of Greater Laredo (Inactive)

Effective Date: 5/27/2015
Contact: Rafael Torres
ritorres48@gmail.com
Phone: (956) 726-4462
Operated by Proyecto Azteca
CLC website: www.laredocommunityloancenter.org
Approved Territory: Webb, Zapata, Jim Hogg, and Dimmit Counties in Texas
Terminated: 2018

CLC of Greater Houston

Effective Date: 8/5/2015
Contact: Paul Charles
PCharles@nrcdc.org
Phone: (713) 520-5232
Operated by Neighborhood Recovery CDC
CLC website: www.clcgreaterhouston.com
Approved Territory: Harris County in Texas

CLC of Northeast Indiana

Effective date: 1/19/2016
Contact: Steve Hoffman
SteveHoffman@mybrightpoint.org
Phone: (260) 423-3546
Operated by Brightpoint
CLC website: www.clcnein.org
Approved Territory: Adams, Allen, DeKalb, Elkhart, Grant, Kosciuko, La Grange, Noble, St. Joseph, Steuben, Wells, and Whitley Counties in Indiana.

CLC of West Central Indiana

Effective Date: 2/9/2016
Contact: Marie Morse
Marie@HomesteadCS.org

Phone: (765) 423-1284 ext 101

Operated by HomesteadCS

CLC website: www.clcwestcentralindiana.org

Approved Territory: Benton, Boone, Carroll, Clinton, Fountain, Montgomery, Putnam, Tippecanoe, Warren and White Counties in Indiana

CLC of the Chesapeake

Effective Date: 7/5/2016

Contact: Daniel Ellis

dellis@nhsbaltimore.com

Phone: (410) 327-1200 x 118

Operated by NHS of Baltimore

CLC website: www.clcches.org

Approved Territory: Baltimore City, Baltimore County, Harford, Carroll, Howard, and Anne Arundel Counties in Maryland

CLC of the Heart of Texas

Effective Date: 10/21/2016

Contact: Delisa Burnell-Smith

dsmith@nw-waco.org

Phone: (254) 753-7337

Operated by NeighborWorks of Waco since 2021

CLC website: www.clchot.org

Approved Territory: Bell and McLennan counties in Texas

CLC of East Texas (Inactive)

Effective date: 5/1/2017

Contact: Chuck Vanderbilt

Chuck.Vanderbilt@etcog.org

Phone: (903) 218-6411

Operated by the East Texas Council of Governments

CLC website: www.clcetx.org

Approved Territory: Anderson, Camp, Cherokee, Gregg, Harrison, Henderson, Marion, Panola, Rains, Rusk, Smith, Upshur, Van Zandt and Wood Counties.

CLC of St. Louis County

Effective date: 6/12/2018

Contact: Mark Kurtz

mkurtz@caastlc.org

Phone: (314) 446-4402

Operated by Community Action of St. Louis County

CLC website: www.clcstlc.org

Approved Territory: St. Louis County and the City of St. Louis in Missouri

CLC of the NC Triangle

Effective date: 4/4/2018

Contact: Michael Croxson

mcroxson@cesisolutions.org

Operated by: Carolina Community Capital

Phone: 919-330-7882

CLC website: clcTriangle.org

Approved Territory: Alamance, Caswell, Chatham, Durham, Franklin, Granville, Lee, Harnett, Johnston, Orange, Person, Vance, Wake, and Warren counties in North Carolina.

CLC of Southeast Tennessee

Effective date: 12/1/2018

Contact: Chris Thompson

cthompson@cneinc.org

Ph. (423) 756-6224

Operated by Chattanooga Neighborhood Enterprise

CLC website: clcSoutheastTn.org

Approved Territory: Bledsoe, Bradley, Grundy, Hamilton, Marion, McMinn, Meigs, Polk, Rhea and Sequatchie counties in Tennessee.

CLC of Eastern Idaho

Effective: 11/25/2019

Commencement Date:

Contact: Mark Dahlquist, Executive Director

mdahlquist@nwpcatello.org

Ph. 208-232-9468

Operated by Pocatello Neighborhood Housing Services, Inc.dba: NeighborWorks of Pocatello

CLC website: CLCEID.org

Approved Territory: Bannock, Bear Lake, Franklin, Caribou, Oneida, Power, Bingham, Bonneville, Teton, Madison, Jefferson, Fremont, Clark, Butte, Cassia, Minidoka, Twin Falls, Jerome, Lincoln, Gooding, Camas, Blaine, Custer, and Lemhi counties in Idaho.

CLC of Middle Tennessee (Inactive)

Effective Date: 7/15/2019

Commencement Date: 12/10/2019

Contact: Marshall Crawford

Email: MCrawford@thehousingfund.org

Ph. (615) 780-7000

Operated by The Housing Fund

CLC website: clcMiddleTN.org

Approved Territory: Davidson, Cannon, Cheatham, Dickson, Hickman, Macon, Maury, Montgomery, Robertson, Rutherford, Smith, Stewart, Sumner, Trousdale, Williamson, and Wilson counties in Tennessee.
Terminated 2024

CLC of Mid Michigan

Effective Date: 12/10/2019

Contact: Marcus Rankins, Vice President of Asset Development

Email: mrankins@metroflint.org

Ph. (810) 620-1746

Operated by Metro Community Development

CLC Website: clcMidMi.org

Approved territory: Genesee, Saginaw, Lapeer, Livingstone, Oakland, Shiawasse, Midland and St. Clair counties in Michigan.

CLC of San Antonio

Effective Date: 2/15/2020

Lee Reed, Executive Vice President

Email: LeeReed.ibc.com

Ph. (956) 547-1019

Operated by IBC Bank

CLC website: clcSanAntonio.com

Approved territory: Bexar, Comal and Guadalupe counties in Texas.

CLC of Northern Arizona

Effective date: 2/15/2020

Contact: Devonna McLaughlin

Devonnam@housingnaz.org

Phone: (928) 214-7456

Operated by Housing Solutions of Northern Arizona

CLC website: clcnaz.org

Approved Territory: Coconino, Yavapai, Mohave, Navajo, and Apache Counties in Arizona

CLC of Southeast Missouri

Effective date: 7/6/2020

Contact: Keri McCrorey

Executive Director

kmccrorey@eastmoaa.org

Ph. (573) 431-5191

Operated by East Missouri Action Agency, Inc.

website: clcSeMo.org

CLC territory: Washington, Francois, Ste. Genevieve, Madison, Perry, Cape Girardeau, Bollinger and Iron Counties in Missouri.

CLC of Laredo

Effective Date: 7/6/2020

Elizabeth Alonzo-Villareal, CEO

Laredo, TX 78043-4206

Ph. (956) 712-9100

Operated by NeighborWorks of Laredo

Website: clcLaredo.org

CLC territory is: Webb, Zapata, Jim Hogg, and Dimmit Counties in Texas

CLC of Northwest Indiana

Effective date: to be determined

Contact: Jen Trowbridge, Executive Director

Email: jtrowbridge@nwi-ca.org

Ph. (219) 794-1829

Operated by Flourish NWI, LLC, a wholly owned subsidiary of Northwest Indiana Community Action Corporation

CLC website: clcNwIn.org

Approved territory: Lake, Porter, LaPorte, Newton, Jasper, Starke and Pulaski counties in Indiana.

CLC of Detroit

Effective date: to be determined

Contact: Hector Hernandez, Executive Director

Email: hhernandez@swsol.org

Ph. 313.297.0060

Operated by: Southwest Economic Solutions

CLC website: clcDetroit.org

Approved Franchise Service area is Wayne and Macomb counties in Michigan.

ITEM 21: FINANCIAL STATEMENTS

Attached to this disclosure statement as Exhibit B are financial statements of the Franchisor audited by a licensed, certified public accountant for the years 2020 and 2021. Attached to this disclosure statement as Exhibit C are financial statements of the Subfranchisor audited by a licensed, certified public accountant for the years 2020 and 2021.

ITEM 22: CONTRACTS

The following agreements and other required exhibits are attached to this disclosure document in the pages immediately following:

- A. *COMMUNITY LOAN CENTER*™ Franchise Agreement

ITEM 23: RECEIPTS**Receipt**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If *COMMUNITY LOAN CENTER* offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If *COMMUNITY LOAN CENTER* does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the Secretary of State of your state.

COMMUNITY LOAN CENTER's sales agent for this offering is TEXAS COMMUNITY CAPITAL, 3301 Northland Dr. Ste 410, Austin, TX 78731, Phone: (512) 916-0508.

Issuance date: 5/18/2026

I received a disclosure document dated 5/18/2026 that included the following Exhibits:

- A. *COMMUNITY LOAN CENTER*™ Franchise Agreement with financials for the Franchisor and Subfranchisor.

Signed: _____

Name: _____

Dated: _____

You should return one copy of the signed receipt by signing, dating, and mailing it to *COMMUNITY LOAN CENTER of America* at, Attn: Matt Hull, 3301 Northland Dr. Ste 410, Austin, TX 78731. You may keep the second copy for your records.

EXHIBIT A

Franchise Agreement



FRANCHISE AGREEMENT

**3301 Northland Drive
Suite 410
Austin, Texas 78731**

**Tel: (512) 916-0508
Fax: (512) 916-0541**

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THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made and entered into by and between Community Loan Center Corporation, a Texas corporation (“**Franchisor**”), Texas Community Capital, a Texas nonprofit corporation, d/b/a Community Loan Center of America (“**Sub franchisor**”), and [INSERT FRANCHISEE ENTITY NAME] d/b/a Community Loan Center of [XXXXXXX] (“**Franchisee**”) as of the last date signed and delivered by all three of the Parties hereto as evidenced by the date indicated below the signatures of each such Party on the signature page hereof (the “**Effective Date**”). This Agreement is made with reference to the following recitals:

RECITALS

A. **Franchisor.** COMMUNITY LOAN CENTER CORPORATION is a part of the Rio Grande Valley Multibank Corporation, and was established to administer the “Affordable Small Dollar Loans Program” (the “**Program**”) to provide a community service in the form of an alternative to payday loans and other more costly loan programs.

B. **Subfranchisor.** TEXAS COMMUNITY CAPITAL d/b/a COMMUNITY LOAN CENTER OF AMERICA is (i) a non-profit lending intermediary that provides loan products, development services, and other related activities to community-based organizations serving low- and moderate- income households, (ii) a network administrator for the Program providing technical assistance and other related services to community-based organizations serving low- and moderate-income households, and (iii) a regulated lender licensed in the State of Texas. Subfranchisor has been authorized and licensed by Franchisor to act as Subfranchisor and to identify and enter into franchise agreements with qualifying local lenders or other persons as franchisees under which Subfranchisor grants a license to such persons allowing them to use licensed logos, trademarks, and services marks (collectively, the “**Marks**”) and the Software necessary for such persons as franchisees to operate as local lenders participating in the Program.

C. **The Franchise.** A Community Loan Center franchise gives Franchisee the right to offer small dollar loans (with a minimum loan amount of \$400 and a maximum loan amount of \$1000) in a designated geographic territory, which in the case of this Franchise Agreement will be that geographic area designated herein as the Franchise Area. Franchisee will operate under the Community Loan Center business system, and will use the Marks in connection with its operation of the Program. Franchisee will raise loan capital through grants, investments, and loans or other sources, at its discretion. Franchisee will have agreements with public and private employers (located within its Franchise Area) to provide small dollar loans to their qualifying employees. If the Franchisee wants to offer small dollar loans in excess of \$1000 up to a maximum of \$2000, (i) the term of such loans must remain at twelve (12) months, (b) the Franchisee must seek the approval of the Franchisor and Subfranchisor by submitting information regarding the material impact to the Franchisee, such as capitalization for the Franchisee, risk projections, servicing fee increases, etc. Franchisor and Subfranchisor will update the proforma with adjusted numbers to present to Franchisee, and if Franchisee, Franchisor and Subfranchisor all approve, may result in additional adjustments to Exhibit A-2 to this Agreement (Monthly Fees for Franchisees in Indiana).

Franchisor, Subfranchisor, and Franchisee (individually, each a “**Party**” and collectively, the “**Parties**”), intending to be legally bound, hereby agree as follows:

ARTICLE I. DEFINITIONS

Section 1.1. Definitions. For purposes of this Agreement, the following terms have the meanings set forth below.

“**Affiliate**” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, the Person specified. For the purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through majority vote pursuant to the bylaws, ownership of voting securities or by contract or otherwise.

“**Approved Name**” is defined in Section 4.6(a).

“**Commencement of Operations**” is defined in Section 6.1.

“**Confidential Information**” means any and all confidential information disclosed or provided in accordance with or relating to this Agreement, on or after the date hereof, to the receiving Party by a disclosing Party (or accessible by the other Party) under this Agreement, regardless of form, such as, but not limited to, visual, oral, written, graphic, electronic or model form, including know-how and trade secrets, whether of a business or a technical nature, and whether patented or not, and all data, processes, designs and concepts, software programs, routines, formulae and concepts, marketing analyses, plans, customer data and surveys and all matters relating to either Party’s finances and personnel. Such Confidential Information includes (i) the contents of this Agreement, the Software and the Transaction Documents, (ii) any and all information provided at any training or information session, or otherwise provided online, related to the Program or the Software and (iii) any Improvements, as that term is defined in Section 4.7 “Confidential Information” does not include information that:

- (a) is lawfully received from another source free of restriction and without breach of this Agreement;
- (b) becomes generally available to the public without breach of this Agreement;
- (c) is known to the receiving Party at the time of disclosure to be free from any confidentiality obligations; or
- (d) that is independently developed by, or on behalf of, the receiving Party without resort to such confidential or proprietary information.

“**Customer Data**” means the names, addresses, telephone numbers, e-mail

addresses, dates of birth, demographic or related information, social security numbers, credit card information and any other personal or financial information of previous, current and prospective customers of the Franchise.

"Defective Service" is defined in Section 15.4.

"Dispute" is defined in Section 17.1.

"Domain Name" is defined in Section 4.6(b).

"Effective Date" is defined in the Preamble.

"Employer Participant" means an entity that has entered into a memorandum of understanding with Franchisee, an Other Franchisee or Subfranchisor to offer loans to that entity's employees under the program.

"Force Majeure Event" is defined in Section 18.16.

"Franchise" is defined in Section 3.1.

"Franchise Area" is defined in Section 5.1 and in Exhibit A-1.

"Franchise Disclosure Document" means the FTC-prescribed franchise disclosure document of Franchisor and Subfranchisor in the form most recently delivered to Franchisee prior to the date of this Agreement.

"Franchise Fee" is defined in Section 7.1.

"Franchise Renewal Fee" is defined in Section 6.2.

"Franchised Business" is defined in Section 3.1.

"Franchisee" is defined in the Preamble.

"Franchisee Obligations" means (i) the obligations and responsibilities described in Article VIII to be fulfilled by Franchisee or its third party contractors in connection with the Program and (ii) any other related obligations or responsibilities as the Parties may agree upon in writing from time to time, as evidenced by an amendment to Article VIII pursuant to Section 18.5.

"Franchisor" is defined in the Preamble.

"Improvements" is defined in Section 4.7.

"Legal Requirement" means all laws, including statutes, ordinances, rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, settlements and charges thereunder by or of federal, state or local governmental authorities having jurisdiction over the Parties or the Program.

“Loan Funding Account” is defined in Section 8.1(a)(ii).

“Marks” is defined in the Recitals.

“Material Adverse Effect” means any change or effect that is material and adverse to the Program, taken as a whole, or on the ability of either Party to perform its obligations hereunder.

“Monthly Fees” is defined in Section 7.2(b) and Exhibit A-2.

“Monthly Statement” is defined in Section 7.4(a).

“Negotiation Period” is defined in Section 17.1.

“Optional Services” is defined in Section 7.3.

“Optional Services Fees” is defined in Section 7.3.

“Other Franchisee” means an entity, other than Franchisee, participating in the Program that has entered into a sublicense with Subfranchisor and that is licensed and in good standing with the relevant state or federal government regulatory bodies.

“Owner Party” is defined in Section 16.2(b).

“Party” and **“Parties”** are defined in the Recitals.

“Person” means any individual, sole proprietorship, partnership, corporation, non-profit corporation, business trust, joint stock company, trust, unincorporated organization, association, limited liability company, limited liability partnership, institution, public benefit corporation, joint venture, entity or governmental authority (whether federal, state, county, city, municipal or otherwise, including any instrumentality, division, agency, body or department thereof).

“Probationary Period” is defined in Section 10.1(d).

“Product” is defined in Section 4.6(g).

“Program” is defined in the Recitals.

“Program Manual” is defined in Section 14.1.

“Program Services” means (i) the services described in Article VIII to be provided by or on behalf of Subfranchisor or its Affiliates for Franchisee and (ii) any other related services as the Parties may agree upon in writing from time to time pursuant to Section 18.5 hereof.

“Returning Party” is defined in Section 16.2(b).

“Reviewed Party” is defined in Section 11.2(b).

“Reviewing Party” is defined in Section 11.2(b).

“Site of Operations” means the physical location of the facility, if any, from which Franchisee provides the Program or Product and does not include purely administrative facilities.

“Software” means the computer programs and data in machine-readable form, including updates, owned or developed by Franchisor and licensed to Subfranchisor and associated with any implementation of the online origination and servicing of loans, in general, for the Program, including any necessary loan program intellectual property and which, to the extent required by law, have been reviewed and approved by the relevant state governmental regulatory agencies.

“Subfranchisor” is defined in the Preamble.

“Term” is defined in Section 6.2.

“Transaction Documents” means any agreement, document or instrument delivered pursuant here to or in connection with the transactions contemplated hereby.

ARTICLE II. REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Franchisee. Franchisee represents and warrants to Franchisor and Subfranchisor that the statements contained in this Article II are true, correct and complete as of the date of this Agreement:

(a) **Organization**. Franchisee (or its parent affiliate) is a nonprofit corporation duly organized under the laws of the State of Indiana. Franchisee has all requisite power and authority to operate its business as it is now being operated and to enter into this Agreement and the Transaction Documents. Franchisee is duly qualified to do business in its state of incorporation, and as a foreign organization in the other states and jurisdictions where Franchisee will be operating the Franchise and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification, except for jurisdictions in which the failure to be so qualified would not have a Material Adverse Effect.

(b) **Acceptance of Terms**. Franchisee has read this Agreement, the Transaction Documents and the Franchise Disclosure Document and understands and accepts the terms, conditions, and covenants contained in this Agreement and the Transaction Documents as being reasonably necessary to maintain Franchisor's and Subfranchisor's standards of quality and service and the uniformity of those standards in order to protect and preserve the Software and the goodwill of the Marks.

(c) **Authorization; Enforceability**. The execution, delivery and performance of this Agreement and the Transaction Documents by Franchisee and the consummation of the transactions contemplated by this Agreement and the Transaction Documents have been duly authorized by all necessary actions on the part of Franchisee. This Agreement and the Transaction Documents have been duly executed and delivered on behalf of Franchisee and constitute the legal, valid and binding obligation of Franchisee enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium, or similar laws from time to time in effect which affect creditors' rights generally and by legal and equitable limitations on the availability of equitable remedies.

(d) **No Conflicts**. The execution, delivery and performance of this Agreement and the Transaction Documents by Franchisee and the consummation of the transactions contemplated herein will not conflict with or violate or constitute a breach or default under (i) the organizational documents of Franchisee, (ii) any provision of any mortgage, trust indenture, lien, contract, court order, judgment or decree to which Franchisee is bound or (iii) any Legal Requirements binding upon Franchisee.

(e) **Compliance with Laws**. Franchisee is in compliance with all Legal Requirements in all material respects and will perform the Franchisee Obligations in compliance with all Legal Requirements, including, but not limited to, the maintenance of good standing and proper licensing under the requirements of any regulatory agencies.

(f) **No Guarantee.** Franchisee has not received or relied upon any guarantee, expressed or implied, about the financial prospects of its participation in the Program.

(g) **Disclaimer of Representations.** To Franchisee's knowledge, neither Franchisor nor Subfranchisor nor their respective officers, directors, employees, and agents have made any representations, either written or oral, that are contrary to the statements made in the Franchise Disclosure Document or to the terms contained in this Agreement.

(h) **Representative Capacity.** In all the dealings with Franchisee, the officers, directors, employees and agents of Franchisor and Subfranchisor have acted, and continue to act, only in a representative capacity, not in an individual capacity, and this Agreement and all business dealings between Franchisee and such individuals as a result of this Agreement are solely between the Parties.

Section 2.2. Representations and Warranties of Franchisor and Subfranchisor.

Franchisor and Subfranchisor represent and warrant to Franchisee that the statements contained in this Article II are true, correct and complete as of the date of this Agreement:

(a) **Organization.** Franchisor is a business corporation duly organized under the laws of the State of Texas. Subfranchisor is a nonprofit corporation duly organized under the laws of the State of Texas. Each of Franchisor and Subfranchisor has all requisite power and authority to operate its business as it is now being operated, and to enter into this Agreement and the Transaction Documents. Each of Franchisor and Subfranchisor is duly qualified to do business in Texas, and as a foreign organization in the other states and jurisdictions where Franchisor or Subfranchisor, as the case may be, will be providing Program Services, and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification, except for jurisdictions in which the failure to be so qualified would not have a Material Adverse Effect.

(b) **Authorization; Enforceability.** The execution, delivery and performance of this Agreement and the Transaction Documents by each of Franchisor and Subfranchisor and the consummation of the transactions contemplated thereby have been duly authorized by all necessary actions on the part of Franchisor and Subfranchisor, as the case may be. This Agreement and the Transaction Documents have been duly executed and delivered on behalf of each of Franchisor and Subfranchisor and constitute the legal, valid and binding obligation of each of them, respectively, enforceable in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium, or similar laws from time to time in effect which affect creditors' rights generally and by legal and equitable limitations on the availability of equitable remedies.

(c) **No Conflicts.** The execution, delivery and performance of this Agreement and the Transaction Documents by each of Franchisor and Subfranchisor and the consummation of the transactions contemplated herein will not conflict with or violate or constitute a breach or default under (i) the organizational documents of Franchisor or Subfranchisor, as the case may be, (ii) any provision of any mortgage, trust indenture, lien, contract, court order, judgment or decree to which Franchisor or Subfranchisor, as the case

may be, is bound or (iii) any Legal Requirements binding upon Franchisor or Subfranchisor, as the case may be.

(d) **Compliance with Laws**. Each of Franchisor and Subfranchisor is in compliance with all Legal Requirements applicable to it in all material respects and will perform the Program Services to be performed by it in compliance with all Legal Requirements.

ARTICLE III. GRANT OF FRANCHISE

Section 3.1. Grant of the Franchise. Subject to the terms and conditions of this Agreement, Subfranchisor and Franchisor grant to Franchisee a limited, non-exclusive, non-sublicensable, non-assignable, right and sublicense to use the Software and Marks and to offer and operate the Program in the Franchise Area (collectively referred to as the “**Franchise**”) during the Term (as defined in Article VI of this Agreement) solely to the extent necessary for Franchisee to participate in the Program and operate Franchisee’s business pursuant thereto (the “**Franchised Business**”). Franchisee shall not use, or permit any third party to use, the Software or the Marks for any other purpose. All rights not expressly granted herein are reserved by Franchisor (and/or Subfranchisor, pursuant to the arrangement between them). Franchisee accepts this Franchise grant, and the right to use the Software and Marks in connection with the Program, upon the terms and subject to the provisions of this Agreement and all documents ancillary hereto, including, but not limited to, the Program Manual.

Section 3.2. Reservations of Franchisor and Subfranchisor. Except as otherwise expressly provided herein, Franchisor (and/or the Subfranchisor pursuant to the arrangement between them) retains all rights with respect to the Software, the Marks, the right to engage in the sale of similar or dissimilar products and services and any other activities we deem appropriate. Specifically, and without limitation Franchisor and Subfranchisor, as indicated hereunder, reserve the following rights:

(a) Franchisor reserves the right to improve and change the Program and the Marks from time to time in its sole discretion. In the event of any change to the Program and the Marks, Franchisee shall, at its own cost and expense, promptly adopt and use only those parts of the Program and the Marks specified by Subfranchisor on behalf of Franchisor and shall promptly discontinue the use of those parts of the Program and the Marks which Subfranchisor, on behalf of Franchisor, directs are to be discontinued.

(b) Franchisor or Subfranchisor, in their sole discretion, reserve the right to modify or vary aspects of the Program with respect to any Other Franchisee or group of Other Franchisees based on conditions or circumstances that Franchisor or Subfranchisor determines appropriate including, but not limited to, Legal Requirements, property use restrictions, sales potential, demographics, competition and local economic conditions and business practices. Franchisee acknowledges that neither Franchisor nor Subfranchisor has any obligation to disclose or offer the same or similar modifications or variances to Franchisee.

(c) Both Franchisor and Subfranchisor reserve the right to provide, offer and sell and grant to others the right to provide, offer and sell (except as specifically set forth in Sections 5.1 and 5.2 of this Agreement), products or services that are similar or dissimilar to and/or competitive with those provided by the Franchise, whether identified by the Marks or other trademarks or service marks, regardless of the method of distribution or service, inside and outside the Franchise Area and on any terms and conditions Franchisor deems appropriate.

(d) Both Franchisor and Subfranchisor reserve the right to establish and operate, and to grant to others the right to establish and operate, local lending services that offer small dollar loans in a designated geographic territory, and any related loan or lending services, or any similar or dissimilar products and services, which are not primarily identified by the Marks, both inside and outside the Franchise Area and on any terms and conditions Franchisor or Subfranchisor, as the casemay be, deems appropriate.

(e) Both Franchisor and Subfranchisor reserve the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided by the Franchise, and to Franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Franchise Area).

(f) Both Franchisor and Subfranchisor reserve the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of the transaction), by a business providing products and services similar to those provided by the Franchise, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Franchise Area.

ARTICLE IV. MARKS AND SOFTWARE

Section 4.1. Non-Ownership. Franchisee acknowledges that, during the Term of this Agreement, no ownership of the Marks or the Software is hereby transferred to Franchisee by either Franchisor or Subfranchisor. To clarify, Franchisee has no right, title or interest in or to any of the Marks or Software and nothing in this Agreement is to be construed as an assignment or grant of any right, title or interest in any trademark, copyright, design or trade dress, patent right or other intellectual or industrial property right, except for Franchisee's license during the Term to use the Marks and Software. Franchisee acknowledges that Franchisee now asserts no claim and later shall assert no claim to any goodwill, reputation or ownership of the Marks or Software by virtue of Franchisee's use of them, or otherwise. All use by Franchisee of the Marks and the Software will inure to the benefit of Franchisor.

Section 4.2. Protection of Marks. Franchisee agrees that it shall not, at any time during the Term of this Agreement or thereafter, attack or contest the validity, enforceability, title and/or any rights of Franchisor or Subfranchisor in or to the Software or Marks. If Franchisee becomes aware of any infringement or misappropriation of the Software or the Marks by a third party, Franchisee will promptly notify Subfranchisor of such infringement or misappropriation and reasonably cooperate with Franchisor or Subfranchisor in their efforts

to enforce the Software or the Marks against such infringement or misappropriation.

Section 4.3. Protection of Goodwill. Franchisee agrees that, during the Term of this Agreement and at all times thereafter, Franchisee shall not: (i) apply to register, or assist or direct others to apply to register, any application or registration of the Marks or any other marks likely to cause confusion therewith in any jurisdiction; (ii) use the Marks or any marks or names likely to cause confusion therewith except as expressly authorized hereunder; (iii) take any action that would tend to destroy or diminish the goodwill of the Marks; or (iv) take any action that would bring the Marks into public disrepute. Franchisee agrees that it shall not use the Marks in any disparaging or controversial context that will negatively affect the reputation of the Program.

Section 4.4. Protection of Franchisor's and Subfranchisor's Rights. The right and license of the Marks and Software granted under this Agreement is non-exclusive, and Franchisor and Subfranchisor thus may:

- (a) Grant other licenses and franchises for the Marks and Software, in addition to those licenses already granted;
- (b) Use the Marks in connection with marketing and selling products and services;
- (c) Reserve the right to substitute different Marks for use in identifying the Program and the business operating thereunder; and
- (d) Develop and establish other small dollar lending programs for the same or similar Marks and Software, or any other Marks and Software, and grant licenses or franchises thereto without providing any rights therein to Franchisee.

Section 4.5. Quality Control of Software and Marks. Franchisor and Subfranchisor shall have the right to control the use of the Software and the Marks and the quality of the goods and services in connection with which the Marks are used. Franchisee shall ensure that all goods and services used in connection with the Franchise or Program shall be of at least reasonable quality.

Section 4.6. Use of Marks. The Marks are important and valuable intellectual property assets and must be used properly. Franchisee agrees to use the Marks according to the rules and guidelines in this Agreement, the Transaction Documents and the Program Manual, in all advertising, communications, documents, and electronic messaging.

(a) Franchisee shall be given a name for its Franchised Business (the “**Approved Name**”) in accordance with the following convention: COMMUNITY LOAN CENTER OF NORTHWEST Indiana. The filled-in portion of the Approved Name is listed in Exhibit A-1 and must accurately describe the Franchise Area in which Franchisee will operate, as specified in Section 5.1 and Exhibit A-1 of this Agreement. Franchisee's Franchise Area will generally be defined by county/group of counties or by city. Franchisee's Approved Name must be distinct from the Approved Name of any Other Franchisee already in existence.

- (b) Subfranchisor hereby grants to Franchisee the right to register a domain name

(the “**Domain Name**”) to be used in connection with Franchisor’s online loan portal that incorporates or otherwise references the Marks. The Domain Name shall be a derivation of Franchisee’s Approved Name (as defined in Section 4.6(a) and as listed in Exhibit A-1).

(c) The Marks as written and described in Exhibit A-1 are approved for Franchisee’s adoption and use in connection with its participation in the Program during the Term of this Agreement:

- (i) COMMUNITY LOAN CENTER OF SOUTHWESTERN INDIANA;
- (ii) The following logo:



Franchisee agrees to use only a Mark that accurately describes the Franchise Area as defined in this Agreement. For example, the trademark with the tagline “OF NORTHWEST INDIANA” may only be used in the Indiana counties of Lake, Porter, LaPorte, Newton, Jasper, Starke and Pulaski counties and will appear as follows:



(d) Franchisee agrees that it shall not use any colorable imitation of the Marks or any variant form (including variant design forms, logos, colors, or type shapes) without the expressed, prior, written consent of Subfranchisor.

(e) Franchisee agrees that it shall not incorporate the Marks into its own product names, service names, trademarks, logos, or company names, such that the resulting composite marks form a singular commercial impression and cannot adopt marks or logos

that are confusingly similar to the Marks. Franchisee may, however, use the Marks nominatively to identify the company that operates the Program, e.g.: "COMMUNITY LOAN CENTER OF NORTHWEST INDIANA: AFFORDABLE SMALL DOLLAR LOANS, OPERATED BY FLOURISH NWI".

(f) Franchisee agrees that the Marks shall not be used to describe any product or service other than the loans currently offered by the Program or such other products as offered by the Program from time to time (the "**Product**").

(g) In any advertising, communications, documents, or electronic messaging relating to the Program or the Product, Franchisee shall use only the Marks. Franchisee shall not use any other marks, logos or names in connection with the Program or Product without the express prior written consent of Subfranchisor.

(h) If used within a body of text, the Marks should be:

(i) Used as a proper adjective, and never as a verb;

(ii) Either CAPITALIZED completely, used with "Initial Caps" within quotes, used with Initial Caps, or otherwise set apart using *italics*, **bold face**, or a different color type from the rest of the text; and

(iii) Paired with a generic description of the goods or services at least once in each written communication, if at all possible, e.g., COMMUNITY LOAN CENTER small dollar loans program.

(i) Franchisee agrees to use the proper trademark notice at least once in all of its packaging, printed materials and advertising. Proper notification involves use of the symbol

"®" at the right-hand side of the Marks,  **COMMUNITY LOAN CENTER**®, and the superscript "TM" within text when the Mark is used without the Design, e.g. COMMUNITY LOAN CENTER™.

(j) Franchisee agrees that it shall not use the Marks in the possessive form, e.g., not COMMUNITY LOAN CENTER'S products, but rather COMMUNITY LOAN CENTER products.

Section 4.7. Franchisee Improvements or Modifications. Franchisee agrees to grant, and does hereby grant, to Franchisor and, to the extent of its licensed and authorized activities by Franchisor, to Subfranchisor, a perpetual, royalty-free license to use, and sublicense other parties to use, as part of the Program, any and all improvements or modifications to the Franchise (the "**Improvements**") that may be developed by Franchisee and that have been approved for use by Subfranchisor as part of the Program.

ARTICLE V. FRANCHISE LOCATION AND EXCLUSIVE TERRITORY

Section 5.1. Franchise Area. Franchisee agrees to offer the Program and use the Marks solely in the geographic area described in Exhibit A-1 (the “**Franchise Area**”). During the term of this Agreement, neither Franchisor nor Subfranchisor will conduct a “Community Loan Center” operation from a physical office or location within such Franchise Area nor will they market such Program to employers located within such Franchise Area, nor franchise or license any third party to conduct a “Community Loan Center” operation from a physical office or location within such Franchise Area nor will they market such small dollar loan program to employers headquartered within such Franchise Area; provided, however, Franchisor and Subfranchisor reserve the right to offer, or to license others to offer, small dollar loans to employees within the Franchise Area who are employed by employers headquartered outside of the Franchise Area, as part of any national or regional account for such employers or otherwise. Notwithstanding the preceding sentence, Franchisee shall have the right to use the Marks on the Internet, but only to the extent necessary to promote and deliver the Product and Program Services within the Franchise Area.

Section 5.2. Collaboration and Franchise Area.

(a) Franchisee agrees to work collaboratively with Other Franchisees participating in the Program and with Subfranchisor to solicit administrative funds and loan capital from funders (including banks, individuals, foundations, and any other funder) and in approaching and working with regional and statewide employers.

(b) Franchisee may not reach outside of its designated Franchise Area (as set forth in Exhibit A-1 to this Agreement) for the purpose of soliciting Employer Participants, unless expressly agreed to as part of a collaborative approach with Other Franchisees (but in that case only within the combined Franchise Areas of Franchisee and such Other Franchisee(s), and with the approval of Subfranchisor, not to be unreasonably withheld) or with Subfranchisor. For the sake of clarity, subject to the preceding sentence, Franchisee may only solicit Employer Participants in its Franchise Area, but the employees participating in the Program through such Employer Participants may live outside Franchisee’s Franchise Area. Any proposed modifications to the Franchise Area that Franchisee desires to make must be submitted in the form of an appeal to the Subfranchisor’s board of directors for approval by such board of directors. Prior to submitting such an appeal to modify the Franchise Area, all Franchisees affected by such proposed modifications must meet, confer and agree in writing to such proposed Franchise Area modification, which will affect not only the Franchisee under this Agreement, but other Franchisees whose geographic territory will be adjusted or modified due to Franchisee’s requested modifications to its designated Franchise Area. If the Subfranchisor’s board of directors approves such Franchise Area modifications, such modifications shall be made to (a) Exhibit A-1 of this Agreement, and (b) Exhibit A-1 of any other Franchisee agreements affected by such modification.

Section 5.3. Relocation of Franchisee. In the event Franchisee wishes to relocate its Site of Operations within its Franchise Area, Franchisee shall notify, in writing, Subfranchisor no later than sixty (60) days prior to the intended effective date of such relocation. Such notice shall include the expected date and address of relocation of Franchisee. Franchisee shall,

no later than thirty (30) days after relocating its Site of Operations, continue the Program within its Franchise Area. Such site shall be subject to the terms of this Article V and the approval by Subfranchisor, which approval shall be made within thirty (30) days after receipt of notice of relocation and shall not be unreasonably withheld.

ARTICLE VI. TERM OF AGREEMENT

Section 6.1. Effective Date and Commencement of Business. This Agreement shall be binding and effective upon the Effective Date, upon being signed and delivered by all Parties hereto. Franchisee shall thereafter act with reasonable diligence to obtain an active consumer lending license from the relevant state agency, if required, and any other permits or approvals required for Franchisee to commence the Franchised Business, to obtain its required initial capitalization to support its lending operations, and to complete any other actions necessary to commence the Franchised Business. Franchisee shall commence operating the Franchised Business (the “**Commencement of Operations**”) within three business days after the satisfaction of all such pre-opening conditions and after receipt of their password to access the software, but such Commencement of Operations shall occur in any case not later than six (6) months after the Effective Date.

Section 6.2. Term and Renewal. The term (the “**Term**”) of this Agreement will commence on the Commencement of Operations Date and, unless terminated earlier pursuant to Article XVI, shall continue for an initial term of four (4) years from the Commencement of Operations Date. The Parties shall memorialize the Commencement of Operations date as it occurs as an amendment to Exhibit A-1. Provided that Franchisee is current on all fees due and in good standing and not in default of any term of this Agreement upon the expiration of the Term, and has been in substantial compliance with its obligations under such Agreement throughout the Term, then Franchisee, upon written notice to Subfranchisor at least thirty (30) days before the expiration of the Term shall be entitled to renew this Agreement for up to two (2), additional four-year terms. For each four-year renewal term, Franchisee agrees to pay a nonrefundable fee to Subfranchisor (the “**Franchise Renewal Fee**”) of either, at Franchisee’s option, (i) \$10,000 in lump sum payment, or (ii) \$2,500 for each year of the renewal term, the first such \$2,500 payable upon the renewal effective date, which will be the date that is one year from the Commencement of Operations date, and subsequent annual fees payable upon the first, second, and third anniversaries of the renewal effective date. In connection therewith Franchisee may be required to sign Subfranchisor’s then-current form of this Agreement or any alternative form of franchise agreement which may have superseded this Agreement, and which may in each case differ in the material terms thereof.

ARTICLE VII. FEES AND EXPENSES; THIRD PARTY CONTRACTORS

Section 7.1. Franchise Fee. Franchisee agrees to pay a nonrefundable fee to Subfranchisor (the “**Franchise Fee**”) of either, at Franchisee’s option, (i) \$10,000 in lump sum payment payable upon the Effective Date of this Agreement, or (ii) \$2,500 for each year of the Term, the first such \$2,500 annual fee payable upon the Effective Date of this Agreement and subsequent annual fees payable upon the first, second, and third

anniversaries of the Commencement of Operations Date. Such Franchise Fee is payable for (i) use and sublicense of the Software and Marks and the right to use and participate in the Program, and (ii) the Program Services set forth on Schedule 1, including, without limitation, training on usage of the software and instruction in turn on training the Employer Participants employee-borrowers on usage of the software. The Franchise Fee amounts paid pursuant to this Section 7.1 shall be deemed fully earned upon payment and are nonrefundable.

Section 7.2. Ongoing Fees for Loan Origination and Servicing.

(a) Subfranchisor and Franchisor agree to provide to Franchisee or assist Franchisee in obtaining support services related to origination and servicing for loans originated to Franchisee's borrowers through the Program. Franchisor will process and service all loans originated by Franchisee under the Program that are current in their payment obligations or that are up to 120 days delinquent. If a loan becomes more than 120 days delinquent, Franchisor will turn the loan over to Franchisee for collection, sale, or subsequent transfer to a collection agency.

(b) Franchisee agrees to pay monthly fees for loan origination and servicing (the "**Monthly Fees**") as set forth in Exhibit A-2.

Section 7.3. Optional Services Fees. Notwithstanding anything to the contrary herein, in the event that Franchisee requests the following services ("**Optional Services**"), additional expenses or fees ("**Optional Services Fees**"), including, without limitation, expenses payable to third parties by Subfranchisor or Franchisor, may be incurred and charged to Franchisee as follows:

(a) A fee of \$40 per hour for website design and support services, including, consultation on purchasing a domain, building a website, and ongoing website maintenance;

(b) A fee for on-site marketing or training services provided by Franchisor or Subfranchisor staff personnel plus reimbursement for reasonable lodging, meals and travel expenses for each day such Optional Service is provided to Franchisee; or

(c) The expenses and fees for other Optional Services outside the ordinary course of business (e.g., customization services, etc.) will be determined upon prior agreement by the Parties.

Section 7.4. Billing; Manner, Time and Receipt of Payment.

(a) Franchisor will prepare and invoice Franchisee through the submission of a monthly statement ("**Monthly Statement**") promptly after the end of each calendar month and in any event on or before the last day of the following calendar month for all fees or expenses arising under this Agreement in such month, and such Monthly Statement shall be sent in a format and containing a level of detail reasonably sufficient for Franchisee to determine the accuracy of the computation of the Monthly Fees and Optional Services Fees due.

(b) Any reimbursements or other payments due under this Agreement, other than for Monthly Fees to be automatically disbursed as provided in Section 7.2 and Exhibit A-2, shall be made in US currency payable by check made payable to and addressed to the Franchisor or Subfranchisor, as the case may be depending upon which entity provided the services, products or reimbursable expenses for which payment or reimbursement is being made, unless otherwise provided herein. If Franchisee is delinquent in the payment of any such obligation under this Agreement, or under any other agreement with Franchisor or Subfranchisor, Subfranchisor shall have the right, but not the obligation, to apply all payments from Franchisee to the oldest obligation due, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to application.

Section 7.5. Late Payment Fee. Payments under Section 7.4(b) shall be considered timely made if received within thirty (30) days after Franchisee's receipt of an invoice for any of the fees or expenses due under this Agreement. Any charges not paid within such period shall be considered past due, as well as any payments due under Section 7.2(b) that cannot be paid because of inadequate funds in the Loan Funding Account. If Franchisee fails to pay Subfranchisor any amount when due under this Agreement, the amount due shall bear interest from the due date to the date of payment for each day the payment is overdue at a per annum rate (based on a year of 365/366 days) equal to the U.S. Prime Rate, as reported in the "Money Rates" section of The Wall Street Journal on such day.

Section 7.6. Third-Party Contractors. Upon the prior notification and approval of Franchisee, not to be unreasonably withheld, and subject to any Legal Requirements, Franchisor or Subfranchisor may either deliver Program Services directly or through one or more third party contractors. Use of such a third-party contractor will not relieve Franchisor or Subfranchisor of its obligations under this Agreement.

ARTICLE VIII. FRANCHISEE OBLIGATIONS

Section 8.1. Franchisee Obligations.

(a) **Loan Funding Account; Obligations Under the Franchise.** Franchisee agrees to fulfill the following obligations under this Agreement:

(i) Demonstrate through financial statements or otherwise, at least \$200,000 in liquid assets to support loans made by Franchisee under the Program;

(ii) Open an account with a Franchisor-approved bank (the "***Loan Funding Account***") with a minimum balance of \$50,000 deposited as of the Commencement of Operations and maintain the Franchise Account for the duration of this Agreement and any renewals thereof, including bringing the balance back up to \$50,000 upon notice or knowledge that the funds in the account have fallen below \$15,000;

(iii) Use its best efforts with respect to recruiting and marketing services to develop employer and employee-borrower participation in the Program;

(iv) Provide training to Employer Participants and employee-borrowers for use of the Software;

(v) Allow Subfranchisor access to performance and periodic reports for the purpose of aggregating data and evaluating performance of the Program; and

(vi) Procure and maintain commercially available and reasonable insurance coverage insuring Franchisee's activities contemplated by this Agreement.

(vii) Require key employees to participate actively in the 10 mandatory, one-hour training sessions provided by Subfranchisor.

(b) **Customer Data.** Franchisee must comply with any reasonable instructions from Franchisor and Subfranchisor regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Data, and, in any event, employ reasonable means to safeguard the confidentiality and security of Customer Data. Franchisee must comply with all Legal Requirements governing the use, protection and disclosure of Customer Data. If there is a suspected or actual breach of security or unauthorized access involving Customer Data, Franchisee must notify Franchisor and Subfranchisor immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Customer Data was compromised or disclosed. Subject to any Legal Requirements, Franchisee acknowledges and agrees that Franchisor or Subfranchisor may access at any time and from time to time all Customer Data and records for the Franchise, including loan and payment information. Franchisee further acknowledges and agrees that Franchisor and Subfranchisor are the owners of Customer Data and that Franchisee may not distribute or sell, in any form or manner, Customer Data to any third party without the prior written consent of Franchisor or Subfranchisor. In the event that Franchisor or Subfranchisor suffers an actual breach of security or unauthorized access involving Customer Data, Franchisor or Subfranchisor must notify all affected Franchisees of any such security breach involving the Franchisees operations or Customers in a timely manner to ensure Franchisee's compliance with applicable state and/or local laws (e.g. notifying state attorney general, etc., notifying affected Customers) regarding security breaches.

ARTICLE IX. CONFIDENTIALITY

Section 9.1. Confidential Information. Any Confidential Information of either Party will be received and held by the receiving Party in strict confidence, used only for purposes related to this Agreement. The receiving Party, its agents, employees, contractors or subcontractors, shall not disclose Confidential Information without the prior written consent of the disclosing Party. All Confidential Information in tangible form must be returned to the disclosing Party upon request, except as set forth in Section 16.2(b). All Confidential Information will be owned and remain the sole and exclusive property of the disclosing Party, and the receiving Party will hold all rights to Confidential Information in trust. Each Party will take reasonable precautions to prevent disclosure to outside parties, except as may be necessary under law or other requirements beyond the reasonable control of the receiving

Party.

Section 9.2. Access; Use. Each Party will provide, without charge, to the other Party (or any applicable third party contractor) reasonable access to its premises and/or personnel, and such assistance as may reasonably be required for a Party to perform its obligations under this Agreement. If it is necessary that a Party have access (either on-site or remotely) to and/or use of any of the other Party's computer systems on such Party's premises in relation to such obligations, such access or use shall be limited to access or use solely for purposes of such obligations. All information that a Party obtains because of access to or use of the other Party's computer systems shall be deemed to be, and treated as, such other Party's Confidential Information, and treated with the same degree of care as such accessing or using Party uses for its own information of a similar nature, but in no event lower than that of a reasonable standard of care. The Parties will cooperate in the investigation of any apparent unauthorized access to any computer system. The provisions in this Section 9.2 concerning computer access and use will apply equally to each Party's access and use of the other Party's electronic mail system, any electronic switched network, or any other information technology property, equipment or service, and any operational software.

Section 9.3. Irreparable Harm; Remedy. Each Party acknowledges and agrees that any violation or threatened violation by such Party of any of the terms set forth in this Article IX would cause irreparable injury to the other Party, that the remedies at law for any violation or threatened violation thereof would be inadequate, and that such other Party shall, in addition to and not in limitation of any rights or remedies available at law or in equity, be entitled to seek temporary and permanent injunctive relief and specific performance without the necessity of proving actual damages.

ARTICLE X. OPERATIONS

Section 10.1. Oversight by Subfranchisor.

(a) Subfranchisor may, from time to time in its discretion, review or audit Franchisee's operations to determine whether Franchisee is in compliance with the terms of this Agreement (see Article XI). If Subfranchisor finds Franchisee is not in compliance with its obligations under this Agreement, Subfranchisor may enforce a penalty consisting of a permanent or temporary limitation or restriction upon Franchisee's rights under this Agreement that it believes is appropriate based on the facts and circumstances. These penalties may include but are not limited to a probationary period or unilateral termination of this Agreement (subject to the notice and cure provisions contained in Article XVI as applicable).

(b) In the event Franchisee loses any applicable licensing and regulatory approval required for Franchisee by any federal and state regulatory or oversight body, Franchisee is required to immediately notify Subfranchisor of this change so that Subfranchisor may take appropriate remedial action. Immediate notification requires notification on the same day the license is revoked.

(c) As a prerequisite to Franchisee's participation in the Program, Subfranchisor and Franchisor will require Franchisee to demonstrate through financial statements or otherwise, at least \$200,000 in liquid assets to support loans made by Franchisee under the Program.

(d) Franchisee agrees to use its best efforts to recruit Employer Participants and originate loans. If six (6) months after the Commencement of Operations, Subfranchisor determines in its sole discretion that Franchisee is not using its best efforts to recruit Employer Participants and originate loans, Subfranchisor may notify Franchisee that Franchisee will be placed on probation for a period of six (6) months ("**Probationary Period**"). If at the end of the Probationary Period, Subfranchisor determines that Franchisee continues to not use its best efforts to recruit Employer Participants and originate loans, Subfranchisor may terminate this Agreement pursuant to Article XVI.

Section 10.2. Memorandum of Understanding with Employer Participant. Each relationship between Franchisee and an Employer Participant shall be memorialized by an agreement between such Franchisee and such Employer Participant substantially in the form of the Memorandum of Understanding ("**MoU**") attached to this Agreement as Exhibit A-3. If Franchisee wishes to enter into an agreement with an Employer Participant that differs materially from the MoU, such agreement shall be subject to the prior written approval of Subfranchisor. In any case, such agreement shall at the minimum contain the following provisions and/or obligations:

(a) Require Employer Participants to agree to provide employment verification for all clients prior to loan funding.

(b) Require Employer Participants to agree to set up payroll deduction for each employee that has elected such option in the loan application process for the repayment of the loans funded pursuant to the Program and to use the model payroll deduction authorization form attached as Exhibit A-4 for such employees.

(c) Require initial meetings to be held between Franchisee and the Employer Participant to review implementation of the Employer Participant's participation and to establish policy directives as appropriate.

(d) Provide that the MoU may be amended on the initiative of either Franchisee or the Employer Participant by submitting a proposed amendment in writing to the other party and agreement of that party to the amendment.

(e) Require Employer Participants to agree to promptly notify all benefit-eligible employees that the Program is available to employees and provide them with information on how to apply for a loan.

(f) Require Employer Participants to agree to promptly add the Program to the Employer's customary descriptions of employee benefits.

Section 10.3. Conduct. Franchisee shall not engage or cooperate in any conduct that reflects unfavorably on the reputation of Franchisee, Subfranchisor, Franchisor or the Program or impairs the goodwill associated with the Marks and Software, including conduct which jeopardizes Franchisee's good relations with the Employer Participants or Franchisee's borrowers, or which constitutes a deceptive or unfair trade practice or otherwise violates any Legal Requirement.

ARTICLE XI. RECORDKEEPING AND AUDIT RIGHTS

Section 11.1. Books and Records.

(a) Franchisee will keep books and records with respect to its Franchise under this Agreement in the same detail and with the same accuracy as the Subfranchisor directs, from time to time, consistent with US generally accepted accounting principles, but in no event less than a reasonable level of detail to verify performance and costs or as required by any Legal Requirements.

(b) For purposes of compliance with audit requirements, litigation or a Party's compliance with Legal Requirements, each Party's authorized agents and representatives shall have access to such books, records, data, information, facilities, systems and personnel of the other Party as reasonably necessary for any period during which records are required to be maintained in accordance with this Agreement.

Section 11.2. Financial Reviews or Audits.

(a) Solely as required in order to document the Program Services, other obligations of the parties, Monthly Fees and the Optional Services Fees paid or payable by Franchisee or Subfranchisor, as applicable, under this Agreement, each Party will retain its standard records and supporting documentation for at least three years following the end of the relevant year.

(b) Upon at least fifteen (15) days prior written notice from the other Party (the "**Reviewing Party**"), Franchisee, on the one hand, or Subfranchisor or Franchisor, on the other hand, as the case may be (the "**Reviewed Party**"), will provide to the Reviewing Party, including such representatives, auditors and inspectors as the Reviewing Party may from time to time designate in writing, access during normal business hours to such records and supporting documentation as may be reasonably requested by the Reviewing Party, but only to the extent that such records pertain to, (i) in the case of Subfranchisor or Franchisor as the Reviewed Party, the calculation of Monthly Fees and Optional Services Fees and (ii) in the case of Franchisee as the Reviewed Party, the calculation of Monthly Fees and Optional Services Fees and the compliance of Franchisee with this Agreement and the Transaction Documents. The Reviewing Party may audit or review the Monthly Fees and Optional Services Fees charged to such Party to determine that such Monthly Fees and Optional Services Fees are accurate and in accordance with this Agreement, and Subfranchisor (in its role as Reviewing Party) may audit or review the compliance of Franchisee with this Agreement and the Transaction Documents to determine that

Franchisee is in compliance with the terms and conditions of this Agreement and each of the Transaction Documents to which it is a party; provided, however, such audit or review right may not be exercised by any Party more often than once during any calendar year during the Term hereof.

(c) If, as a result of such audit or review and subject to Section 11.4(a), the Reviewing Party determines that the Reviewed Party has overcharged the Reviewing Party or has otherwise failed to satisfy all of the payment obligations provided for herein, the Reviewing Party will notify the Reviewed Party of the amount of such overcharge and the Reviewed Party will promptly pay to such other Party the amount of the overcharge, plus interest at a per annum rate (based on a year of 365/366 days) equal to the U.S. Prime Rate, as reported in the "Money Rates" section of *The Wall Street Journal* on such day, calculated from the date of receipt by the Reviewed Party of the overcharged or underpaid amount until the date of payment to the Reviewing Party. If any such auditor review reveals an overcharge or underpayment to the Reviewing Party during any 12-month period exceeding 10% of all Monthly Fees and Optional Services Fees in the aggregate paid by the Reviewing Party during such period, the Reviewed Party will provide the Reviewing Party with a credit against the payments otherwise owed to such Reviewed Party under this Agreement in an amount equal to the reasonable out-of-pocket costs and expenses incurred by the Reviewing Party for such audit or review.

Section 11.3. General Principles Regarding Audits and Reviews.

(a) An audit or review with respect to any year must be initiated (if at all) within eighteen (18) months after the end of the calendar year in question. If the Reviewing Party has not provided notice of its intent to perform an audit or review with respect to a given calendar year within eighteen (18) months following the end of such calendar year, the right to audit or review such calendar year will be deemed waived.

(b) Each Party will use commercially reasonable efforts to conduct such audits, reviews and inspections in a manner that will result in a minimum of inconvenience and disruption to business operations. No more than one audit or review may be conducted during any calendar year. Neither Party nor its representatives will be entitled to audit, review or inspect data or information of other customers of the other Party.

(c) Prior to conducting any audit, review or inspection, the auditors and other representatives of the Reviewing Party will execute and deliver such confidentiality and non-disclosure agreements and comply with such security and confidentiality requirements as the Reviewed Party may reasonably request in connection with such audits, reviews and inspections.

Section 11.4. Audit and Review Conferences.

(a) Following any audit, or review, the Reviewing Party will conduct (in the case of an internal audit), or request its external auditors or examiners to conduct, an exit conference with the Reviewed Party to obtain factual concurrence with issues identified in

the review (including overcharges).

(b) The Parties will meet to review each review or audit report promptly after the issuance thereof and mutually agree upon the appropriate manner, if any, in which to respond to the changes suggested by the review or audit report. The Reviewed Party will respond to review or audit reports in writing within thirty (30) days after receipt of each report.

ARTICLE XII. ADVERTISING, PROMOTION, AND MARKETING

Section 12.1. Marketing and Marketing Approval. Neither Franchisor nor Subfranchisor has any obligation to conduct advertising on behalf of Franchisee. Franchisee is not required to participate in any advertising cooperatives or otherwise contribute to any advertising funds. The guidelines Franchisee must comply with in its advertising efforts are the requirements on use of the Marks found in this Agreement. All advertising, promotional, and marketing activities conducted by Franchisee in its local market area shall be subject to the prior approval of Subfranchisor. Franchisee shall submit to Subfranchisor (by personal delivery or certified mail, return receipt requested) for its prior approval (except with respect to prices to be charged) all local advertising, promotional and marketing plans and samples of all local advertising materials not prepared or previously approved by Subfranchisor or its designated agents. If written disapproval thereof is not received by Franchisee within ten (10) business days after the date of receipt by Subfranchisor, such plans and materials shall be deemed approved. If any plans or materials previously approved by Subfranchisor are later disapproved, Franchisee shall discontinue their use promptly upon notice from Subfranchisor. Franchisee agrees to grant, and does hereby grant, to Franchisor and Subfranchisor and to all other franchisees, licensees or affiliates thereof a perpetual royalty-free license and right to use all advertising, promotional, and marketing plans and materials that may be developed by Franchisee, and to the extent any such Franchisee-developed advertising, promotional, and marketing plans and materials incorporate trademarks or other proprietary information or property of Franchisor or Subfranchisor, then such advertising, promotional, and marketing plans and materials shall become the proprietary intellectual property and property of Franchisor or Subfranchisor, as the case may be.

Section 12.2. World Wide Web. Other than the Domain Name as authorized in Section 4.6(b), Franchisee is strictly prohibited from developing and establishing a separate World Wide Web site with a link to the KENN lending software or for the purpose of marketing the program without the express written consent of Subfranchisor. However, Franchisee may engage in other forms of World Wide Web advertising, listing, promotion or participation for the purpose of promoting the Program without the express written consent of Subfranchisor, subject to prior approval of the content thereof pursuant to Section 12.1. In the event Franchisee breaches this Section, in addition to all other remedies available to Subfranchisor under this Agreement, Franchisee grants Subfranchisor the Power of Attorney to take any and all actions deemed necessary by Subfranchisor to cure the breach.

ARTICLE XIII. COVENANTS NOT TO COMPETE

Section 13.1. Non-competition; Non-solicitation. Franchisee specifically acknowledges

that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information pertaining to the Program, including, without limitation, information concerning the operational, sales, promotion and marketing methods and techniques. Franchisee covenants as follows:

(a) During the Term of this Agreement and for a period of two years after the date of termination of this Agreement, neither Franchisee nor any of its Affiliates shall, directly or indirectly, (i) engage in or assist others in engaging in any business or program (except the Program) that offers small dollar loans to individual borrowers through employer-sponsored arrangements as an alternative to payday and title loans within the same marketing area as the Franchise or any other metropolitan areas in which Community Loan Centers operating under the Program are actually, or planned to be, operating at the time of the termination or expiration of this Agreement, whether franchised or owned by Franchisor, Subfranchisor or their affiliates; (ii) have an interest in any Person that engages directly or indirectly in such a business or program with features the same as or similar to that described above in clause (i) in any capacity, including as a partner, shareholder, member, employee, principal, agent, trustee or consultant; or (iii) intentionally interfere in any material respect with the business relationships (whether formed prior to or after the date of this Agreement) between the Franchisor or Subfranchisor and any other Person in connection with the Program, in each case, without the prior written consent of the Subfranchisor.

(b) During the Term of this Agreement and for a period of two years after the date of termination of this Agreement, neither Franchisee nor any of its Affiliates shall, directly or indirectly, solicit or entice, or attempt to solicit or entice, any Employer Participants or any Other Franchisee (or any Employer Participant of any Other Franchisee) for purposes of diverting business or services from the Subfranchisor or Franchisor, without the prior written consent of Subfranchisor or Franchisor.

(c) If Franchisee breaches, or threatens to commit a breach of, any of the provisions of this Section 13.1, Subfranchisor and Franchisor shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to Subfranchisor and Franchisor under law or in equity:

(i) the right and remedy to have such provision specifically enforced by any court having jurisdiction, it being acknowledged and agreed that any such breach or threatened breach may cause irreparable injury to Subfranchisor and Franchisor and that money damages may not provide an adequate remedy to Subfranchisor and Franchisor; and

(ii) the right and remedy to recover from Franchisee all monetary damages suffered by Subfranchisor and Franchisor as the result of any acts or omissions constituting a breach of this Section 13.1.

(d) Franchisee acknowledges that the restrictions contained in this Section 13.1 are reasonable and necessary to protect the legitimate interests of each Party and constitute a material inducement to each Party to enter into this Agreement and consummate the

transactions contemplated by this Agreement. In the event that any covenant contained in this Section 13.1 should ever be adjudicated to exceed the time, geographic, product or service, or other limitations permitted by any applicable Legal Requirement in a jurisdiction whose laws apply to the Franchise and transactions contemplated under this Agreement, then any such court is expressly empowered to reform such covenant, and such covenant shall be deemed reformed, in such jurisdiction to the maximum time, geographic, product or service, or other limitations permitted by such Legal Requirement. Each of the covenants contained in this Section 13.1 and each provision of this Section 13.1 is severable, and constitutes a distinct covenant and provision. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions of this Section 13.1, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

ARTICLE XIV. RELATIONSHIP OF THE PARTIES

Section 14.1. Control Over Franchise Business. Franchisee understands and agrees that Franchisee shall be responsible for the operation of its Franchised Business and that Franchisor's and Subfranchisor's role with respect to the operation of the Franchised Business is limited to (i) inspection and review of the Franchised Business from time to time in its discretion to enforce Franchisee's strict adherence and compliance with the policies, procedures, systems, forms and other operational mandates set forth in the operations manuals, bulletins, operation updates and other written and electronically transmitted operation directives issued by Franchisor and Subfranchisor which prescribe standard methods or techniques of operation (collectively, the "**Program Manual**"), and the terms and conditions of this Agreement and (ii) the performance of obligations specified in Schedule 1 by Franchisor or Subfranchisor, as the case may be. Franchisee further understands and agrees that any deviation from the Program Manual in the operation of the franchise business and the servicing of customers may have irreparable and injurious consequences to Franchisor and Subfranchisor. In the event of any such deviation by Franchisee resulting in any third party attempting to hold Franchisor and/or Subfranchisor liable for acts committed by Franchisee, in direct violation of the established and mandated Program Manual, Franchisee shall hold itself solely responsible to third-party complainant for its actions and absolve, indemnify and hold harmless Franchisor and Subfranchisor of any such liabilities or obligations.

Section 14.2. Posting of Notice. During the Term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise from Franchisor and Subfranchisor. Franchisee agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Site of Operations premises, if any, and on stationery and written or graphic materials, the content and form of which Franchisor and Subfranchisor reserve the right to specify.

Section 14.3. Liability for Acts and Omissions. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or

representation on behalf of Franchisor or Subfranchisor, or to incur any debt or obligation in Franchisor's or Subfranchisor's name; and that Franchisor or Subfranchisor shall in no event assume liability for, or be deemed liable hereunder as a result of any such action; nor shall Franchisor or Subfranchisor be liable by reason of any act or omission of Franchisee in its conduct of the Franchised Business or for any claim or judgment arising therefrom against Franchisee, Franchisor or Subfranchisor.

Section 14.4. Independent Contractor. In performing this Agreement, Franchisee will be acting in its own separate capacity, and not as agent, employee, partner, member, joint venturer, or associate of Franchisor or Subfranchisor. It is expressly understood and agreed that Franchisee is an independent contractor of Franchisor or Subfranchisor in all respects. Neither Franchisee, nor its employees or agents, is authorized to bind, or to represent that they have the authority to bind, Franchisor or Subfranchisor to any liability or obligation. No Party will be held responsible for any liabilities arising out of a relationship to any other Party, other than as contemplated by this Agreement.

ARTICLE XV. STANDARD OF PERFORMANCE; INDEMNIFICATION; LIMITATION OF LIABILITY; REMEDIES

Section 15.1. Standard of Performance. THE PROGRAM SERVICES TO BE PROVIDED TO FRANCHISEE SHALL BE PERFORMED BY FRANCHISOR OR SUBFRANCHISOR WITH THE SAME DEGREE OF CARE, SKILL AND PRUDENCE AS WHEN PERFORMED WITHIN FRANCHISOR'S OR SUBFRANCHISOR'S OWN ORGANIZATION. EXCEPT AS SET FORTH IN THE PRECEDING SENTENCE OR AS EXPRESSLY SET FORTH IN THIS AGREEMENT, FRANCHISEE ACKNOWLEDGES THAT NEITHER FRANCHISOR NOR SUBFRANCHISOR HAS MADE, OR IS MAKING, ANY REPRESENTATIONS OR WARRANTIES OF ANY NATURE, DIRECTLY OR INDIRECTLY, EXPRESS OR IMPLIED, REGARDING THE SERVICES PROVIDED BY FRANCHISOR OR SUBFRANCHISOR.

Section 15.2. Indemnification.

(a) FRANCHISEE WILL INDEMNIFY, DEFEND, AND HOLD HARMLESS FRANCHISOR AND SUBFRANCHISOR AND THEIR RESPECTIVE AFFILIATES, EMPLOYEES, AGENTS, OFFICERS, AND DIRECTORS FROM ANY AND ALL THIRD PARTY CLAIMS, DEMANDS, COMPLAINTS, LIABILITIES, LOSSES AND DAMAGES (INCLUDING REASONABLE LEGAL FEES AND EXPENSES AND THE COST OF ENFORCING THIS INDEMNIFICATION PROVISION), ARISING FROM OR RELATING TO (i) ANY BREACH OF THIS AGREEMENT BY FRANCHISEE, (ii) FRANCHISEE'S NEGLIGENCE AND (iii) FRANCHISEE'S WILLFUL MISCONDUCT.

(b) FRANCHISOR AND SUBFRANCHISOR WILL INDEMNIFY, DEFEND, AND HOLD HARMLESS FRANCHISEE AND ITS AFFILIATES, EMPLOYEES, AGENTS, OFFICERS, AND DIRECTORS FROM ANY AND ALL THIRD PARTY CLAIMS, DEMANDS, COMPLAINTS, LIABILITIES, LOSSES AND DAMAGES (INCLUDING REASONABLE LEGAL FEES AND EXPENSES AND THE COST OF ENFORCING THIS

INDEMNIFICATION PROVISION), ARISING FROM OR RELATING TO (i) ANY BREACH OF THIS AGREEMENT BY FRANCHISOR OR SUBFRANCHISOR, (ii) FRANCHISOR'S OR SUBFRANCHISOR'S NEGLIGENCE AND (iii) FRANCHISOR'S OR SUBFRANCHISOR'S WILLFUL MISCONDUCT.

Section 15.3. Limitation of Liability.

(a) EXCEPT FOR LOSSES ARISING OUT OF: (i) FRANCHISEE'S OBLIGATION TO INDEMNIFY AND HOLD HARMLESS FRANCHISOR AND SUBFRANCHISOR AND THEIR RESPECTIVE AFFILIATES, EMPLOYEES, AGENTS, OFFICERS, AND DIRECTORS AGAINST CLAIMS ASSERTED AGAINST SUCH PARTIES BY UNAFFILIATED THIRD PARTIES AND IN CIRCUMSTANCES WHERE SUCH AN INDEMNIFICATION OBLIGATION WOULD OTHERWISE EXIST HEREUNDER, INCLUDING, BUT NOT LIMITED TO, THIRD-PARTY CLAIMS FOR LOST PROFITS, LOSS OF DATA, LOSS OF USE, BUSINESS INTERRUPTION, OR OTHER SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES; (ii) A PARTY'S (INCLUDING ITS EMPLOYEES', AGENTS' OR SUBCONTRACTORS') GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR FRAUD; (iii) A PARTY'S FAILURE TO COMPLY WITH ITS CONFIDENTIALITY OBLIGATIONS UNDER ARTICLE IX OF THIS AGREEMENT; AND (iv) FRANCHISEE'S FAILURE TO COMPLY WITH ITS DATA SECURITY OBLIGATIONS HEREUNDER, INCLUDING ANY DATA LOSS BY FRANCHISEE, AND ANY REDEMPTION EFFORTS IN CONNECTION THEREWITH (COLLECTIVELY, THE "EXCLUDED CLAIMS"), IN NO EVENT WILL ANY PARTY BE LIABLE TO ANY OTHER PARTY FOR ANY LOST PROFITS, LOSS OF USE, BUSINESS INTERRUPTION, OR OTHER SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES, HOWEVER CAUSED, UNDER ANY LEGAL OR EQUITABLE THEORY, INCLUDING BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY AND OTHERWISE, ARISING FROM OR RELATING TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, CLAIMS ARISING FROM ANY PARTY'S PERFORMANCE OF THE SERVICES.

(b) IN NO EVENT WILL SUBFRANCHISOR OR FRANCHISOR BE LIABLE FOR FRANCHISEE'S FAILURE TO COMPLY WITH ANY LEGAL REQUIREMENT (AS SUCH TERM IS DEFINED HEREIN) APPLICABLE TO FRANCHISEE HEREUNDER.

Section 15.4. Remedies. Regardless of the nature of any claim or the form of any action that Franchisee may bring against Franchisor or Subfranchisor as a result of or arising out of actions, errors or omissions of Franchisor or Subfranchisor in failing in any material manner to provide the Program Services ("**Defective Service**"), Franchisee's sole remedy, in addition to the remedies set forth in Section 7.5 and Section 11.2(c), will be: (i) to demand that Franchisor or Subfranchisor re- perform the Defective Service or (ii) if Franchisor or Subfranchisor cannot comply with clause (i) and the reason is not because of a Force Majeure Event, not to pay the relevant portion of any Monthly Fees or Optional Services Fees that Franchisee may otherwise owe Franchisor or Subfranchisor, or if payment has already been made, receive a refund of the portion of the Monthly Fees or Optional Services Fees

attributable to the Defective Service. Any reimbursement under this Section 15.4 must first be reduced by amounts that Franchisee owes to Franchisor or Subfranchisor before Franchisor or Subfranchisor became obligated to reimburse Franchisee. If Franchisee has not paid for the Defective Service, Franchisee's obligation to pay for the Defective Service will be cancelled (at which time, Franchisor or Subfranchisor's obligation to provide such Program Services shall be cancelled).

ARTICLE XVI. TERMINATION

Section 16.1. Termination. This Agreement will terminate upon the earliest to occur of the following:

- (a) mutual agreement of the Parties to terminate this Agreement;
- (b) except as otherwise required or prohibited under any Legal Requirement, at the option of the Subfranchisor and without prior notice to Franchisee, upon the occurrence of any or all of the following events, each of which shall be deemed to be an incurable breach of this Agreement, which Franchisee shall have no right or opportunity to cure:
 - (i) if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors;
 - (ii) if a petition in bankruptcy is filed by Franchisee or filed against Franchisee and not opposed by Franchisee;
 - (iii) if Franchisee is adjudicated bankrupt or insolvent;
 - (iv) if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee;
 - (v) if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction;
 - (vi) if proceedings for a composition with creditors under any state or federal law are instituted by or against Franchisee;
 - (vii) if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless superseded as bond is filed);
 - (viii) if Franchisee is dissolved; or if a suit to foreclose any lien or mortgage against the Site of Operations, if any, or equipment of Franchisee is instituted against Franchisee and not dismissed within thirty (30) days;
 - (ix) if execution is levied against Franchisee's business or property; or

(x) if the property of Franchisee is sold after levy thereupon by any sheriff, marshal, or constable.

(c) except as otherwise required or prohibited under any Legal Requirement, Franchisee shall be deemed to be in default, and Subfranchisor at its option may terminate this Agreement, and all rights granted Franchisee hereunder, upon written notice, or such other amount of time as expressly set forth herein, to Franchisee, but with the opportunity to cure only with respect to the following for which a cure period is expressly provided:

(i) if Franchisee fails to commence operating the Franchised Business by the date provided in Section 6.1 or thereafter abandons or actively fails to operate the Franchise for three (3) or more consecutive business days, unless such cessation of operation is in connection with a temporary closure during periods of casualty or government order or another Force Majeure Event;

(ii) if Franchisee defaults in any material obligation as to which Franchisee has previously received two (2) notices of default from Subfranchisor within the preceding twelve (12) months, whether or not such repeated default is cured;

(iii) if Franchisee or any partner or shareholder in Franchisee purports to sell, assign, transfer, pledge, hypothecate, or encumber, in whole or in part, this Agreement or the Franchise in violation of the terms hereof;

(iv) if an audit or investigation conducted by Subfranchisor discloses that Franchisee has generated "off the books" loans through the Program or knowingly misreported the amount or other material details of such loans or withheld the reporting of same as herein provided;

(v) if Franchisee (or if Franchisee is an entity, any officer, member of governing body or owner of ten percent (10%) or more of such entity (each a "**Principal**") makes or has made any material misrepresentations relating to its acquisition of the Franchise or engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchise, the Program, the Marks, and the goodwill associated therewith;

(vi) if Franchisee (or if Franchisee is an entity, any Principal of Franchisee) is convicted of, pleads either guilty or no contest to, a felony, fraud, a crime involving moral turpitude, or is found liable in a civil action for fraud or any unfair or deceptive act or practice that Subfranchisor believes is reasonably likely to have an adverse effect on the Franchise, the Program, the Marks, and the goodwill associated therewith;

(vii) if Franchisee fails, for a cure period of fifteen (15) days, or such shorter period as prescribed by any Legal Requirement, after notification of noncompliance, to comply with any Legal Requirement, including, but not limited to, the loss of any applicable licensing and regulatory approval required for Franchisee by any federal and state regulatory or oversight body;

(viii) if Franchisee (or if Franchisee is an entity, any Principal of Franchisee) fails to comply with the covenants not to compete in Article XIII;

(ix) if Franchisee (or if Franchisee is an entity, any Principal of Franchisee) knowingly makes any unauthorized use or disclosure of any Confidential Information;

(x) if Franchisee fails to maintain commercially available and reasonable insurance coverage insuring Franchisee's activities contemplated by this Agreement, and does not correct the failure within a cure period of thirty (30) days regardless of when notice of such breach is sent by Subfranchisor;

(xi) if Franchisee fails to pay Franchisor or Subfranchisor or their Affiliates any amounts due and does not correct the failure within a cure period of ten (10) days after written notice of that failure is delivered;

(xii) if Franchisee fails, within a cure period of ten (10) days after written notice of failure is delivered, to pay when due any federal or state income, service, sales or other taxes due on the operation of the Franchise, unless Franchisee is in good faith contesting its liability for these taxes, or if, with respect to the Franchise, Franchisee fails to pay any other governmental charge, rent, lease payments or payments to other creditors;

(xiii) if any assets, property or interests of Franchisee (or if Franchisee is an entity, any Principal of Franchisee) are blocked under any law, ordinance or regulation relating to terrorist activities, or Franchisee or any Principal of Franchisee otherwise violates any such law, ordinance or regulation; or

(xiv) if Franchisee fails to comply with any other provision of this Agreement or breaches any covenant or representation or warranty under this Agreement or any of the Transaction Documents in any material respect and fails to cure such breach within a cure period of thirty (30) days after receipt of written notice of such breach from Subfranchisor.

(d) at the option of Franchisee, provided that (i) Franchisee gives Subfranchisor thirty (30) days' prior written notice of its intent to terminate this Agreement and (ii) Franchisee has no outstanding obligations under this Agreement, any of the Transaction Documents or under the Program (e.g., outstanding loans, unpaid fees, etc.) which have not been waived, assigned or otherwise terminated;

(e) at the option of Franchisee, if Subfranchisor breaches any covenant or representation or warranty under this Agreement or any of the Transaction Documents in any material respect and fails to cure such breach within a cure period of thirty (30) days after receipt of written notice of such breach from Franchisee;

(f) automatically upon any change in Legal Requirements resulting in the provision of any of the Program Services or the performance of any other material obligation hereunder becoming unlawful; or

(g) at the option of the Subfranchisor, upon any default by Franchisee under any other agreement between Subfranchisor or Franchisor or their respective Affiliates and

Franchisee (after expiration of any notice and cure opportunity provided therein); any such default shall be deemed a default under this Agreement and any default by Franchisee of this Agreement shall be deemed a default under any and all other agreements between Subfranchisor and Franchisor, on the one hand, and Franchisee. If the nature of such default under any other agreement (after expiration of any notice and cure opportunity provided therein) would have permitted Subfranchisor or Franchisor to terminate this Agreement, had the default occurred hereunder, Subfranchisor or Franchisor, as the case may be, shall have the right to terminate this and all of the other agreements between Subfranchisor or Franchisor or their respective Affiliates, on the one hand, and Franchisee in the same manner as provided herein for termination of this Agreement.

Section 16.2. Obligations Upon Termination and Expiration. Subject to the provisions of Section

16.1 , upon termination of this Agreement by either Party:

(a) Except as provided in Section 15.4, Franchisee must pay the amounts due to the Franchisor and Subfranchisor, including any unpaid Franchise Fees, Monthly Fees, Optional Services Fees, and all other amounts owed to the Franchisor and Subfranchisor as provided in this Agreement in full within five (5) days after termination of this Agreement.

(b) Sale or Retention of Franchisee's Loan Portfolio

(i) Subfranchisor and/or Franchisor shall have the option, but not the obligation, exercisable upon written notice to Franchisee at any time within 60 days of termination of this Agreement to purchase Franchisee's loan portfolio at the net book value of such outstanding loan portfolio less the outstanding balance of any loans that are over 59 days delinquent at the end of the month that the termination is effective. The net book value shall take into account prior repayments and any charge-offs or prior write-downs or other adjustments and any accrued but unpaid Monthly Fees with respect to such loan portfolio. In the event the Parties are unable to agree upon such net book value within 15 days following such written election, the determination of such net book value shall be submitted to a third party valuation expert experienced in the appraisal and valuation of banks and other financial institutions and lending businesses (if the Parties are unable to agree upon a suitable valuable expert, each (being the Franchisor or Subfranchisor, as the case may be, on the one hand) shall designate such a valuation expert, and such designees shall in turn designate a third such valuation expert to conduct such appraisal on its own). The purchase of such loan portfolio at the determined net book value price shall occur within 15 days of the final determination of such net book value and shall be payable to Franchisee in a lump sum cash payment upon delivery by Franchisee of appropriate assignment documents conveying all right, title and interest in each of the loans constituting such loan portfolio and providing that Franchisee shall retain and indemnify Franchisor and Subfranchisor against any liability to borrowers under such loan portfolio for conduct of the Franchisee lender occurring on or prior to the date of such assignment and Franchisor or

Subfranchisor, as the case may be, shall become liable for and shall indemnify Franchisee against any liability to borrowers under such loan portfolio for conduct of the lender occurring after the date of such assignment.

(ii) If the Franchisor or Subfranchisor does not exercise the option to purchase Franchisee's loan portfolio under Section 16.2(b)(i) above, the Franchisee may decide to retain loan servicing and not sell Franchisee's loan portfolio. If the Franchisee decides to retain loan servicing and not sell Franchisee's loan portfolio, then the Franchisee will continue to receive payments and have access to the Software until all of Franchisee's loans in existence as of the termination date are either paid off or charged off.

(iii) If the Franchisor or Subfranchisor does not exercise the option to purchase Franchisee's loan portfolio under Section 16.2(b)(i) above, and if the Franchisee does not decide to retain loan servicing under Section 16.2(b)(ii) above, then the Franchisee may elect to sell Franchisee's loan portfolio to an existing or new lender who will serve as a new Franchisee. If Franchisee elects to sell Franchisee's loan portfolio to a new Franchisee, then the Franchisee must notify the Franchisor and Subfranchisor immediately of the decision to sell and work with the Franchisor and Subfranchisor in good faith to find an appropriate existing or new lender to take over Franchisee's loan portfolio as the new Franchisee. The Franchisor or Subfranchisor will have the final decision regarding selection of an existing or new lender that will assume the Franchisee's loan portfolio as a new Franchisee. When the Franchisee has identified an approved lender to purchase the Franchisee's loan portfolio and become a new Franchisee, the existing Franchisee and new Franchisee will negotiate an assignment and assumption agreement that includes purchase price and terms (including, but not limited to, loan payments and access to the Software) for transferring the loans from the existing Franchisee to the new Franchisee, with such agreement and contents subject to review and approval by the Franchisor or Subfranchisor.

(c) The Parties will return (any Party in such capacity, the "**Returning Party**") Confidential Information and property belonging to the other Party (any Party in such capacity, the "**Owner Party**") to the locations that the Owner Party reasonably designates. If requested by the Owner Party, the Returning Party will destroy or erase all copies of the Confidential Information in its possession, or in the possession of any of its employees, consultants, agents, representatives, contractors, subcontractors, or Affiliates, including copies on paper or other hard copy and copies on computer or other storage media. Notwithstanding the preceding sentence, to the extent any of the Confidential Information cannot be returned or destroyed without damage to the record-keeping system of, or undue expense to, the Returning Party who is under the obligation to return or destroy the Confidential Information, the Confidential Information shall not be required to be returned or destroyed; *provided, however*, that, the Returning Party holding such Confidential Information will be under a continuing duty and obligation to maintain the confidentiality of such Confidential Information.

Section 16.3. Additional Obligations of Franchisee Upon Termination and Expiration.

Upon termination of this Agreement, and unless otherwise agreed, Franchisee shall comply with all of the following requirements in addition to those outlined in Section 16.2. Franchisee hereby appoints the then-acting program manager of Subfranchisor as its attorney-in-fact to carry out any of the requirements which Franchisee refuses to perform:

(a) Franchisee must immediately provide Subfranchisor with a list of then-existing borrowers and respective outstanding loans as of the date of termination of this Agreement. Franchisee must immediately provide Subfranchisor with a detailed plan outlining when interest payments and principal repayments of the outstanding loans will be made.

(b) Upon termination or expiration of this Agreement, Franchisee must cease all operations related to its participation in the Program. Franchisee must take the following actions:

- (i) discontinue all new lending activities related to the Program;
- (ii) discontinue all advertising, promotional, and marketing activities related to the Program;
- (iii) discontinue any use of the Software, except for the use necessary to monitor repayments of existing loans;
- (iv) discontinue any acts that identify itself or any other business which it owns as a participant in the Program or as otherwise being associated with Franchisor and Subfranchisor, including, but not limited to, the use of the Marks;
- (v) immediately return to Subfranchisor all copies of the reporting forms, completed application forms and other written materials pertaining to the Program in Franchisee's possession; and
- (vi) cancel or change all telephone numbers, internet addresses and other communication equipment listings used in participating in the Program, or assign such listings to Subfranchisor or to its designee as Subfranchisor directs. Franchisee hereby grants to Subfranchisor its power of attorney to cause such assignment.

(c) Upon termination of this Agreement, Franchisee's ability to generate new loan applications through Franchisee's Domain Name will be terminated. Within one month of the termination of this Agreement, Franchisee must stop generating new loan applications through any webpage using the Domain Name and must remove all Marks from any webpage using the DomainName. Franchisee may continue to operate any webpage using the Domain Name to direct existing borrowers and employers to where they can obtain information about existing loans, as well as to provide information to potential new borrowers and employers regarding any Subfranchisor-prescribed alternative method of obtaining a new loan application under the Program.

(d) All obligations of the parties that expressly or by their nature survive the expiration or termination of this Agreement continue in full force and effect subsequent to

such termination or expiration until they are satisfied in full.

(e) Any action described in this Section 16.3, which is not carried out to completion within thirty (30) days after termination or expiration may be taken at Franchisee's expense by Subfranchisor or its agents. Franchisee grants Subfranchisor and its agents the right to enter the Site of Operations, if any, in order to exercise the rights retained by Subfranchisor herein.

(f) Franchisee remains fully liable for any and all obligations arising out of its participation in the Program and its Site of Operations, if any, incurred prior to the effective date of termination or expiration and for so long as Franchisee remains in possession of such Site of Operations, including, without limitation, obligations arising under this Agreement or under any other agreement which Franchisee has with Franchisor, Subfranchisor, or Franchisor's or Subfranchisor's principals or Affiliates relating to the Program, obligations owed to third parties, obligations for the payment of salaries, taxes, and other expenses associated with the Program.

(g) Franchisee and each of its officers, directors, partners and shareholders, as appropriate, must execute a general release in a form satisfactory to Subfranchisor, dated as of the effective date of termination or expiration, in favor of Franchisor and Subfranchisor and their officers, directors, shareholders, employees and affiliates, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

(h) Notwithstanding subparagraph (b) above and unless and until Franchisor or Subfranchisor exercises its option to purchase the Franchisee's loan portfolio pursuant to Section 16.2(b), Franchisee shall continue operations necessary for:

(i) collection and receipt of interest payments and principal repayments from existing borrowers under the Program;

(i) providing Subfranchisor with a list of borrowers and outstanding loan balances and repayment schedules at the end of every calendar month starting in the month of termination of this Agreement; and

(ii) updating Franchisor and Subfranchisor immediately with respect to any nonperforming loans of which Franchisee becomes aware.

Section 16.4. Survival. Notwithstanding any termination of this Agreement, (i) the terms of Article II, Article VI, Article VII, Section 9.1, Section 9.3, Article XI, Article XV, Article XVI, Article XVII, and Article XVIII will survive any such termination and (ii) any outstanding payment obligations of a Party to the other Party and all provisions of this Agreement relating to payment of amounts due shall survive any such termination, until all such payments are irrevocably paid in full.

Section 16.5. Notice Required By Law. Notwithstanding anything to the contrary contained in this Article, if any valid Legal Requirement limits Franchisor's or Subfranchisor's rights of termination under this Agreement or requires longer notice periods than those set

forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. For the avoidance of doubt, Franchisor and Subfranchisor are not precluded from contesting the validity, enforceability or application of such Legal Requirements in any action, arbitration, hearing or dispute relating to this Agreement or the termination thereof.

ARTICLE XVII. DISPUTE RESOLUTION

Section 17.1. Direct Negotiation. The Parties encourage the prompt and equitable settlement of all controversies or claims (a “**Dispute**”) between or among the Parties including those arising out of this Agreement or the Transaction Documents, or out of courses of dealing related to the Program, including any claim based on or arising from an alleged tort. At any time, any Party can give the other written notice that it desires to settle a Dispute. Within ten (10) days of delivery of such notice, the Parties agree to each cause an officer or senior representative having authority to resolve such Dispute to meet for a one (1) day period to bargain in good faith and attempt to resolve such dispute (unless such dispute is earlier settled or unless the Parties agree to extend such Negotiation Period). The period from the date of delivery of notice under this Section 17.1 through the termination of the meeting between the officers or senior representatives is referred to as the (“**Negotiation Period**”).

Section 17.2. Mediation. If the Dispute is not resolved during the Negotiation Period, the Parties agree to submit their dispute to a mediator to work with them to resolve their differences. Such mediator will be selected by mutual agreement of the Parties. If they are unable to agree on a mediator, JAMS, Inc., or such other Person as may be agreed to by the Parties, will select a mediator who may be rejected by a Party only for bias.

(a) **Mediation Procedure**. The mediation will be conducted pursuant to the rules generally used by the mediator in the mediator’s practice, subject to the following:

(i) The mediator will act as an advocate for resolution and will use his or her best efforts to assist the Parties in reaching a mutually acceptable settlement. The mediator may suggest ways of resolving the Dispute, but may not impose his or her own judgment on the issues. The mediator will not have the authority to decide any issue for the Parties, but will attempt to facilitate the voluntary resolution of the Dispute by the Parties.

(ii) Each Person participating in the mediation will have authority to settle, and all Persons necessary to the decision to settle will be present during the entire mediation session or sessions.

(iii) The mediation will take place at a time and convenient location agreeable to the mediator and the Parties, as the mediator will determine; provided that such mediation will take place no later than five (5) days after the termination of the Negotiation Period and will take place over two consecutive days (unless earlier settled).

(iv) Mediation sessions will be private, and only the Parties and their

representatives (including legal counsel) may attend the mediation sessions. Other Persons may attend the mediation sessions only with the written permission of the Parties and with the consent of the mediator.

(v) There will be no stenographic record of the mediation process, and no Person will tape record any portion of the mediation sessions.

(vi) No subpoenas, summons, complaints, citations, writs, or other process may be served at or away from the site of any mediation session upon any Person who then is entering, on the way to, in attendance or leaving the session. The Parties will participate in the mediation proceeding in good faith with the intention to settle.

(vii) No later than five (5) days prior to the mediation, each Party will deliver to the mediator all information reasonably required for the mediator to understand the issues presented and a confidential memorandum (not to exceed five (5) pages with normal type size and margins) setting forth the following:

- A. identification of the matters in dispute;
- B. concise statement of points (factual, legal, practical) that such Party believes enhances its chance of achieving a favorable outcome of the Dispute;
- C. history of settlement discussions and outstanding offers of settlement; and
- D. the above rules may be modified or amended with the Parties' written consent.

(b) **Release**. The mediator will not be a necessary or proper party in any action relating to the mediation. Neither the mediator, the Person employing the mediator, nor the Person providing the mediator will be liable to any Party for any acts or omissions in connection with any mediation conducted pursuant to this Section 17.2.

(c) **Compromise Negotiation**. The mediation is a compromise negotiation for purposes of the applicable rules of evidence and is an alternative dispute resolution procedure subject to the laws of the State of Texas. The entire procedure is and will be confidential. All conduct, statements, promises, offers, views and opinions, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees or other representatives and by the mediator, who is the Parties' joint agent for purposes of these compromise negotiations, are confidential and will, in addition where appropriate, be deemed to be work product and privileged. Such conduct, statements, promises, offers, views and opinions will not be discoverable or admissible for any purposes, including impeachment, if any litigation or other proceedings involve the Parties and will not be disclosed to anyone not an agent, employee, expert or other representative for any of the Parties. Evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the mediation. Confidential Information disclosed to the mediator by the Parties or by witnesses in the course of the mediation will not be divulged

by the mediator. All records, reports or other documents received by the mediator while serving in that capacity will be confidential. To the fullest extent permitted by any Legal Requirement, the mediator will not be compelled to divulge such records or to testify with regard to the mediation in any adversary proceeding or judicial forum.

(d) **Costs of Mediation.** The Parties will bear their respective costs incurred in connection with the mediation described in this Section 17.2, except that the Parties will share equally the fees and expenses of the mediator, the costs of obtaining the facility for the mediation, and the fees and expenses of any experts employed at the mediator's request.

(e) **Termination of Mediation.** The mediation will be terminated upon the first to occur of the following:

- (i) by the execution of a settlement agreement resolving the dispute by the Parties;
- (ii) by a written declaration of the mediator to the effect that further efforts at mediation are no longer worthwhile; or
- (iii) after the completion of two full days of mediation sessions, by written declaration of a Party or Parties to the effect that mediation proceedings are terminated.

If, after the two-day mediation period, the Dispute is not resolved, the Parties hereto are free to exercise all other legal and equitable rights.

Section 17.3. Tolling and Performance. All applicable statutes of limitation and defenses based upon the passage of time will be tolled while the procedures specified in this Article XVII are pending. The Parties will take any action required to effectuate that tolling. Each Party is required to continue to perform its obligations under this Agreement pending completion of the procedures set forth in Section 17.1 and Section 17.2, unless to do so would be impossible or impracticable under the circumstances.

ARTICLE XVIII. GENERAL PROVISIONS

Section 18.1. Further Assurances. Each Party agrees that it will each take all actions contemplated by this Agreement to do all things reasonably necessary to permit the performance of the obligations contemplated by this Agreement, including providing appropriate access to facilities, to effectuate the purposes of this Agreement.

Section 18.2. Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Texas applicable to agreements made and to be performed entirely within such state, including all matters of construction, validity and performance.

Section 18.3. Change in Law. Upon any change in Legal Requirements imposing, modifying or deeming applicable any reserve, special deposit or similar requirement against the assets of or deposits with or for the account of any Party resulting in increased costs for such Party, the Parties shall in good faith negotiate an amendment to this Agreement or may terminate this Agreement pursuant to Section 16.1(a).

Section 18.4. Entire Agreement. This Agreement, together with the Transaction Documents, cancels, merges and supersedes all prior and contemporaneous understandings and agreements relating to the subject matter of this Agreement and the Transaction Documents, written or oral, among the Parties hereto, and contains the entire agreement of the Parties hereto, and the Parties hereto have no agreements, representations or warranties relating to the subject matter of this Agreement and the Transaction Documents which are not set forth herein or therein.

Section 18.5. Amendment and Modification. Franchisor, Subfranchisor and Franchisee may amend, modify and supplement this Agreement in such manner as may be mutually agreed by them in writing.

Section 18.6. Notices.

(a) All notices, requests, demands and other communications hereunder shall be deemed to be duly given if delivered by hand, if mailed by certified or registered mail with postage prepaid, if delivered by fax (with confirmation confirmed), if delivered by electronic mail (with confirmation confirmed) or if sent by nationally recognized overnight courier as follows:

Notices to Franchisor:

COMMUNITY LOAN CENTER
901 East Levee Street
Brownsville, Texas 78520
Attn: Nick Mitchell-Bennett
Phone: (956) 541-4955
Fax: (956) 541-4990
Email: nmitchell@cdcb.org

Notices to Subfranchisor:

TEXAS COMMUNITY CAPITAL
d/b/a: COMMUNITY LOAN CENTER OF AMERICA
3301 Northland Drive
Suite 410
Austin, Texas 78731
Attn: Matt Hull
Phone: (512) 916-0508
Fax: (512) 916-0541
Email: matt@tacdc.org

Notices to Franchisee:

[INSERT FRANCHISEE ENTITY NAME]
d/b/a: COMMUNITY LOAN CENTER
OF SOUTHWESTERN INDIANA

or to such other addresses as any Party may provide to the others in writing.

(b) Franchisee shall immediately notify Franchisor and Subfranchisor, in writing, of any changes to Franchisee's contact information for the purposes of this Section 18.6.

Section 18.7. Jurisdiction. Any suit, action or proceeding among the Parties hereto relating to this Agreement or to any Transaction Document, or in any other manner arising out of or relating to the transactions contemplated by or referenced in this Agreement shall be commenced and maintained exclusively in the United States District Court for the Western District of Texas or if that court lacks jurisdiction, in a state district court sitting in Travis County, Texas. The Parties hereto submit themselves unconditionally and irrevocably to the personal jurisdiction of such courts, as applicable.

The Parties hereto submit themselves unconditionally and irrevocably to the personal jurisdiction of such courts, as applicable. The Parties hereto further agree that venue shall be in the Western District of Texas or if that court lacks jurisdiction, in a state district court sitting in Travis County, Texas. that venue shall be in the Western District of Texas or if that court lacks jurisdiction, in a state district court sitting in Travis County, Texas. The Parties hereto irrevocably waive any objection to such personal jurisdiction or venue, including the objection that any suit, action or proceeding brought in the Western District of Texas or if that court lacks jurisdiction, in a state district court sitting in Travis County, Texas, has been brought in an inconvenient forum.

Section 18.8. Assignment.

(a) **Assignment by Franchisee**. This Agreement shall not be assigned by Franchisee without the express prior written consent of Subfranchisor, not to be unreasonably withheld, and any attempted assignment without such written consent shall be null and void and without legal effect. Franchisee acknowledges and agrees that each condition to assignment set forth below is necessary to assure an assignee's full performance of its obligations as a successor franchisee hereunder. Subfranchisor will not unreasonably withhold its consent to an assignment of this Agreement or any interest in the Franchise, *provided, however*, that Subfranchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

(i) Franchisee shall have fully complied with all of the terms and provisions of this Agreement or any other agreement with Franchisor or its Affiliates and with Subfranchisor or its Affiliates, and at the time of assignment, shall not be in default thereof;

(ii) the assignee shall be reasonably qualified to operate the Franchise, as determined by Subfranchisor, including, but not limited to, sufficient business experience in financial lending, aptitude and financial resources required to operate the Franchise; and

(iii) the assignee shall sign the then-current form of Community Loan Center franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement.

(b) **Effect of Subfranchisor Consent to Assignment**. Subfranchisor's consent to an assignment of this Agreement and the Franchise is not a representation of the fairness of the terms of any contract between Franchisee and the assignee, a guarantee of the

Franchise's or assignee's prospects of success, or a waiver of any claims Franchisor or Subfranchisor has against Franchisee or its Principals, or of Subfranchisor's right to demand assignee's full compliance with this Agreement.

(c) **Assignment by Franchisor or Subfranchisor**. This Agreement shall inure to the benefit of Franchisor and Subfranchisor, their successors and assigns, and Franchisor and Subfranchisor shall have the right to transfer and assign all or any part of their respective interests herein to any person or legal entity.

(d) **Definition of Assignment**. For purposes of this Agreement, the term "assignment" shall mean any transfer of this Agreement or the rights or obligations hereunder, whether voluntary or involuntary, and shall include, but is not limited to, a sale or assignment of all or substantially all of the assets of the Franchisee entity, one or more transactions resulting in the individuals who as of the date of this Agreement constitute the board of directors, board of trustees, board of managers or other governing body of Franchisee no longer representing a majority of the members of such board of directors, board of trustees, board of managers or other governing body of Franchisee, or an assignment by operation of law, merger, consolidation, amalgamation, or any other similar transaction with the result that the ultimate controlling persons or entity of Franchisee have been changed.

Section 18.9. Interpretation. Unless otherwise specified in this Agreement, the singular includes the plural and the plural includes the singular; the word "or" is not exclusive. A reference to an Article, Section, Party, Schedule or Exhibit is a reference to that Article or Section of, or that Party, Schedule or Exhibit to, this Agreement. A reference to a Person includes its successors and permitted assigns. The words "include," "includes" and "including" are not limiting. Where a term or expression is defined, another part of speech or grammatical form of that term or expression shall have a corresponding meaning. References to any Legal Requirement shall be construed as a reference to such Legal Requirement and to all regulations and rulings promulgated thereunder as each may be in effect from time to time. References to "dollars" and "\$" mean United States dollars.

Section 18.10. Severability. If any provision of this Agreement shall hereafter be held to be invalid, unenforceable or illegal, in whole or in part, in any jurisdiction under any circumstances for any reason, (i) such provision shall be reformed to the minimum extent necessary to cause such provision to be valid, enforceable and legal while preserving the intent of the Parties hereto as expressed in, and the benefits to the Parties hereto provided by, this Agreement or (ii) if such provision cannot be so reformed, such provision shall be severed from this Agreement and an equitable adjustment shall be made to this Agreement (including addition of necessary further provisions to this Agreement) so as to give effect to the intent as so expressed and the benefits so provided. Such holding shall not affect or impair the validity, enforceability or legality of such provision in any other jurisdiction or under any other circumstances. Neither such holding nor such reformation or severance shall affect or impair the legality, validity or enforceability of any other provision of this Agreement.

Section 18.11. No Waiver. No waiver of any provision of this Agreement shall be binding upon any of the Parties unless such waiver is expressly set forth in a written instrument that is executed and delivered on behalf of such Party by an officer of, or attorney-in-fact for, such Party. Such waivers shall be effective only to the extent specifically set forth in such written instrument. Neither the exercise (from time to time and at any time) by any Party hereto of, nor the delay or failure (at any time or for any period of time) to exercise, any right, power or remedy shall constitute a waiver of the right to exercise, or impair, limit or restrict the exercise of, such right, power or remedy or any other right, power or remedy at any time and from time to time thereafter. No waiver of any right, power or remedy of any Party hereto shall be deemed to be a waiver of any other right, power or remedy of such Party or shall, except to the extent so waived, impair, limit or restrict the exercise of such right, power or remedy.

Section 18.12. No Guarantee of Success. Franchisee hereby declares that neither the Franchisor nor Subfranchisor, nor any of their agents or representatives, has made any representation or warranty as to the potential success of Franchisee's participation in the Program and has made no financial projections of any kind therein.

Section 18.13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute but one and the same instrument. A copy of a signed counterpart transmitted by fax or electronically by portable document format (.pdf) shall be valid for all purposes as a manually signed original counterpart.

Section 18.14. Headings. The headings used in this Agreement are for convenience only and shall not constitute a part of this Agreement.

Section 18.15. No Implied Assignments or Licenses. Except as set forth in Article VI, nothing in this Agreement is to be construed as an assignment or grant of any right, title or interest in any trademark, copyright, design or trade dress, patent right or other intellectual or industrial property right.

Section 18.16. Limitations. No Party is required to provide any service or perform any obligation to the extent the provision thereof becomes impracticable, in any material respect, as a result of a cause or causes outside of such Party's reasonable control, including, without limitation, (i) acts of God; (ii) flood, fire or explosion; (iii) war, invasion, riot or other civil unrest; (iv) actions, embargoes or blockades in effect on or after the date of this Agreement; (v) national or regional emergency; (vi) strikes, labor stoppages or slowdowns or other industrial disturbances; (vii) compliance with any Legal Requirement; (viii) shortage of adequate power or telecommunications or transportation facilities or (ix) any other event which is beyond the reasonable control of such Party (each of the foregoing, a "**Force Majeure Event**"). A Party whose performance is affected by a Force Majeure Event shall give notice to the other Party, stating the period of time the occurrence of the Force Majeure Event is expected to continue and shall use diligent efforts to end the failure or delay to perform the applicable Service and minimize the effects of such Force Majeure Event.

Section 18.17. Franchisee Acknowledgments. Franchisee acknowledges:

(a) That Franchisee has independently investigated the Franchise and recognizes that, like any other business, the nature of the business performed by the Franchise may, and probably will, evolve and change over time;

(b) That an investment in the Franchise involves business risks that could result in a loss of a significant portion of all of Franchisee's investment;

(c) That Franchisee's business abilities and efforts are vital to the success of the Franchise;

(d) That attracting customers will require Franchisee to make consistent marketing and relationship-building efforts in the community through various methods, which currently include media advertising, direct mail advertising, community events and, to the extent Franchisee operates from a publicly accessible Site of Operations, use of in-store promotional materials;

(e) That retaining customers will require Franchisee to have a high level of customer service and adhere strictly to the Program and that Franchisee is committed to maintaining the requirements and guidelines provided for in this Agreement, the Transaction Documents and the Program Manual;

(f) that Franchisor or Subfranchisor, in their sole discretion, may modify or vary aspects of the Program with respect to any Other Franchisee or group of Other Franchisees based on conditions or circumstances that Franchisor or Subfranchisor determines appropriate including, but not limited to, Legal Requirements, property use restrictions, sales potential, demographics, competition and local economic conditions and business practices. Franchisee acknowledges that neither Franchisor nor Subfranchisor has any obligation to disclose or offer the same or similar modifications or variances to Franchisee;

(g) That Franchisee has not received from Franchisor or Subfranchisor, and is not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income or profits of an existing Franchise (other than what is included in the Franchise Disclosure Document);

(h) That in all of their dealings with Franchisee, officers, directors, employees and agents of Franchisor or Subfranchisor act only in a representative, and not in an individual, capacity and that business dealings between Franchisee and them as a result of this Agreement are deemed to be only between Franchisee and Subfranchisor or Franchisor, as the case may be;

(i) That Franchisee has represented to Franchisor and Subfranchisor, to induce its entry into this Agreement, that all statements Franchisee has made and all materials Franchisee has given to them are accurate and complete and that Franchisee has made no

misrepresentations or material omissions in obtaining the Franchise;

(j) That Franchisee has read this Agreement and the Franchise Disclosure Document and understands and accepts that this Agreement's terms and covenants are reasonably necessary for Franchisor and Subfranchisor to maintain their high standards of quality and service, as well as the uniformity of those standards at each Franchise, and to protect and preserve the goodwill of the Marks;

(k) That neither Franchisor nor Subfranchisor has made any representation, warranty or other claim regarding the Franchise, other than those made in this Agreement, the Transaction Documents and the Franchise Disclosure Document, and that Franchisee has independently evaluated this opportunity, including by using Franchisee's business professionals and advisors, and has relied solely upon those evaluations in deciding to enter into this Agreement;

(l) That Franchisee has been afforded an opportunity to ask any questions and to review any materials of interest concerning the Franchise and the Program;

(m) That Franchisee has been afforded an opportunity, and has been encouraged by Franchisor and Subfranchisor, to have this Agreement, the Transaction Documents and other materials reviewed by an attorney and has either done so or waived its right to do so; and

(n) That Franchisee received the Franchise Disclosure Document at least fourteen (14) days before the Effective Date, or the transaction to which this Agreement relates meets a United States federal and, if applicable, state-based exemption from laws and regulations governing the offer and sale of franchises in Franchisee's jurisdiction.

ARTICLE XIX. ANTI-TERRORISM

Section 19.1. Terrorist and Money Laundering Activities. Franchisee represents and warrants to Subfranchisor and Franchisor that neither Franchisee, nor any Affiliate or agent thereof, is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.treas.gov/offices/enforcement/ofac/). Further, Franchisee represents and warrants that neither it nor any agent or Affiliate referred to above has violated, and each of them agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.epINC.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13224 (text currently available at <http://www.treas.gov/offices/enforcement/ofac/legal/eo/13224.pdf>), or any similar law. The foregoing constitutes continuing representations and warranties, and Franchisee will immediately notify Subfranchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false,

inaccurate or misleading. Any violation of the foregoing representations and warranties shall constitute good cause for immediate termination of this Agreement at the sole discretion of Subfranchisor or Franchisor.

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ARTICLE XX. ACKNOWLEDGEMENT

Section 20.1. Acknowledgement. Franchisee confirms having read all of the foregoing Agreement and hereby accepts and agrees to each and all of the provisions, covenants and conditions thereof. Franchisee hereby acknowledges receipt of a copy of this Agreement and of the Franchise Disclosure Document.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the day and year set forth below.

FRANCHISEE: [INSERT FRANCHISEE ENTITY NAME]

dba: COMMUNITY LOAN CENTER OF SOUTHWESTERN INDIANA

By: -

Name:

Title: President and CEO

Date of Execution: _____

**FRANCHISOR: COMMUNITY LOAN CENTER
CORPORATION**

By: _____

Name: Nick Mitchell-Bennett

Title: Administrator

Date of Execution: _____

**SUBFRANCHISOR: TEXAS COMMUNITY CAPITAL
DBA: COMMUNITY LOAN CENTER OF AMERICA**

By:

Name: Matt Hull

Title: Senior Administrator

Date of Execution: _____

SCHEDULE 1 TO FRANCHISE AGREEMENT

Program Services to be provided by Franchisor and/or Subfranchisor:

- (i) Maintenance and updates of Software as required to maintain adequate operation of the Software;
- (ii) Training to Franchisee for use of Software;
- (iii) Access to performance and periodic reports, data and documents in electronic format;
- (iv) Tracking the flow of funds between Franchisee's borrowers and Franchisee's CLC Loan Funding Account;
- (v) Periodic backup of data and maintenance of electronic copies of data for four (4) years, or as otherwise needed for compliance with any Legal Requirement;
- (vi) Notice to Franchisee when its CLC Loan Funding Account contains insufficient loan funds;
- (vii) Delinquency reports on Franchisee loans;
- (viii) Assistance with marketing and Program planning/forecasting;
- (ix) Assistance with recruiting and training Employers;
- (x) Training on loss mitigation, raising capital, and raising operating funding;
- (xi) Assistance and the provision of information, as necessary, with any audit and investigativesservices in connection with licensing requirements by regulators;
- (xii) Assistance and the provision of information, as necessary, for responses to audits and investigations initiated by regulators;
- (xiii) Assistance and the provision of information, as necessary, for reporting to regulators; and
- (xiv) Generation of appropriate and required documentation, including that required for compliance with any Legal Requirement, for each loan (*i.e.*, declination letters, promissorynotes, etc.).

EXHIBIT A-1: FRANCHISE AREA, APPROVED NAME, DOMAIN NAME, AND MARKS

- (a) The Franchise Area for this Franchise consists of the Indiana counties of Lake, Porter, LaPorte, Newton, Jasper, Starke and Pulaski.
- (b) The Approved Name for this Franchise is COMMUNITY LOAN CENTER OF NORTHWEST INDIANA
- (c) The Domain Name for this Franchise is: www.clcncfl.org
- (d) The Marks for this Franchise are: COMMUNITY LOAN CENTER OF NORTHWEST INDIANA



EXHIBIT A-2: MONTHLY FEES FOR FRANCHISEES IN INDIANA

(a) Each new loan originated by Franchisee will be subject to a \$20.00 nonrefundable Service Charge (also referred to as the “**Processing Fee**”), where allowed by state law, which will be added to the borrower’s loan amount and amortized over the life of the loan without interest. Franchisee may not charge more than one Service Charge per borrower per six-month period.

(b) Franchisee agrees to pay a monthly loan origination fee (the “**Monthly Loan Origination Fee**”) to Franchisor, calculated by multiplying \$10.50 times the number of Service Charges generated by Franchisee’s loan portfolio during the month. The Monthly Loan Origination Fee shall be disbursed by pre-authorized order of Franchisor from the Loan Funding Account to Franchisor on the last day of the following calendar month. Franchisor, will in turn, pay Subfranchisor \$1.00 of each Service Charge. For the avoidance of doubt, if a loan is charged off, no part of Franchisor’s portion of the Service Charge will be refunded to Franchisee.

(c) Franchisee agrees to pay a monthly loan servicing fee (the “**Monthly Loan Servicing Fee**”) to Franchisor, calculated by multiplying the month-end open loan balance on Franchisee’s loan portfolio times the loan servicing rate of 0.45%. The Monthly Loan Servicing Fee shall be disbursed by pre-authorized order of Franchisor from the Loan Funding Account to Franchisor on the last day of the following calendar month.

(d) For the avoidance of doubt, neither Subfranchisor nor Franchisor is originating or agreeing to originate loans on behalf of Franchisee, and any loan origination will be done solely by Franchisee.

(e) Subject to the foregoing provisions for payment to Franchisor or Subfranchisor, Franchisee shall be entitled to receive (i) all interest and principal payments by borrowers on each loan originated by Franchisee, (ii) a \$30 insufficient funds fee (in compliance with applicable state laws) assessed to a borrower each time a check is returned due to insufficient funds and each time an ACH loan payment is returned due to insufficient funds or a closed account, with a two-time cap on insufficient funds charges assessed to a borrower on each payment, and (iii) a late fee of \$15 (in compliance with applicable state laws) assessed when a borrower fails to pay their loan payment within 5 days of the loan payment due date.

**EXHIBIT A-3: MEMORANDUM OF UNDERSTANDING WITH EMPLOYER
PARTICIPANT**



This Memorandum of Understanding with Employer Participant (“**MoU**”), dated and effective _____ is a business relationship between the Community Loan Center of Northwest Indiana (Local Lender), and _____ (Employer) (collectively, the “**Parties**”).

I. MISSION

Local Lender’s mission is, in whole or in part, to provide financial products and services to borrowers in the area of consumer lending and financial literacy education. As part of this mission, Local Lender is engaged in the Community Loan Center Affordable Small Dollar Loans Program (the “**Program**”) to provide a lower-cost alternative to high cost payday loans, pawn shops, check cashing, and signature loan outlets.

Together, the Parties enter into this MoU to offer the Program to Employer’s qualified employees.

II. PURPOSE AND SCOPE

The purpose of the MoU is to create a framework of cooperation between Local Lender and Employer to collaborate on this mutually beneficial Program, including setting up, monitoring and evaluation, and providing technical assistance in accessing required information related to the Program. Through these activities the Parties will give qualified employees the opportunity to participate in the Program with equal access.

III. RESPONSIBILITIES

Each party will appoint a person to serve as the official contact and coordinate the activities of each organization in carrying out this MoU. The initial appointees of the organizations are:

LOCAL LENDER:

Contact: _____

Address: _____

Phone: _____

Fax: _____

Email: _____

EMPLOYER:

Contact: _____

Address: _____

Phone: _____

Fax: _____

Email: _____

Employer's Responsibilities:

Employer shall provide timely employment verification for employees who apply for a loan.

- ☒ Employer shall set up payroll deduction for each employee who has elected such option in the loan application process for the repayment of the loans funded pursuant to the Program (See Exhibit A-4: Consent to Payroll Deduction).
- ☒ Employer shall promptly add the Program to the Employer's customary descriptions of employee benefits.
- ☒ Employer shall promptly notify all eligible employees that the Program is available to employees along with information on how to apply for a loan.
- ☒ Other participating employers have found that the Program provides them a competitive advantage in recruiting and retaining employees. These employers have realized the value of notifying their new and existing employees about the availability of the Program through a variety of different ways, such as:
 - Employee benefits website with a link to Program website to apply for a loan
 - Employee benefits literature (provided by the local lender)
 - Employee Intranet with a link to Program website to apply for a loan
 - Employee emails with a link to Program website to apply for a loan
 - Employee newsletters
 - Program posters in employee breakroom (provided by the local lender)
 - Program literature in the HR department employee information rack (provided by lender)
 - Program 'Benefits Card'(provided by the local lender)

In the space below, please describe the steps you will take to get the word out to all of your eligible employees about the Community Loan Center loan program:

LIST OF TASKS TO NOTIFY EMPLOYEES ABOUT CLC PROGRAM:

<u>TASK</u>	<u>WHO</u>	<u>WHEN</u>	<u>MATERIALS NEEDED</u>

Local Lender's Responsibilities:

- ☒ Local Lender shall make an initial presentation to employees about the Program at Employer's place of work.
- ☒ Local Lender shall provide promotional materials related to the Program.
- ☒ Local Lender shall provide assistance setting up, monitoring, and evaluating the Program.
- ☒ Local Lender shall provide training and technical assistance in accessing required information related to the Program.
- ☒ Upon request, Local Lender will provide reports to the Employer of the number of employees who have used the Program.

Both Parties Agree to the Following:

- ☒ Initial meetings will be held between Parties to review implementation of this agreement and to establish policy directives as appropriate.
- ☒ Parties agree that the Employer will not be financially responsible for the repayment of any loan made by Local Lender to Employer's employees.
- ☒ Parties agree that the Employer will not be a beneficiary, nor profit directly or indirectly from the loan payments deducted from employee's payroll and transferred to Local Lender.
- ☒ Parties agree not to share employee information with unaffiliated third parties.
- ☒ Confidentiality: Parties agree not to use or release any reports, data, or other information identifying applicants or borrowers, except with the prior written approval of such

applicant or borrower and in accordance with all consumer rules and regulations.

- ☒ Parties agree that the MoU may be amended on the initiative of either the Local Lender or the Employer by submitting a proposed amendment in writing to the other party and agreement of that party to the amendment.

IV. COST ALLOCATION/RESOURCE SHARING

Local Lender will be responsible for preparation of the loan documents and for administrative and overhead expenses incurred by Local Lender. Local Lender shall be responsible for submitting all necessary progress reports to its Board of Directors or other governing body and shall track all expenditures, for provision of the necessary checks and balances.

V. TERMS OF UNDERSTANDING

This MoU may be reviewed at any time to ensure that it is fulfilling its purpose.

VI. MODIFICATION/TERMINATION

This MoU constitutes an agreement between the parties hereto. This MoU may be modified only by mutual written consent of the parties, pursuant to the issuance of a written amendment, signed and dated by the parties.

Either party to this MoU may terminate its participation in this MoU by providing at least 30 days' prior written notice of intent to terminate. In such case, termination by one or more of the parties to this MoU does not alter any surviving terms or obligations of the other party to this MoU.

VII. DISCLAIMER

Employer shall not be deemed an agent of Local Lender, and there is no joint venture formed between Local Lender and Employer.

VIII. AUTHORIZATION

On behalf of the organization I represent, I wish to sign this MoU and contribute to the further development of the Program.

LOCAL LENDER:

Signature of Local Lender's Representative

Date

Printed Name

Title

EMPLOYER:

Signature of Employer's Representative

Date

Printed Name

Title

EXHIBIT A-4: CONSENT TO PAYROLL DEDUCTION

I understand that I have the option of repaying my loan using payroll deduction, where payments are deducted directly from my paycheck; electronic funds transfer, where payments are taken directly from my bank account using Automated Clearing House (“ACH”) electronic transfer; or by check or cash.

I, _____ (full name of employee) hereby authorize my employer to deduct payments of \$ _____ from my paycheck in the appropriate periodic installments as contained in the Promissory Note between myself and the Community Loan Center of Northwest Indiana until the balance is paid in full. I understand that I may revoke this authorization at any time by providing my employer with written notice.

Employee Signature

Date

Employee Number

Last Four Digits of Social Security Number

EXHIBIT B

Financials of Franchisor

**Rio Grande Valley
Multibank Corporation
And Subsidiary**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024



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CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
3125 Central Boulevard
Brownsville, TX 78520

956.546.1655
956.546.0377 (fax)
CRLadv.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Rio Grande Valley Multibank Corporation and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Rio Grande Valley Multibank Corporation and Subsidiary (a Texas corporation (the "Company")), which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The Company recorded a prior period adjustment of \$15,908 for the correction of a misstatement related to the prior period. As further described in Note 2 to the financial statements, the Company's financial statements were restated and the effect of the adjustment was a decrease to beginning retained earnings.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rio Grande Valley Multibank Corporation and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rio Grande Valley Multibank Corporation and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Carr, Rigg & Ingram, L.L.C.

Brownsville, Texas

April 30, 2025

Rio Grande Valley Multibank Corporation and Subsidiary

Consolidated Balance Sheet

December 31, 2024

ASSETS

Current Assets		
Cash and cash equivalents	\$	3,124,755
Due from Community Development Corporation of Brownsville (CDCB)		129,021
Due from Community Loan Centers (CLCs)		54,293
Current maturities of pooled mortgage loans receivable		389,059
Small dollar loan receivables, net of allowance for credit loss of \$233,000		4,282,515
Loans receivable - lines of credit		953,125
Other loan receivable		653,610
Total current assets		9,586,378
Other Assets		
Investment in Federal Home Loan Bank (FHLB)		289,985
Investments - certificates of deposit		1,080,533
Pooled mortgage loans receivable, less current maturities		14,013,938
Total other assets		15,384,456
Total assets		\$ 24,970,834

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.

Rio Grande Valley Multibank Corporation and Subsidiary
Consolidated Balance Sheet – (Continued)

<i>December 31,</i>	<i>2024</i>
Liabilities and Stockholders' Equity	
Current Liabilities	
Due to CDCB	\$ 5,636
Deferred revenue - mortgage	203,682
Deferred revenue - technology grant	246,007
Other current liabilities	160,923
Current maturities of loans payable	928,839
Total current liabilities	1,545,087
Other Noncurrent Liabilities	
Loans payable, less current maturities	15,667,539
Total noncurrent liabilities	15,667,539
Stockholders' Equity	
Common stock, par value \$1 per share; authorized 10,000,000 shares; issued 2,311,689, outstanding 2,011,689	2,311,689
Additional paid in capital	1,530,359
Treasury stock, 300,000 shares	(1)
Retained earnings	3,916,161
Total stockholders' equity	7,758,208
Total liabilities and stockholders' equity	\$ 24,970,834

The accompanying notes are an integral part of these consolidated financial statements.

Rio Grande Valley Multibank Corporation and Subsidiary

Consolidated Statement of Income

<i>Year ended December 31,</i>	<i>2024</i>
Operating revenue	
Interest income - small dollar loans	\$ 688,822
Interest income - mortgage loans	689,735
CLC service and administrative fees	607,633
Dividend and interest income	304,366
Miscellaneous income	61,199
Total operating revenue	2,351,755
Operating expenses	
Administrative services	597,148
Bank service charges	22,013
Commission expense	95,145
Data storage expense	27,324
Insurance	16,000
Interest expense	445,197
Credit loss	315,731
Miscellaneous	83,510
Servicing fees	58,117
Professional services	68,069
Total operating expenses	1,728,254
Income from operations before income taxes	623,501
Income tax expense	(129,272)
Net income	\$ 494,229

The accompanying notes are an integral part of these consolidated financial statements.

Rio Grande Valley Multibank Corporation and Subsidiary
Consolidated Statement of Retained Earnings

<i>Year ended December 31,</i>	<i>2024</i>
Balance, beginning	\$ 3,437,840
Prior Period Adjustment	(15,908)
Balance, beginning as restated	3,421,932
Net income	494,229
Balance, ending	\$ 3,916,161

The accompanying notes are an integral part of these consolidated financial statements.

Rio Grande Valley Multibank Corporation and Subsidiary

Consolidated Statement of Cash Flows

Year ended December 31,

2024

OPERATING ACTIVITIES

Net income	\$ 494,229
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in operating assets and liabilities:	
Due from CDCB and CLCs	(80,374)
Prepaid income tax	74,797
Due to CDCB and other current liabilities	88,892
Deferred revenues	241,957

Net cash provided by operating activities	819,501
---	---------

INVESTING ACTIVITIES

Redemption of investments	552,328
Principal collected on mortgage loans receivable	565,968
Issuance of mortgage loans receivable	(4,894,278)
Collection (payments) on lines of credit	(215,625)
Principal collected on small dollar loans receivable	4,993,979
Issuance of small dollar loans receivable	(6,577,416)

Net cash used in investing activities	(5,575,044)
---------------------------------------	-------------

FINANCING ACTIVITIES

Payments on notes payable	(595,765)
Proceeds from notes payable	2,614,810

Net cash provided by financing activities	2,019,045
---	-----------

Net decrease in cash and cash equivalents	(2,736,498)
---	-------------

Cash and cash equivalents - Beginning	5,861,253
---------------------------------------	-----------

Cash and cash equivalents - Ending	\$ 3,124,755
------------------------------------	--------------

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for Interest	\$ 445,197
Cash paid for Income taxes	58,889

The accompanying notes are an integral part of these consolidated financial statements.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Company is presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the presentation of the consolidated financial statements.

Nature of the Organization

The Rio Grande Valley Multibank Corporation (Company), a United States Treasury Certified Community Development Financial Institution, is a Texas corporation formed on April 3, 1995 to (1) promote, develop and improve the economic conditions of people in the Lower Rio Grande Valley area, (2) encourage and assist in the supply of affordable housing, investments in small businesses and employment opportunities for low to moderate income persons through loans, investments and other business transactions, and (3) improve economic conditions in the community.

Principals of Consolidation

The consolidated financial statements of the Company include operations of the wholly owned subsidiary of the Company, Community Loan Center Corporation. Community Loan Center Corporation was formed on August 27, 2010. Together, the two entities principally provide the aforementioned services in the Lower Rio Grande Valley and are referred to in the notes to the consolidated financial statements, collectively, as the "Company."

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Cash and Equivalents

The Company classifies as cash equivalents all highly liquid investments with original maturities of three months or less. Cash and cash equivalents include checking, savings account deposits, and certificates of deposit with original maturities of three months or less.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2024, cash balances exceeded federally insured limits by \$2,396,096.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Company's financial instruments are cash and cash equivalents, loans receivable – net of allowance for credit losses, and accounts receivable, whose carrying amounts approximate fair value based on their short-term nature.

Investment in FHLB

The Company is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans and Other Receivables

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, selling costs, and an allowance for credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Small dollar loans are placed on non-accrual status at the time the loan is 60 days delinquent unless the loan is well-secured and in process of collection. Small dollar loans are charged off at 120 days past due. Small dollar loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 60 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

All interest accrued but not earned for loans charged off are reversed and recorded as a credit loss expense. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Allowance for Credit Losses

The allowance for credit losses is a valuation account that is deducted from or added to the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. For the Small Dollar Loan program the Company measures the allowance for credit losses using historical loss patterns over the life of the loan. The loss rate is then adjusted for current conditions.

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for credit losses.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts for financial reporting purposes and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Tax positions are recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax position is recorded. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The company recognizes interest and/or penalties related to income tax matters in income tax expense.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Subsequent Events

Management has evaluated all events or transactions that occurred after December 31, 2024 through April 30, 2025, the date the Company's financial statements were available to be issued and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Recently Issued Accounting Pronouncement

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) Improvements to Income Tax Disclosures, which would enhance the transparency and decision usefulness of income tax disclosures. This would update tax disclosures for rate reconciliation, income taxes paid, and other disclosures. The requirements of this update are effective for fiscal years beginning after December 15, 2025, and all reporting periods thereafter. Management does not expect the requirements of this statement to have an impact on the financial statements.

NOTE 2: PRIOR PERIOD ADJUSTMENT

During the current year, management discovered a financial statement error that caused an overstatement of previously reported retained earnings. The effect totaled \$15,908.

NOTE 3: CASH AND INVESTMENTS

The Company's cash and cash equivalents consisted of the following as of December 31, 2024:

Checking account	\$ 1,713,567
Savings account	1,411,188
Totals	<u>\$ 3,124,755</u>

The Company also holds investments in certificates of deposit that are recorded at cost. The Company's investments in certificates of deposit as of December 31, 2024 were \$1,080,533.

NOTE 4: LOAN PROGRAMS

Mortgage Loan Programs

The Company has developed and implemented the Community Affordable Safe Assistance Loan Program (CASA), a public/private affordable housing initiative for South Texas. The Company, through its membership in the Federal Home Loan Bank of Dallas, commits to provide first lien mortgage funds for mortgage loans to assist low-income families.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

Note 4: Loan Programs (Continued)

The CASA loan structure utilizes subsidy funds to provide the required matching mortgage funds which in-turn allows the Company to provide long-term mortgage loans to families it would deny for credit under other traditional mortgage programs. The mortgage borrower will close into a fixed rate (no more than 200 basis points over FHLB Advance Rate), 20-30 year fully amortizing loan with the participating Community Development Financial Institution or CDFI. A uniform underwriting criteria is utilized to ensure equality and standardization. There is no mortgage insurance premium and servicing is held with the CDFI or its assignee.

Loan participation amounts are funded and disbursed at various dates; therefore, they have various maturity dates. As there have been no portfolio defaults, the Company does not have an allowance for credit loss. The following is a breakdown of receivables by participant as of December 31, 2024:

Housing Loan Programs:	
Falcon Loan Program	\$ 1,245,376
CASA Loan Program	12,278,040
MiCasita	879,581
Total notes receivable	14,402,997
Less – current maturities	389,059
Total pooled mortgage loans receivable, less current maturities	\$ 14,013,938

Community Loan Center – “Small Dollar Loan Program”

Beginning in 2011, the Company established a Small Dollar Loan Program offering eligible participants a personal, unsecured loan ranging from a \$400 minimum to a \$1,000 maximum per loan. Loans must be repaid or renewed within a one-year period. A loan is considered delinquent after 30 days and charged off after 120 days. At December 31, 2024, the note receivable balance was \$4,907,318, with an allowance of \$233,000. The unearned interest is calculated and recognized on a daily basis. An analysis of the Small Dollar Loan Program as of December 31, 2024 is as follows:

Rio Grande Valley Multibank Corporation and Subsidiary
Notes to Consolidated Financial Statements

Note 4: Loan Programs (Continued)

Small dollar loans receivable (gross)	\$ 4,907,318
Less: unearned interest	(391,803)
Subtotal	4,515,515
Less: allowance for credit loss	(233,000)
Small dollar loans receivable (net)	\$ 4,282,515

NOTE 5: ALLOWANCE FOR CREDIT LOSSES

Small Dollar Loans - The Company maintains an allowance for credit losses by applying a 5 year average of historical loss pattern over the life of the loan. Loans are considered performing if all payments are made as agreed. Loans are considered non-performing if the loan is 60 days past due.

The Company's policy is to charge off as bad debts loans that are 120 days past due. At December 31, 2024, the allowance for credit losses was \$233,000.

Pooled Mortgage Loans Receivable - Because of the credit quality of the borrowers and the underlying collateral, all residential loans are considered fully collateralized and no losses are anticipated over the life of the loans; therefore no allowance for credit losses as of December 31, 2024 was recorded.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 5: ALLOWANCE FOR CREDIT LOSSES (Continued)

	<u>Residential</u>			
	CASA	Small Dollar	Total	
Allowance for Credit Losses				
Beginning Balance	\$ -	\$ 183,029	\$ 183,029	
Charge-offs	-	(271,183)	(271,183)	
Recoveries	-	5,423	5,423	
Credit loss expense	-	315,731	315,731	
Ending Balance	\$ -	\$ 233,000	\$ 233,000	
Financing Receivables				
Ending Balance: collectively evaluated for impairment	\$ 14,402,997	\$ 4,907,318	\$ 19,310,315	
Ending Balance	\$ 14,402,997	\$ 4,907,318	\$ 19,310,315	

Credit Risk - Creditworthiness Category and Internally Assigned Grade – The Company considers a loan Excellent or Performing if all payments are being made as agreed, the collateral value underlying the loans exceeds the amount of the receivable and the borrower’s financial condition reflects its ability to meet its financial obligations. A loan is considered Special Mention or Non-Performing if payments are over 90 days past due. A loan is considered Substandard if the receivable balance exceeds the estimated fair market value of the underlying collateral. The Company does not have any loans classified as Substandard.

The Company has no impaired loans, loans with modifications or loans on non-accrual status. Therefore, there are no loans individually evaluated for impairment.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 5: ALLOWANCE FOR CREDIT LOSSES (Continue)

Residential Loans –

Credit risk profiled by credit worthiness category and internally assigned grade is as follows:

	CASA -FHLB	CASA-FALCON	CASA-RGVMB	MiCasista	Total
Excellent	\$ 8,968,178	\$ 1,245,376	\$ 3,009,864	\$ 760,141	\$ 13,983,559
Special Mention	299,998	-	-	119,440	419,438
Ending Balance	\$ 9,268,176	\$ 1,245,376	\$ 3,009,864	\$ 879,581	\$ 14,402,997

Small Dollar Loans –

Credit Risk profile based on payment activity is as follows:

Performing	\$ 4,841,007
Non-performing	66,311
Ending Balance	\$ 4,907,318

The following chart represents the Age Analysis of Past Due Financing Receivables at December 31, 2024:

	Past Due			Current	Total
	30-59 Days	60-89 Days	Over 89 Days		
Residential Loans					
MiCASITA	\$ 66,988	\$ -	\$ 119,440	\$ 693,153	\$ 879,581
CASA-FHLB	570,603	296,010	299,998	8,101,565	9,268,176
FALCON	145,444	121,741	-	978,191	1,245,376
CASA-RGVMB	177,725	-	-	2,832,139	3,009,864
Small Dollar Loans	31,036	18,648	47,663	4,809,971	4,907,318
	\$ 991,796	\$ 436,399	\$ 467,101	\$ 17,415,019	\$ 19,310,315

NOTE 6: LINES OF CREDIT

On December 4, 2018, RGV Multibank issued a line of credit to CLC of Greater Houston for \$328,125, which was renewed on December 2022. On December 20, 2017, RGV Multibank issued a line of credit to Heart of Texas CLC for \$175,000 which was renewed on October 2021. Both lines of credit are for use in lending within the Small Dollar Loan Program and are due within 5 years at 2.85% interest. On February 2024, RGV Multibank issued a new line of credit to Heart of Texas CLC for \$350,000. On June 6, 2024, RGV Multibank issued a new line of credit to Northen Arizona Housing Solution for \$100,000. Both new lines of credit are used for lending capital and are due within 5 years at 3% interest.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 6: LINES OF CREDIT (Continue)

Interest payments are due on a quarterly basis for the first 36 months. The unpaid principal balance, together with any unpaid accrued interest and other unpaid charges or fees shall be due and payable in quarterly installments for months 37 through 60. The balance for the four lines of credit at December 31, 2024 was \$953,125.

NOTE 7: LOANS PAYABLE

Loans payable at December 31, 2024 totaled \$16,596,378.

On June 24, 2011 an agreement between the Federal Home Loan Bank (FHLB) and the Company was made to establish a line of credit, whereby the FHLB provides advances to the Company for qualifying affordable home loans. The FHLB will be assigned the first lien on mortgaged property in exchange for funding of 70% of each loan. Each advance made to the Company creates its own amortization and repayment schedule with a fixed rate assigned at the time of the advance. Included in the loans payable balances are the outstanding balances of the FHLB note as of December 31, 2024 of \$7,011,323.

On December 18, 2019, an agreement between Falcon Bank and the Company was made to provide the Company with liquidity and long-term financing to conduct its mortgage business. Falcon Bank agreed to lend the Company \$1,395,960 evidenced by an individual promissory note executed by the Company and secured by the Company's pledge of a group of 19 mortgage loans totaling \$1,395,960. These 19 loans are part of the CASA Loan Program and follow the CASA underwriting guidelines. Both parties agreed to the following terms: An agreement commencing on December 18, 2019 and ending on September 24, 2046. This mortgage pool loan is evidenced by a promissory note executed by the Company and bears interest at a fixed rate of 4.71%, 27 year fixed no balloon rate per annum. The loan is repayable in 360 equal monthly installments of principal and accrued interest of \$7,710 beginning January 24, 2020 to said maturity date. The balance that is outstanding as of December 31, 2024 is \$1,246,222.

On December 4, 2013, a promissory note between Community Development Corporation of Brownsville and Rio Grande Valley Multibank was signed whereby Rio Grande Valley Multibank borrowed \$665,603 at zero percent interest via an unsecured loan. The principal amount is due and payable on December 4, 2043. This payable amount is also included in the total loans payable listed below.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 7: LOANS PAYABLE (Continued)

Loans payable at December 31, 2024 are as follows:

	Due in one year	Due after one year
Federal Home Loan Bank of Dallas , payable in monthly installments ranging from \$28,000 to \$30,000 and at an average interest rate of 3.54%; secured by real estate lien notes.	\$ 331,737	\$ 6,679,585
Falcon Bank , payable in monthly installments of \$7,709.85 and at an interest rate of 4.71%; secured by real estate lien notes against the underlying collateral.	34,602	1,211,620
Community Development Corporation of Brownsville , Principal and interest on note deferred for 30 years at 0%; unsecured.	-	665,603
Community Development Financial Institution Fund , Principal and interest on note deferred for 30 years at 0%; unsecured.	-	665,603
Opportunity Finance Network (OFN) Next Award deferred principal until December 31, 2023; payable of interest only at 3%; unsecured.	312,500	312,500
WKKF Kellogg Foundation – payable in quarterly installments of \$62,500 at an rate of 1%; unsecured.	250,000	375,000
Ceniarth Wales Interest, L.P. - Loan dated August 20, 2021. Deferred principal until September 30, 2029; payable of interest only at 2% through June 30, 2026; interest greater of 2% or the trailing 90-day average of the secured overnight financing rate as of June 30, 2026 plus 2.00% from July 1, 2026 thereafter until the loan is repaid in full; loan is unsecured	-	1,500,000
Opportunity Finance Network (OFN) - Loan dated October 25, 2021; Deferred principal until October 25, 2029; payable of interest only at 3%; unsecured.	-	1,000,000
Community Development Financial Institutions Fund (CDFI) - Loan dated February 2020; Deferred principal until 2031; payable of interest only at 1.7%; unsecured.	-	149,728
Community Development Financial Institutions Fund (CDFI) - Loan dated February 2022; Deferred principal until 2033; payable of interest only at 1.39%; unsecured.	-	1,107,900
David and Lucile Packard Foundation - Loan dated June 17, 2022; Deferred principal until June 17, 2030; payable of interest only at 1%; unsecured.	-	2,000,000
	<u>\$ 928,839</u>	<u>\$ 15,667,539</u>

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 7: LOANS PAYABLE (Continued)

	2024	2025	2026	2027	2028	Thereafter
Falcon Bank	\$ 34,602	\$ 36,267	\$ 38,013	\$ 39,842	\$ 41,760	\$ 1,055,738
FHLB	331,737	343,673	356,039	368,849	382,120	5,228,905
CDCB	-	-	-	-	-	665,603
CDFI	-	-	-	-	-	665,603
Kellogg	250,000	250,000	125,000	-	-	-
OFN Next Award	312,500	312,500	-	-	-	-
Ceniarth	-	-	-	-	375,000	1,125,000
OFN Finance Justice	-	-	-	-	333,333	666,667
CDFI Fund - 2021 FA	-	-	-	-	-	149,728
CDFI Fund - 2023 FA	-	-	-	-	-	1,107,900
Packard Loan	-	-	333,332	666,667	666,667	333,333
Total	\$ 928,839	\$ 942,440	\$ 852,384	\$ 1,075,358	\$ 1,798,880	\$ 10,998,477

NOTE 8: STOCKHOLDERS' EQUITY

Current stock outstanding and ownership percentages at December 31, 2024 are as follows:

Holder	Shares	Par Value	Ownership Percentage
Bank of America	250,000	\$ 250,000	12.43%
Community Development Corporation Brownsville	95,538	95,538	4.75%
Frost National Bank	100,000	100,000	4.97%
International Bank of Commerce – Brownsville	250,000	250,000	12.43%
International Bank of Commerce – McAllen	100,000	100,000	4.97%
International Bank of Commerce – Zapata	100,000	100,000	4.97%
Lone Star National Bank	100,000	100,000	4.97%
National Cooperative Development	100,000	100,000	4.97%
PNC/Compass Bank	434,384	434,384	21.59%
Wells Fargo Bank	300,000	300,000	14.92%
Cameron County Housing Finance Corp	44,504	44,504	2.21%
Falcon Bank	43,471	43,471	2.16%
CDFI Fund	93,792	93,792	4.66%
Total	2,011,689	\$ 2,011,689	100.00%

NOTE 9: RELATED PARTY TRANSACTIONS

CDCB is contracted annually to provide administrative services to the Company. Administrative fees totaled \$597,148 for the year ended December 31, 2024. The Company has receivables of \$129,021 at the close of the year from CDCB for small dollar and pooled mortgage loans collected in December. Additionally, the Company has an unsecured loan with the CDCB totaling \$665,603 at the end of the year.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 10: DEFERRED REVENUE

The deferred revenue mortgage is made up of funds from a CDFI grant and lent to borrowers under the CASA Loan Program. These funds have been deferred until payment is received by the Company from the borrower, which will then result in recognition of income. Deferred revenue as of December 31, 2024 for CASA mortgages was \$203,682. The deferred revenue related to technology grant are proceeds received from a monetary grant issued through the Federal Home Loan Bank of Dallas. These proceeds will be used to fund future technology upgrades and will result in recognition of income as applicable expenses are incurred. Deferred revenue as of December 31, 2024 for technology upgrades was \$246,007.

NOTE 11: INCOME TAXES

Income tax expense for the year ended December 31, 2024 consisted of the following:

Current income tax expense	\$ 129,272
Total income tax expense	<u>\$ 129,272</u>
Net income (loss) before taxes (excludes nonshareholder capital contribution)	\$ 615,580
U.S. statutory rate	21%
Tax at statutory rate	<u>\$ 129,272</u>

The Company recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company's financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. The Company recognized federal income tax payable in the amount of \$77,906 at December 31, 2024.

NOTE 12: CLC SERVICE AND ADMINISTRATIVE FEES

The Company has over the past several years franchised its software to be used by other Community Loan Centers across the country. The Small Dollar Lending Program (SDLP) software is considered a Software As A Service System (SAAS) and is designed to provide a user friendly graphical interface for the origination and servicing of small loans serviced by Community Loan Center lenders.

There are currently eighteen CLC centers using this software. Each center has signed a franchise agreement which provides that the CLC will, in exchange for the use of the software, pay the Community Loan Center Corporation (subsidiary of RGVMB) a monthly loan servicing fee calculated by multiplying the month end open loan balance on the Franchisee's loan portfolio times the loan servicing rate of 0.45%. In addition, a loan origination fee of \$10 will be remitted for every new loan added during the month.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 12: CLC SERVICE AND ADMINISTRATIVE FEES (*Continued*)

These fees totaled \$446,373 for 2024. For every loan the Company originates, an administrative fee of \$20.00 is charged on the small dollar loan. An administrative fee is assessed unless the customer has been charged an administrative fee on a loan within 180 days. The loan administrative fee was \$161,260 for 2024. During 2024, total service and administrative fees totaled \$607,633.

NOTE 13: REVENUE FROM CONTRACTS WITH CUSTOMERS

Fees and Service Charges – E-loan to Individual

The Company collects various fees for the e-loans provided to individuals through the Community Loan Service program. These include a \$20 administrative fee per new loan, or renewed loan that is renewed after 180 days, a nonsufficient funds fee (NSF) of \$25.00, and late fees of 5% of payment amount due. The administrative fee is recognized at the time the loan is made to the individual. The NSF fee is only recognized if an individual's account does not have enough funds at time of payment. The late fees occur rarely due to the employee paying the loan directly through payroll deduction.

Fees and Service Charges – Community Loan Centers

The Company collects various fees from the CLC partners who have a franchise contract with the Company. They include the one-time contract set up fee recorded and recognized at inception of contract, the monthly servicing fee of 0.45% of the end of month balance per loan, and an administrative fee of \$10/\$10.50 per loan, if an administrative fee was charged to the borrower. Both the servicing fee and administrative fee are recorded and recognized monthly by the Company.

**Rio Grande Valley
Multibank Corporation
And Subsidiary**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025



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CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
3125 Central Boulevard
Brownsville, TX 78520

956.546.1655
956.546.0377 (fax)
CRLadv.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Rio Grande Valley Multibank Corporation and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Rio Grande Valley Multibank Corporation and Subsidiary (a Texas corporation (the "Company")), which comprise the consolidated balance sheet as of December 31, 2025, and the related consolidated statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rio Grande Valley Multibank Corporation and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rio Grande Valley Multibank Corporation and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Carr, Riggs & Ingram, L.L.C.

Brownsville, Texas

March 31, 2026

Rio Grande Valley Multibank Corporation and Subsidiary

Consolidated Balance Sheet

December 31, 2025

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,067,825
Due from Community Development Corporation of Brownsville (CDCB)	145,316
Due from Community Loan Centers (CLCs)	57,555
Prepaid taxes	11,356
Current maturities of pooled mortgage loans receivable	396,303
Small dollar loan receivables, net of allowance for credit loss of \$313,831	4,512,371
Other loan receivable	788,648
Total current assets	7,979,374

Other Assets

Loans receivable - lines of credit	1,393,750
Investment in Federal Home Loan Bank (FHLB)	305,100
Pooled mortgage loans receivable, less current maturities	15,577,099
Total other assets	17,275,949

Total assets	\$ 25,255,323
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(Continued)

The accompanying notes are an integral part of these consolidated financial statements.

Rio Grande Valley Multibank Corporation and Subsidiary
Consolidated Balance Sheet – (Continued)

<i>December 31,</i>	<i>2025</i>
Liabilities and Stockholders' Equity	
Current Liabilities	
Due to CDCB	\$ 29,138
Deferred revenue - mortgage	195,849
Deferred revenue - technology grant	79,978
Other current liabilities	51,989
Current maturities of loans payable	943,461
Total current liabilities	1,300,415
Other Noncurrent Liabilities	
Loans payable, less current maturities	15,745,165
Total noncurrent liabilities	15,745,165
Stockholders' Equity	
Common stock, par value \$1 per share; authorized 10,000,000 shares; issued 2,311,689, outstanding 2,011,689	2,311,689
Additional paid in capital	1,530,359
Treasury stock, 300,000 shares	(1)
Retained earnings	4,367,696
Total stockholders' equity	8,209,743
Total liabilities and stockholders' equity	\$ 25,255,323

The accompanying notes are an integral part of these consolidated financial statements.

Rio Grande Valley Multibank Corporation and Subsidiary

Consolidated Statement of Income

Year ended December 31, 2025

Operating revenue

Interest income - small dollar loans	\$ 768,142
Interest income - mortgage loans	869,413
CLC service and administrative fees	640,871
Dividend and interest income	121,711
Grant income	166,029
Miscellaneous income	106,596
Total operating revenue	2,672,762

Operating expenses

Administrative services	709,108
Bank service charges	38,448
Commission expense	102,880
Data storage expense	33,805
Insurance	16,207
Interest expense	462,039
Credit loss	420,563
Miscellaneous	119,200
Servicing fees	68,763
Professional services	132,290
Total operating expenses	2,103,303

Income from operations before income taxes	569,459
Income tax expense	(117,924)

Net income	\$ 451,535
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The accompanying notes are an integral part of these consolidated financial statements.

Rio Grande Valley Multibank Corporation and Subsidiary
Consolidated Statement of Retained Earnings

<i>Year ended December 31,</i>		2025
Balance, beginning	\$	3,916,161
Net income		451,535
Balance, ending	\$	4,367,696

The accompanying notes are an integral part of these consolidated financial statements.

Rio Grande Valley Multibank Corporation and Subsidiary

Consolidated Statement of Cash Flows

Year ended December 31,

2025

OPERATING ACTIVITIES

Net income	\$ 451,535
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in operating assets and liabilities:	
Due from CDCB and CLCs	(19,557)
Prepaid income tax	(11,356)
Due to CDCB and other current liabilities	(85,432)
Deferred revenues	(173,862)

Net cash provided by operating activities	161,328
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INVESTING ACTIVITIES

Redemption of investments	1,080,533
Purchase of FHLB investments	(15,115)
Principal collected on mortgage loans receivable	688,905
Issuance of mortgage loans receivable	(2,259,311)
Collection (payments) on lines of credit	(440,625)
Principal collected on small dollar loans receivable	7,096,940
Issuance of small dollar loans receivable	(7,461,832)

Net cash used in investing activities	(1,310,505)
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FINANCING ACTIVITIES

Payments on notes payable	(908,999)
Proceeds from notes payable	1,001,246

Net cash provided by financing activities	92,247
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Net decrease in cash and cash equivalents	(1,056,930)
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Cash and cash equivalents - Beginning	3,124,755
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Cash and cash equivalents - Ending	\$ 2,067,825
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for Interest	\$ 462,039
Cash paid for Income taxes	129,280

The accompanying notes are an integral part of these consolidated financial statements.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Company is presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the presentation of the consolidated financial statements.

Nature of the Organization

The Rio Grande Valley Multibank Corporation (Company), a United States Treasury Certified Community Development Financial Institution, is a Texas corporation formed on April 3, 1995 to (1) promote, develop and improve the economic conditions of people in the Lower Rio Grande Valley area, (2) encourage and assist in the supply of affordable housing, investments in small businesses and employment opportunities for low to moderate income persons through loans, investments and other business transactions, and (3) improve economic conditions in the community.

Principals of Consolidation

The consolidated financial statements of the Company include operations of the wholly owned subsidiary of the Company, Community Loan Center Corporation. Community Loan Center Corporation was formed on August 27, 2010. Together, the two entities principally provide the aforementioned services in the Lower Rio Grande Valley and are referred to in the notes to the consolidated financial statements, collectively, as the "Company."

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Cash and Equivalents

The Company classifies as cash equivalents all highly liquid investments with original maturities of three months or less. Cash and cash equivalents include checking, savings account deposits, and certificates of deposit with original maturities of three months or less.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2025, cash balances exceeded federally insured limits by \$1,658,457.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Company's financial instruments are cash and cash equivalents, loans receivable – net of allowance for credit losses, and accounts receivable, whose carrying amounts approximate fair value based on their short-term nature.

Investment in FHLB

The Company is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans and Other Receivables

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, selling costs, and an allowance for credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Small dollar loans are placed on non-accrual status at the time the loan is 60 days delinquent unless the loan is well-secured and in process of collection. Small dollar loans are charged off at 120 days past due. Small dollar loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 60 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

All interest accrued but not earned for loans charged off are reversed and recorded as a credit loss expense. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Allowance for Credit Losses

The allowance for credit losses is a valuation account that is deducted from or added to the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. For the Small Dollar Loan program the Company measures the allowance for credit losses using historical loss patterns over the life of the loan. The loss rate is then adjusted for current conditions.

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for credit losses.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts for financial reporting purposes and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Tax positions are recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax position is recorded. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The company recognizes interest and/or penalties related to income tax matters in income tax expense.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Subsequent Events

Management has evaluated all events or transactions that occurred after December 31, 2025 through March 31, 2026, the date the Company's financial statements were available to be issued and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Future Accounting Pronouncement

The Financial Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

FASB ASU 2023-09, Income Taxes (Topic 740) Improvements to Income Tax Disclosures, which would enhance the transparency and decision usefulness of income tax disclosures. This would update tax disclosures for rate reconciliation, income taxes paid, and other disclosures. The requirements of this update are effective for fiscal years beginning after December 15, 2025, and all reporting periods thereafter.

The Company is evaluating the requirements of the above statements and the impact on reporting.

NOTE 2: CASH AND INVESTMENTS

The Company's cash and cash equivalents consisted of the following as of December 31, 2025:

Checking account	\$ 1,131,931
Savings account	825,894
Certificates of deposits with maturities less than 90 days	110,000
Totals	\$ 2,067,825

NOTE 3: LOAN PROGRAMS

Mortgage Loan Programs

The Company has developed and implemented the Community Affordable Safe Assistance Loan Program (CASA), a public/private affordable housing initiative for South Texas. The Company, through its membership in the Federal Home Loan Bank of Dallas, commits to provide first lien mortgage funds for mortgage loans to assist low-income families.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

Note 3: Loan Programs (Continued)

The CASA loan structure utilizes subsidy funds to provide the required matching mortgage funds which in-turn allows the Company to provide long-term mortgage loans to families it would deny for credit under other traditional mortgage programs. The mortgage borrower will close into a fixed rate (no more than 200 basis points over FHLB Advance Rate), 20-30 year fully amortizing loan with the participating Community Development Financial Institution or CDFI. A uniform underwriting criteria is utilized to ensure equality and standardization. There is no mortgage insurance premium and servicing is held with the CDFI or its assignee.

Loan participation amounts are funded and disbursed at various dates; therefore, they have various maturity dates. As there have been no portfolio defaults, the Company does not have an allowance for credit loss. The following is a breakdown of receivables by participant as of December 31, 2025:

Housing Loan Programs:	
Falcon Loan Program	\$ 1,210,774
CASA Loan Program	13,906,406
MiCasita	856,222
Total notes receivable	15,973,402
Less – current maturities	396,303
Total pooled mortgage loans receivable, less current maturities	\$ 15,577,099

Community Loan Center – “Small Dollar Loan Program”

Beginning in 2011, the Company established a Small Dollar Loan Program offering eligible participants a personal, unsecured loan ranging from a \$400 minimum to a \$1,000 maximum per loan. Loans must be repaid or renewed within a one-year period. A loan is considered delinquent after 30 days and charged off after 120 days. At December 31, 2025, the note receivable balance was \$5,255,150, with an allowance of \$313,831. The unearned interest is calculated and recognized on a daily basis. An analysis of the Small Dollar Loan Program as of December 31, 2025 is as follows:

Small dollar loans receivable (gross)	\$ 5,255,150
Less: unearned interest	(428,948)
Subtotal	4,826,202
Less: allowance for credit loss	(313,831)
Small dollar loans receivable (net)	\$ 4,512,371

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 4: ALLOWANCE FOR CREDIT LOSSES

Small Dollar Loans - The Company maintains an allowance for credit losses by applying a 5 year average of historical loss pattern over the life of the loan. Loans are considered performing if all payments are made as agreed. Loans are considered non-performing if the loan is 60 days past due.

The Company's policy is to charge off as bad debts loans that are 120 days past due. At December 31, 2025, the allowance for credit losses was \$313,831.

Pooled Mortgage Loans Receivable - Because of the credit quality of the borrowers and the underlying collateral, all residential loans are considered fully collateralized and no losses are anticipated over the life of the loans; therefore no allowance for credit losses as of December 31, 2025 was recorded.

	<u>Residential</u>			
	CASA	Small Dollar	Total	
Allowance for Credit Losses				
Beginning Balance	\$ -	\$ 233,000	\$ 233,000	
Charge-offs	-	(343,904)	(343,904)	
Recoveries	-	4,172	4,172	
Credit loss expense	-	420,563	420,563	
Ending Balance	\$ -	\$ 313,831	\$ 313,831	
Financing Receivables				
Ending Balance: collectively evaluated for impairment	\$ 15,973,402	\$ 5,255,150	\$ 21,228,552	
Ending Balance	\$ 15,973,402	\$ 5,255,150	\$ 21,228,552	

Credit Risk - Creditworthiness Category and Internally Assigned Grade – The Company considers a loan Excellent or Performing if all payments are being made as agreed, the collateral value underlying the loans exceeds the amount of the receivable and the borrower's financial condition reflects its ability to meet its financial obligations. A loan is considered Special Mention or Non-Performing if payments are over 90 days past due. A loan is considered Substandard if the receivable balance exceeds the estimated fair market value of the underlying collateral. The Company does not have any loans classified as Substandard.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 4: ALLOWANCE FOR CREDIT LOSSES (Continued)

The Company has no impaired loans, loans with modifications or loans on non-accrual status. Therefore, there are no loans individually evaluated for impairment.

Residential Loans –

Credit risk profiled by credit worthiness category and internally assigned grade is as follows:

	CASA -FHLB	CASA-FALCON	CASA-RGVMB	MiCasista	Total
Excellent	\$ 8,267,193	\$ 1,210,774	\$ 5,567,501	\$ 784,510	\$ 15,829,978
Special Mention	71,712	-	-	71,712	143,424
Ending Balance	\$ 8,338,905	\$ 1,210,774	\$ 5,567,501	\$ 856,222	\$ 15,973,402

Small Dollar Loans –

Credit Risk profile based on payment activity is as follows:

Performing	\$ 5,188,341
Non-performing	66,809
Ending Balance	\$ 5,255,150

The following chart represents the Age Analysis of Past Due Financing Receivables at December 31, 2025:

	Past Due			Current	Total
	30-59 Days	60-89 Days	Over 89 Days		
Residential Loans					
MiCASITA	\$ 144,490	\$ 116,297	\$ 71,712	\$ 523,723	\$ 856,222
CASA-FHLB	789,169	116,297	71,712	7,361,727	8,338,905
FALCON	110,450	-	-	1,100,324	1,210,774
CASA-RGVMB	140,499	463,993	-	4,963,009	5,567,501
Small Dollar Loans	38,134	26,864	39,945	5,150,207	5,255,150
	\$ 1,222,742	\$ 723,451	\$ 183,369	\$ 19,098,990	\$ 21,228,552

NOTE 5: LINES OF CREDIT

On December 4, 2018, RGV Multibank issued a line of credit to CLC of Greater Houston for \$328,125, which was renewed on December 2022. On January 2025, RGV Multibank extended the line of credit to CLC of Greater Houston for an additional \$371,875. As of December 31, 2025, the balance for the line of credit to CLC of Greater Houston is \$700,000. On December 20, 2017, RGV Multibank issued a line of credit to Heart of Texas CLC for \$300,000 which was renewed on October 2021 to \$400,000. As of December 31, 2025, the balance for the line of credit to Heart of Texas CLC is \$243,750. Both lines of credit are for use in lending within the Small Dollar Loan Program and are due within 5 years at 2.85% interest.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 5: LINES OF CREDIT (Continue)

On February 2024, RGV Multibank issued a second line of credit to Heart of Texas CLC for \$350,000. As of December 31, 2025, the balance for the second line of credit to Heart of Texas CLC is \$350,000. On June 6, 2024, RGV Multibank issued a new line of credit to Northern Arizona Housing Solution for \$100,000. As of December 31, 2025, the balance for the line of credit to Northern Arizona Housing Solution is \$100,000. Both lines of credit are used for lending capital and are due within 5 years at 3% interest.

Interest payments are due on a quarterly basis for the first 36 months. The unpaid principal balance, together with any unpaid accrued interest and other unpaid charges or fees shall be due and payable in quarterly installments for months 37 through 60. The balance for the four lines of credit at December 31, 2025 was \$1,393,750.

NOTE 6: LOANS PAYABLE

Loans payable at December 31, 2025 totaled \$16,688,626.

On June 24, 2011 an agreement between the Federal Home Loan Bank (FHLB) and the Company was made to establish a line of credit, whereby the FHLB provides advances to the Company for qualifying affordable home loans. The FHLB will be assigned the first lien on mortgaged property in exchange for funding of 70% of each loan. Each advance made to the Company creates its own amortization and repayment schedule with a fixed rate assigned at the time of the advance. Included in the loans payable balances are the outstanding balances of the FHLB note as of December 31, 2025 of \$6,699,426.

On December 18, 2019, an agreement between Falcon Bank and the Company was made to provide the Company with liquidity and long-term financing to conduct its mortgage business. Falcon Bank agreed to lend the Company \$1,395,960 evidenced by an individual promissory note executed by the Company and secured by the Company's pledge of a group of 19 mortgage loans totaling \$1,395,960. These 19 loans are part of the CASA Loan Program and follow the CASA underwriting guidelines. Both parties agreed to the following terms: An agreement commencing on December 18, 2019 and ending on September 24, 2046. This mortgage pool loan is evidenced by a promissory note executed by the Company and bears interest at a fixed rate of 4.71%, 27 year fixed no balloon rate per annum. The loan is repayable in 360 equal monthly installments of principal and accrued interest of \$7,710 beginning January 24, 2020 to said maturity date. The balance that is outstanding as of December 31, 2025 is \$1,212,866.

On December 4, 2013, a promissory note between Community Development Corporation of Brownsville and Rio Grande Valley Multibank was signed whereby Rio Grande Valley Multibank borrowed \$665,603 at zero percent interest via an unsecured loan. The principal amount is due and payable on December 4, 2043. This payable amount is also included in the total loans payable listed below.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 6: LOANS PAYABLE (Continued)

Loans payable at December 31, 2025 are as follows:

	Due in one year	Due after one year
Federal Home Loan Bank of Dallas , payable in monthly installments ranging from \$28,000 to \$32,000 and at an average interest rate of 3.54%; secured by real estate lien notes.	\$ 344,694	\$ 6,354,732
Falcon Bank , payable in monthly installments of \$7,709.85 and at an interest rate of 4.71%; secured by real estate lien notes against the underlying collateral.	36,267	1,176,599
Community Development Corporation of Brownsville , Principal and interest on note deferred for 30 years at 0%; unsecured.	-	665,603
Community Development Financial Institution Fund , Principal and interest on note deferred for 30 years at 0%; unsecured.	-	665,603
Opportunity Finance Network (OFN) Next Award deferred principal until December 31, 2026; payable of interest only at 3%; unsecured.	312,500	-
WKKF Kellogg Foundation – payable in quarterly installments of \$62,500 at an rate of 1%; unsecured.	250,000	125,000
Ceniarth Wales Interest, L.P. - Loan dated August 20, 2021. Deferred principal until September 30, 2029; payable of interest only at 2% through June 30, 2026; interest greater of 2% or the trailing 90-day average of the secured overnight financing rate as of June 30, 2026 plus 2.00% from July 1, 2026 thereafter until the loan is repaid in full; loan is unsecured	-	1,500,000
Opportunity Finance Network (OFN) - Loan dated October 25, 2021; Deferred principal until October 25, 2029; payable of interest only at 3%; unsecured.	-	1,000,000
Community Development Financial Institutions Fund (CDFI) - Loan dated February 2020; Deferred principal until 2031; payable of interest only at 1.7%; unsecured.	-	149,728
Community Development Financial Institutions Fund (CDFI) - Loan dated February 2022; Deferred principal until 2033; payable of interest only at 1.39%; unsecured.	-	1,107,900
David and Lucile Packard Foundation - Loan dated June 17, 2022; Deferred principal until June 17, 2030; payable of interest only at 1%; unsecured.	-	2,000,000
Canopy Loan - Loan dated April 16, 2025; Deferred principal until April 2035; payable of interest only at 3%; unsecured.	-	1,000,000
	<u>\$ 943,461</u>	<u>\$ 15,745,165</u>

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 6: LOANS PAYABLE (Continued)

	2026	2027	2028	2029	2030	Thereafter
Falcon Bank	\$ 36,267	\$ 38,013	\$ 39,842	\$ 41,760	\$ 43,770	\$ 1,013,215
FHLB	344,694	357,096	369,944	383,255	397,045	4,847,391
CDCB	-	-	-	-	-	665,603
CDFI	-	-	-	-	-	665,603
Kellogg	250,000	125,000	-	-	-	-
OFN Next Award	312,500	-	-	-	-	-
Ceniarth	-	-	-	375,000	375,000	750,000
OFN Finance Justice	-	-	-	333,333	333,333	333,334
CDFI Fund - 2021 FA	-	-	-	-	-	149,728
CDFI Fund - 2023 FA	-	-	-	-	-	1,107,900
Packard Loan	-	333,333	333,333	666,667	666,667	-
FHLB Canopy Loan	-	-	-	-	-	1,000,000
Total	\$ 943,461	\$ 853,442	\$ 743,119	\$ 1,800,015	\$ 1,815,815	\$ 10,532,774

NOTE 7: STOCKHOLDERS' EQUITY

Current stock outstanding and ownership percentages at December 31, 2025 are as follows:

Holder	Shares	Par Value	Ownership Percentage
Bank of America	250,000	\$ 250,000	12.43%
Community Development Corporation Brownsville	95,538	95,538	4.75%
Frost National Bank	100,000	100,000	4.97%
International Bank of Commerce – Brownsville	250,000	250,000	12.43%
International Bank of Commerce – McAllen	100,000	100,000	4.97%
International Bank of Commerce – Zapata	100,000	100,000	4.97%
Lone Star National Bank	100,000	100,000	4.97%
National Cooperative Development	100,000	100,000	4.97%
PNC/Compass Bank	434,384	434,384	21.59%
Wells Fargo Bank	300,000	300,000	14.92%
Cameron County Housing Finance Corp	44,504	44,504	2.21%
Falcon Bank	43,471	43,471	2.16%
CDFI Fund	93,792	93,792	4.66%
Total	2,011,689	\$ 2,011,689	100.00%

NOTE 8: RELATED PARTY TRANSACTIONS

CDCB is contracted annually to provide administrative services to the Company. Administrative fees totaled \$709,108 for the year ended December 31, 2025. The Company has receivables of \$145,316 at the close of the year from CDCB for small dollar and pooled mortgage loans collected in December. Additionally, the Company has an unsecured loan with the CDCB totaling \$665,603 at the end of the year.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 9: DEFERRED REVENUE

The deferred revenue mortgage is made up of funds from a CDFI grant and lent to borrowers under the CASA Loan Program. These funds have been deferred until payment is received by the Company from the borrower, which will then result in recognition of income. Deferred revenue as of December 31, 2025 for CASA mortgages was \$195,849. The deferred revenue related to technology grant are proceeds received from a monetary grant issued through the Federal Home Loan Bank of Dallas. These proceeds are used to fund technology upgrades and expenses in the Coastal Bend areas and will result in recognition of income as applicable expenses are incurred. The Company recognized \$166,029 of the grant income during the year. Deferred revenue as of December 31, 2025 for technology upgrades was \$79,978.

NOTE 10: INCOME TAXES

Income tax expense for the year ended December 31, 2025 consisted of the following:

Current income tax expense	\$ 117,924
Total income tax expense	<u>\$ 117,924</u>
Net income (loss) before taxes (excludes nonshareholder capital contribution)	\$ 561,542
U.S. statutory rate	<u>21%</u>
Tax at statutory rate	<u>\$ 117,924</u>

The Company recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company's financial statements or tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated.

NOTE 11: CLC SERVICE AND ADMINISTRATIVE FEES

The Company has over the past several years franchised its software to be used by other Community Loan Centers across the country. The Small Dollar Lending Program (SDLP) software is considered a Software As A Service System (SAAS) and is designed to provide a user friendly graphical interface for the origination and servicing of small loans serviced by Community Loan Center lenders.

There are currently eighteen CLC centers using this software. Each center has signed a franchise agreement which provides that the CLC will, in exchange for the use of the software, pay the Community Loan Center Corporation (subsidiary of RGVMB) a monthly loan servicing fee calculated by multiplying the month end open loan balance on the Franchisee's loan portfolio times the loan servicing rate of 0.45%. In addition, a loan origination fee of \$10 will be remitted for every new loan added during the month.

Rio Grande Valley Multibank Corporation and Subsidiary

Notes to Consolidated Financial Statements

NOTE 11: CLC SERVICE AND ADMINISTRATIVE FEES (*Continued*)

These fees totaled \$465,757 for 2025. For every loan the Company originates, an administrative fee of \$20.00 is charged on the small dollar loan. An administrative fee is assessed unless the customer has been charged an administrative fee on a loan within 180 days. The loan administrative fee was \$175,114 for 2025. During 2025, total service and administrative fees totaled \$640,871.

NOTE 12: REVENUE FROM CONTRACTS WITH CUSTOMERS

Fees and Service Charges – E-loan to Individual

The Company collects various fees for the e-loans provided to individuals through the Community Loan Service program. These include a \$20 administrative fee per new loan, or renewed loan that is renewed after 180 days, a nonsufficient funds fee (NSF) of \$25.00, and late fees of 5% of payment amount due. The administrative fee is recognized at the time the loan is made to the individual. The NSF fee is only recognized if an individual's account does not have enough funds at time of payment. The late fees occur rarely due to the employee paying the loan directly through payroll deduction.

Fees and Service Charges – Community Loan Centers

The Company collects various fees from the CLC partners who have a franchise contract with the Company. They include the one-time contract set up fee recorded and recognized at inception of contract, the monthly servicing fee of 0.45% of the end of month balance per loan, and an administrative fee of \$10/\$10.50 per loan, if an administrative fee was charged to the borrower. Both the servicing fee and administrative fee are recorded and recognized monthly by the Company.

EXHIBIT C

Financials of Subfranchisor

TEXAS COMMUNITY CAPITAL, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Texas Community Capital
Austin, Texas

We have audited the accompanying financial statements of Texas Community Capital, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Community Capital, Inc. as December 31, 2023 and 2022, and for the years then ended, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Texas Community Capital, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Texas Community Capital, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Texas Community Capital, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Texas Community Capital, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Kindler, Chappell, Morrison & Co., P.C.

Austin, Texas

June 20, 2024

FINANCIAL STATEMENTS

TEXAS COMMUNITY CAPITAL, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents:		
Unrestricted	\$ 256,462	\$ 320,420
Designated and restricted for loan funds	135,768	130,760
	<u>392,230</u>	<u>451,180</u>
Grants receivable	12,500	10,000
Interest receivable and other	3,001	2,031
Prepaid expenses	5,763	9,003
Total current assets	<u>413,494</u>	<u>472,214</u>
Non-current assets		
Notes receivable, net current portion	150,000	150,000
Total assets	<u><u>\$ 563,494</u></u>	<u><u>\$ 622,214</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 38,015	\$ 46,115
Current portion of long-term debt	-	150,000
Total current liabilities	<u>38,015</u>	<u>196,115</u>
Long-term debt, net current portion	150,000	-
Total liabilities	<u>188,015</u>	<u>196,115</u>
Net assets		
Without donor restrictions	41,479	152,099
With donor restrictions	334,000	274,000
Total net assets	<u>375,479</u>	<u>426,099</u>
Total liabilities and net assets	<u><u>\$ 563,494</u></u>	<u><u>\$ 622,214</u></u>

See accompanying Notes to Financial Statements.

TEXAS COMMUNITY CAPITAL, INC.

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grant fund revenue	\$ -	\$ 60,000	\$ 60,000
Loan fees	3,678	-	3,678
CLC licensing fees	27,500	-	27,500
Contributed goods and services	-	-	-
Interest income	1,117	-	1,117
Other income	-	-	-
Net assets released from donor imposed restrictions	-	-	-
Total revenues and other support	<u>32,295</u>	<u>60,000</u>	<u>92,295</u>
EXPENSES			
Program services	96,556	-	96,556
Supporting services:			
Management and general	35,994	-	35,994
Fund raising	10,365	-	10,365
Total expenses	<u>142,915</u>	<u>-</u>	<u>142,915</u>
CHANGE IN NET ASSETS (decrease)	(110,620)	60,000	(50,620)
NET ASSETS			
Beginning of year	152,099	274,000	426,099
End of year	<u>\$ 41,479</u>	<u>\$ 334,000</u>	<u>\$ 375,479</u>

See accompanying Notes to Financial Statements.

TEXAS COMMUNITY CAPITAL, INC.

STATEMENTS OF ACTIVITIES - Continued

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grant fund revenue	\$ -		\$ -
Loan fees	2,600	-	2,600
CLC licensing fees	25,240	-	25,240
Contributed goods and services	50,000	-	50,000
Interest income	9,100	-	9,100
Other income	1,689	-	1,689
Net assets released from donor imposed restrictions	-	-	-
Total revenues and other support	<u>88,629</u>	<u>-</u>	<u>88,629</u>
EXPENSES			
Program services	85,906	-	85,906
Supporting services:			
Management and general	22,563	-	22,563
Fund raising	-	-	-
Total expenses	<u>108,469</u>	<u>-</u>	<u>108,469</u>
CHANGE IN NET ASSETS (decrease)	(19,840)	-	(19,840)
NET ASSETS			
Beginning of year	<u>171,939</u>	<u>274,000</u>	<u>445,939</u>
End of year	<u><u>\$ 152,099</u></u>	<u><u>\$ 274,000</u></u>	<u><u>\$ 426,099</u></u>

See accompanying Notes to Financial Statements.

TEXAS COMMUNITY CAPITAL, INC

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Supporting Services			Total
	Program Services	Management & General	Fundraising	
EXPENSES				
Professional fees	\$ 66,232	\$ 28,974	\$ 10,365	\$ 105,571
Insurance	12,426	1,380	-	13,806
Occupancy	7,560	3,240	-	10,800
Contract services	5,250	1,750	-	7,000
Interest expense	2,531	-	-	2,531
Travel and mileage	1,064	118	-	1,182
Web services	850	-	-	850
Meals and lodging	480	54	-	534
Filing and registration fees	-	440	-	440
Conference and meetings	125	-	-	125
Bank Fees	30	31	-	61
Miscellaneous	8	7	-	15
Total expenses	<u>\$ 96,556</u>	<u>\$ 35,994</u>	<u>\$ 10,365</u>	<u>\$ 142,915</u>

See accompanying Notes to Financial Statements.

TEXAS COMMUNITY CAPITAL, INC

STATEMENTS OF FUNCTIONAL EXPENSES - Continued

Year Ended December 31, 2022

		Supporting Services		
	Program Services	Management & General	Fundraising	Total
EXPENSES				
Professional fees	\$ 54,582	\$ 15,768	\$ -	\$ 70,350
Insurance	7,938	2,628	-	10,566
Occupancy	8,550	1,350	-	9,900
Contract services	10,045	2,430	-	12,475
Interest expense	3,921	-	-	3,921
Travel and mileage	-	110	-	110
Meals and lodging	246	40	-	286
Bank fees	1	40	-	41
Miscellaneous	332	10	-	342
Supplies	291	187	-	478
Total expenses	<u>\$ 85,906</u>	<u>\$ 22,563</u>	<u>\$ -</u>	<u>\$ 108,469</u>

See accompanying Notes to Financial Statements.

TEXAS COMMUNITY CAPITAL, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets (decrease)	\$ (50,620)	\$ (19,840)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in operating assets		
Grants receivable	(2,500)	2,500
Interest receivable and other	(970)	(1,568)
Prepaid expense	3,240	(4,486)
Increase (decrease) in operating liabilities		
Accounts payable	(8,100)	(4,833)
Deferred interest revenue	-	-
Net cash provided by operating activities	<u>(58,950)</u>	<u>(28,227)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Net cash provided by investing activities	<u>-</u>	<u>-</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Loan proceeds received	-	95,645
Repayment of loan funds	<u>-</u>	<u>(56,835)</u>
Net cash provided by financing activities	<u>-</u>	<u>38,810</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(58,950)	10,583
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	<u>451,180</u>	<u>440,597</u>
End of year	<u><u>\$ 392,230</u></u>	<u><u>\$ 451,180</u></u>
Supplemental Information		
Interest paid	<u><u>\$ 2,531</u></u>	<u><u>\$ 3,921</u></u>

See accompanying Notes to Financial Statements.

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Texas Community Capital (the “Organization” or “TCC”) was incorporated in 2004 and is a non-profit lending intermediary providing loan products and development services to Texas CDCs, CDFIs and other community development organizations. Conceptualized and initiated by the Texas Association of Community Development Corporations (TACDC) and in partnership with the Texas State Affordable Housing Corporation (TSAHC), TCC’s purpose is to provide loan and investment products, development services, and other related activities to Community Development Financial Institutions (CDFIs), community-based non-profit organizations and similar organizations, and the low-to-moderate income households they serve. The mission of the Corporation is to provide specialized loan and investment products and services that promote economic and community development in underserved Texas communities to enhance the quality of life of low-to-moderate income persons. TCC’s main strategic focus is an employer-based small dollar loan program to serve low to moderate income households. TCC began issuing loans in 2015.

Texas Association of Community Development Corporations (TACDC) is an affiliated organization with Texas Community Capital (TCC). TACDC appoints one third of the Board of Directors for TCC. The Organizations share board of director members.

The Organization earns revenue from processing and servicing loans to CLC local lenders and interest collected on all loans.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization believes it is no longer subject to examination by the IRS for years prior to 2020.

Small Dollar Loan Program

The Community Loan Center Affordable Small-Dollar Loan Program (CLC) is a viable social enterprise for CLC local lenders to partner with employers in their service territory to offer small-dollar (up to \$1,000) short-term (up to one year) loans to employees, with the goal of helping borrowers meet current and ongoing financial obligations and achieve a sense of security in their financial future. TCC is the network coordinator of the program that assists in recruiting organizations to become CLC local lenders and marketing the program to area employers.

The CLC program is offered at no cost to participating employers. TCC receives an annual licensing fee from the local lenders, and a nominal fee for each loan funded. Local lenders receive a one-time processing fee from borrowers and earn interest from the loans.

Summary of Significant Accounting Policies

Accounting Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TEXAS COMMUNITY CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2023 and 2022

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Accounting Method: The Organization uses the accrual basis method of accounting. Using this method of accounting, revenues and support and accounts receivable are reported when funds are considered earned, regardless of when cash is received. Expenses and accounts payable are reported when an obligation is incurred, regardless of when cash is disbursed.

Cash and Cash Equivalents: The Organization considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents.

Net Assets Classes: The Organization reports the following net assets classes:

Net Assets Without Donor Restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions. While these resources are reported as unrestricted, an organization manages them in compliance with its exempt purposes, governing board designations, legal requirements, and contractual obligations.

Net Assets With Donor Restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restrictions expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Pledges receivable: The Organizations pledges are valued using an allowance for uncollectible accounts. Management periodically reviews the collectability of accounts, and if applicable, provides an allowance for estimated uncollectible amounts. The allowance for uncollectible accounts is considered an accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

Allocation of Costs: The Organization allocates common costs such as office expenses, supplies, etc. between program services, management and general, and fund raising based on management's judgment of the costs related to the activities. Certain management and general costs are absorbed by a related organization. The allocation of costs is reviewed periodically, and the allocations revised, if necessary, to reflect changes in the activities of the Organization. Allocations reported in the financial statements are considered accounting estimates. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Subsequent Events: Management has evaluated subsequent events through the date of the *Independent Auditor's* Report, which is the date the financial statements were available to be issued.

TEXAS COMMUNITY CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2023 and 2022

NOTE 2: CASH AND CASH EQUIVALENTS

The Organization's cash and cash equivalents include amounts that are either board designated or temporarily restricted by donors for specific purposes. At December 31, 2023 and 2022, designated and restricted cash and cash equivalents consisted of the following:

	<u>2023</u>	<u>2022</u>
Designated		
Loan funding	\$ 13,000	\$ 13,000
Restricted		
Loan funding	<u>122,768</u>	<u>117,760</u>
	<u><u>\$ 135,768</u></u>	<u><u>\$ 130,760</u></u>

NOTE 3: CONCENTRATIONS AND CREDIT RISK

During 2023 and 2022, approximately 60% and 50%, respectively, of the Organization's funding was provided by in-kind services.

During 2023 and 2022, approximately 30% and 28%, respectively, of the Organization's funding was provided by CLC annual franchise licensing fees.

For accounting purposes, cash balances with a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) coverage are considered a credit risk. The Organization maintains cash balances with a financial institution that, at times, may exceed the institution's FDIC coverage. The Organization maintains its cash balances with a high-quality national financial institution and does not require collateral against its cash balances. At year end December 31, 2023 and 2022, cash balances in excess of federally insured deposits for, TCC, were \$-0- and \$52,194, respectively. The Organization constantly monitors its financial positions with the financial institution and does not anticipate any nonperformance by the institution.

NOTE 4: NOTE RECEIVABLE FROM / DUE TO CLC

In 2017, TCC loaned \$200,000 to CLC East Texas for seed and portfolio funding. The note receivable accrues interest at 3.25% annually, with interest only due on the \$100,000 seed loan. Payments are quarterly in the amount of \$813, balloon payment due March 19, 2020. In June 2020 CLC East Texas refinanced the Seed note with an additional \$50,000 to increase the loan to \$150,000, with interest due monthly (\$406.25) starting July 2020 and the entire principle due on June 29, 2022 with an option to extend the principle due until March 19, 2023. The portfolio funding loan in the amount of \$100,000 accrues interest at 3.25% annually, payments of interest only for the first three payments, then principal and interest on \$50,000, quarterly payments in the amount of \$4,008. Balloon balance in the amount of \$49,225 due April 1, 2022.

In October 2020, TCC loaned \$150,000 to Brazos Valley Affordable Housing Corporation broken into three individual loans at \$50,000 each for financing construction on 3 different homes located in Bryan Texas. The note receivable accrues interest at 3.0% annually, with interest only due on each loan monthly. Balloon balance of each \$50,000 loan is due on February 22, 2021.

In November 2020, TCC entered into six loans with NeighborWorks Waco for a total of \$33,300. Each loan has interest receivable monthly with the principle balance of each loan due February 28, 2021. Each loan has an interest rate of 3.0% annual rate.

TEXAS COMMUNITY CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2023 and 2022

NOTE 4: NOTE RECEIVABLE FROM / DUE TO CLC

Details of the maturity of notes receivable reported at year-end are the following:

	<u>2023</u>	<u>2022</u>
Principal amounts due in -		
2022	\$ -	\$ 95,645
2023	<u>150,000</u>	<u>150,000</u>
Total notes receivable	150,000	245,645
Less current portion	<u>(150,000)</u>	<u>(95,645)</u>
Notes receivable, net of current portion	<u><u>\$ -</u></u>	<u><u>\$ 150,000</u></u>

NOTE 5: AFFILIATED ORGANIZATION

An affiliated organization, Texas Association of Community Development Corporation (TACDC) pays certain direct operating costs for the Organization, such as legal fees and travel, and bills the Organization for those costs. TACDC bills the Organization for a portion of staff time and a share of allocated expenses related to providing services to the Organization. In 2023 and 2022, TACDC billed the Organization \$123,807 and \$45,665 for expenses and the Organization paid TACDC \$98,576 and \$45,665 respectively. During 2023 and 2022, TACDC provided \$-0- and \$50,000 of in-kind donation to TCC for services provided but not. The Organization does not meet the criteria of a related party.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

During 2023 and 2022, net assets of \$-0- and \$-0-, respectively, were released from accompanying stipulations due to actions of the Organization or through the passage of time. Such amounts are reported as transfers from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. At December 31, 2023 and 2022, TCC had net assets with donor restrictions of \$334,000, which were restricted for funding small dollar loans.

NOTE 7: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 106,462	\$ 170,420
Receivables, grants	12,500	10,000
Receivables, notes	3,001	2,031
Prepaid expenditures	<u>5,763</u>	<u>9,003</u>
Available without restriction within one year	<u><u>\$ 127,726</u></u>	<u><u>\$ 191,454</u></u>

As part of our liquidity management plan, we have a policy to structure financial assets to ensure availability as general expenditures, liabilities, and other obligations come due.

TEXAS COMMUNITY CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2023 and 2022

NOTE 8: DUE TO COMMUNITY LOAN CENTER CORPORATION

TCC entered into a licensing and contract services agreement with Community Loan Center Corporation on October 14, 2014 in the amount of \$70,000. Based on the terms of the agreement, the schedule of payments remitted by TCC is based on the enrollment of community loan centers. As of December 31, 2023 and 2022, the remaining balance relating to the agreement was \$13,000 and \$13,000, respectively. The amounts are included in accounts payable. Additionally, as part of the agreement, TCC will receive up to \$6,000 from Community Loan Center Corporation upon the enrollment of community loan centers. This amount is considered conditional, and is not reflected in the financial statements until the centers are enrolled.

NOTE 9: LONG-TERM DEBT

Long-term debt reported in the financial statements consists of the following:

	<u>2023</u>	<u>2022</u>
Note payable to Religious Communities Investment Fund dated April 6, 2020, original amount of \$150,000, interest accrues at a rate of 2.0% annually, with interest only payments due until the maturity at April 3, 2023, total principal due in the amount of \$150,000 plus any remaining interest. REFINANCED in 2023.		
Note payable dated April 3, 2023, amount of \$150,000, interest accrues at a rate of 2.25% annually, with interest only payments due until the maturity at April 3, 2026, total principle due in the amount of \$150,000 plus any remaining interest.		
	<u>\$ 150,000</u>	<u>\$ 150,000</u>
Total long-term debt	150,000	150,000
Less current portion	<u>-</u>	<u>-</u>
Long-term debt, net of current portion	<u><u>\$ 150,000</u></u>	<u><u>\$ 150,000</u></u>

Estimated annual maturity due on the long-term debt is the following: 2023- \$-0-; 2024 \$-0-; 2025 \$-0- 2026- \$150,000; thereafter \$-0-. Interest costs incurred and charged to expense during 2023 and 2022 was \$2,531 and \$3,921, respectively.

TEXAS COMMUNITY CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2023 and 2022

NOTE 10: FORGIVABLE LOANS

The Organization provided loans to other Community Loan Centers (CLC's) during 2019. These loans are for the purpose to recruit additional participating employers and promote the Loan Program to employees of these additional employers as these employees require a personal loan. These loans are unsecured, bear no interest, and are forgivable if used in accordance with the loan agreement. In the event the provisions of the loan agreement are not met, the loan is subject to recapture, including interest of 5%. In 2019, TCC issued five loans to BCL of Texas totaling \$50,000 (one for \$15,000, two for \$10,000, and two for \$7,500), and one loan to Community Loan Center of Greater Houston in the amount of \$25,000. In light of the extenuating circumstances due to the effects of COVID, TCC has allowed additional time for these borrowers to meet the conditions included in the forgivable loan agreements. The amount of loans forgiven during December 31, 2023 and 2022 was \$12,500 and \$62,500, respectively. The amount of loans forgivable outstanding at December 31, 2023 and 2022 was \$25,000 and \$37,500, respectively.

NOTE 11: GRANTS TO OTHER ORGANIZATIONS

The Organization provided grants to Community Loan Centers in the amount of \$25,000 per grant. These grants are restricted in use for the purpose of recruiting additional participating employers into the CLC small dollar loan program network. For organizations that the grantee discontinues lending through the loan program or fails to make a good faith effort to use the proceeds as intended, a recapture with 5% interest will be applied. At December 31, 2023 and 2022, grants payable in the amount of \$25,000 and \$37,500, respectively was outstanding and due to organizations, and are included in accounts payable.

TEXAS COMMUNITY CAPITAL, INC.

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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PARTNERS
Certified Public Accountants

15800 Pines Blvd. Suite 3002
Pembroke Pines, FL 33027
Telephone: 954-362-5195
Fax: 954-430-8776

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Texas Community Capital
Austin, Texas

We have audited the accompanying financial statements of Texas Community Capital, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Community Capital, Inc. as December 31, 2024 and 2023, and for the years then ended, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Texas Community Capital, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Texas Community Capital, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



PARTNERS
Certified Public Accountants

15800 Pines Blvd. Suite 3002
Pembroke Pines, FL 33027
Telephone: 954-362-5195
Fax: 954-430-8776

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Texas Community Capital, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Texas Community Capital, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BAS Partners LLC

Pembroke Pines, FL

May 9, 2025

FINANCIAL STATEMENTS

TEXAS COMMUNITY CAPITAL, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash and cash equivalents		
Unrestricted	\$ 297,025	\$ 256,462
Restricted cash	133,906	135,768
	<u>430,931</u>	<u>392,230</u>
Grants receivable	12,500	12,500
Interest receivable and other	-	3,001
Prepaid expenses	-	5,763
Total current assets	<u>443,431</u>	<u>413,494</u>
Non-current assets		
Loans receivable, net current portion	594,971	-
Notes receivable, net current portion	150,000	150,000
Total non-current assets	<u>744,971</u>	<u>150,000</u>
Total assets	<u><u>\$ 1,188,402</u></u>	<u><u>\$ 563,494</u></u>
Liabilities and net assets		
Liabilities		
Currents liabilities		
Accounts payable and accrued expenses	\$ 71,973	\$ 38,015
Current portion of long-term debt	-	-
Total current liabilities	<u>71,973</u>	<u>38,015</u>
Long notes payable, net current portion	750,000	150,000
Commitments and contingencies (Note 4)	-	-
Total liabilities	<u>821,973</u>	<u>188,015</u>
Net assets:		
Without donor restrictions		
Undesignated	92,429	101,479
Board designated	-	-
	<u>92,429</u>	<u>101,479</u>
With donor restrictions	274,000	274,000
Total net assets	<u>366,429</u>	<u>375,479</u>
Total liabilities and net assets	<u><u>\$ 1,188,402</u></u>	<u><u>\$ 563,494</u></u>

See accompanying Notes to Financial Statements.

TEXAS COMMUNITY CAPITAL, INC.

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Grants	\$ -	\$ 127,312	\$ 127,312
CLC licensing fees	25,000	-	25,000
Loan fees	4,803	-	4,803
Interest income	27,923	-	27,923
Other Income	158	-	158
	<u>57,884</u>	<u>127,312</u>	<u>185,197</u>
 Net assets released from restrictions	 \$ 127,312	 (127,312)	 -
Total revenues and support	<u>185,197</u>	<u>-</u>	<u>185,197</u>
 Expenses:			
Program services	134,699	-	134,699
	<u>134,699</u>	<u>-</u>	<u>134,699</u>
Support services:			
General and administrative	46,578	-	46,578
Fundraising	12,970	-	12,970
Total expenses	<u>194,247</u>	<u>-</u>	<u>194,247</u>
Change in net assets	<u>(9,050)</u>	<u>-</u>	<u>(9,050)</u>
 Net assets at beginning of year	 101,479	 274,000	 375,479
Net assets at end of year	<u>\$ 92,429</u>	<u>\$ 274,000</u>	<u>\$ 366,429</u>

See accompanying Notes to Financial Statements.

TEXAS COMMUNITY CAPITAL, INC.

STATEMENTS OF ACTIVITIES - Continued

Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Grants	\$ -	\$ 60,000	\$ 60,000
CLC licensing fees	27,500	-	27,500
Loan fees	3,678	-	3,678
Interest income	1,117	-	1,117
	<u>32,295</u>	<u>60,000</u>	<u>92,295</u>
 Net assets released from restrictions	 <u>60,000</u>	 <u>(60,000)</u>	 <u>-</u>
Total revenues and support	<u>92,295</u>	<u>-</u>	<u>92,295</u>
 Expenses:			
Program services	<u>96,556</u>	<u>-</u>	<u>96,556</u>
	96,556	-	96,556
Support services:			
General and administrative	35,994	-	35,994
Fundraising	10,365	-	10,365
Total expenses	<u>142,915</u>	<u>-</u>	<u>142,915</u>
 Change in net assets	 <u>(50,620)</u>	 <u>-</u>	 <u>(50,620)</u>
 Net assets at beginning of year	 <u>152,099</u>	 <u>274,000</u>	 <u>426,099</u>
Net assets at end of year	<u><u>\$ 101,479</u></u>	<u><u>\$ 274,000</u></u>	<u><u>\$ 375,479</u></u>

See accompanying Notes to Financial Statements.

TEXAS COMMUNITY CAPITAL, INC

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2024

		Support Services			
	Program Services	General and Administrative	Fundraising	Total Supporting Services	Totals
Bank charges and fees	\$ 118	\$ 122	\$ -	\$ 122	\$ 240
Conference and meetings	150	-	-	-	150
Contracted services	16,348	5,449	-	5,449	21,797
Filing and registrations	-	-	-	-	-
Insurance	10,434	1,159	-	1,159	11,593
Interest expenses	11,531	-	-	-	11,531
Meals & lodging	2,028	228	-	228	2,257
Miscellaneous	299	262	-	262	561
Professional Fees	82,880	36,257	12,970	49,227	132,106
License and fees	997	-	-	-	997
Occupancy	6,300	2,700	-	2,700	9,000
Travel and milage	3,614	401	-	401	4,015
Web service	-	-	-	-	-
Total Expenses	\$ 134,699	\$ 46,578	\$ 12,970	\$ 59,548	\$ 194,247

See accompanying Notes to Financial Statements.

TEXAS COMMUNITY CAPITAL, INC

STATEMENTS OF FUNCTIONAL EXPENSES - Continued

Year Ended December 31, 2023

		Support Services			
	Program Services	General and Administrative	Fundraising	Total Supporting Services	Totals
Bank charges and fees	\$ 30	\$ 31	\$ -	\$ 31	\$ 61
Conference and meetings	125	-	-	-	125
Contracted services	5,250	1,750	-	1,750	7,000
Filing and registrations	-	440	-	440	440
Insurance	12,426	1,380	-	1,380	13,806
Interest expenses	2,531	-	-	-	2,531
Meals & lodging	480	54	-	54	534
Miscellaneous	8	7	-	7	15
Professional fees	66,232	28,974	10,365	39,339	105,571
Occupancy	7,560	3,240	-	3,240	10,800
Travel and milage	1,064	118	-	118	1,182
Web service	850	-	-	-	850
Total Expenses	\$ 96,556	\$ 35,994	\$ 10,365	\$ 46,359	\$ 142,915

See accompanying Notes to Financial Statements.

TEXAS COMMUNITY CAPITAL, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating activities:		
Change in net assets	\$ (9,050)	\$ (50,620)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Program receivables	-	(2,500)
Interest receivables and others	3,001	(970)
Prepaid expenses	5,763	3,240
(Decrease) increase in:		
Accounts payable and accrued expenses	33,958	(8,100)
Net cash provided by (used in) operating activities	<u>33,672</u>	<u>(58,950)</u>
Cash flow provided by investing activities:		
Loan provided	(594,971)	-
Net cash used in investing activities	<u>(594,971)</u>	<u>-</u>
Cash flow provided financing activities:		
Loan proceeds received	600,000	-
Repayment of loan funds	-	-
Net cash provided by financing activities	<u>600,000</u>	<u>-</u>
Change in cash and cash equivalents	38,701	(58,950)
Cash and cash equivalents at the beginning of year	392,230	451,180
Cash and cash equivalents at end of year	<u>\$ 430,931</u>	<u>\$ 392,230</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	<u>\$ 11,531</u>	<u>\$ 2,531</u>

See accompanying Notes to Financial Statements.

TEXAS COMMUNITY CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Texas Community Capital (the “Organization” or “TCC”) was incorporated in 2004 and is a non-profit lending intermediary providing loan products and development services to Texas CDCs, CDFIs and other community development organizations. Conceptualized and initiated by the Texas Association of Community Development Corporations (TACDC) and in partnership with the Texas State Affordable Housing Corporation (TSAHC), TCC’s purpose is to provide loan and investment products, development services, and other related activities to Community Development Financial Institutions (CDFIs), community-based non-profit organizations and similar organizations, and the low-to-moderate income households they serve. The mission of the Corporation is to promote economic and community development in low-income communities.. TCC’s main strategic focus is an employer-based small dollar loan program to serve low to moderate income households. TCC began issuing loans in 2015.

Texas Association of Community Development Corporations (TACDC) is an affiliated organization with Texas Community Capital (TCC). TACDC appoints one third of the Board of Directors for TCC. The Organizations share one board of director members.

The Organization earns revenue from processing and servicing loans to CLC local lenders and interest collected on all loans.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization believes it is no longer subject to examination by the IRS for years prior to 2020.

Small Dollar Loan Program

The Community Loan Center Affordable Small-Dollar Loan Program (CLC) is a viable social enterprise for CLC local lenders to partner with employers in their service territory to offer small-dollar (up to \$1,000) short-term (up to one year) loans to employees, with the goal of helping borrowers meet current and ongoing financial obligations and achieve a sense of security in their financial future. TCC is the network coordinator of the program that assists in recruiting organizations to become CLC local lenders and marketing the program to area employers.

The CLC program is offered at no cost to participating employers. TCC receives an annual licensing fee from the local lenders, and a nominal fee for each loan funded. Local lenders receive a one-time processing fee from borrowers and earn interest from the loans.

Summary of Significant Accounting Policies

Accounting Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Accounting Method: The Organization uses the accrual basis method of accounting. Using this method of accounting, revenues and support and accounts receivable are reported when funds are considered earned, regardless of when cash is received. Expenses and accounts payable are reported when an obligation is incurred, regardless of when cash is disbursed.

Cash and Cash Equivalents: The Organization considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents.

Net Assets Classes: The Organization reports the following net assets classes:

Net Assets Without Donor Restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions. While these resources are reported as unrestricted, an organization manages them in compliance with its exempt purposes, governing board designations, legal requirements, and contractual obligations.

Net Assets With Donor Restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restrictions expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Pledges receivable: The Organizations pledges are valued using an allowance for uncollectible accounts. Management periodically reviews the collectability of accounts, and if applicable, provides an allowance for estimated uncollectible amounts. The allowance for uncollectible accounts is considered an accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

Allocation of Costs: The Organization allocates common costs such as office expenses, supplies, etc. between program services, management and general, and fund raising based on management's judgment of the costs related to the activities. Certain management and general costs are absorbed by a related organization. The allocation of costs is reviewed periodically, and the allocations revised, if necessary, to reflect changes in the activities of the Organization. Allocations reported in the financial statements are considered accounting estimates. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Subsequent Events: Management has evaluated subsequent events through the date of the *Independent Auditor's* Report, which is the date the financial statements were available to be issued.

TEXAS COMMUNITY CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2024 and 2023

NOTE 2: CASH AND CASH EQUIVALENTS

The Organization's cash and cash equivalents include amounts that are either board designated or temporarily restricted by donors for specific purposes. At December 31, 2024 and 2023, designated and restricted cash and cash equivalents consisted of the following:

	<u>2024</u>	<u>2023</u>
Designated		
Licensing funds	\$ 13,000	\$ 13,000
Restricted		
Loan funding	<u>120,906</u>	<u>122,768</u>
	<u><u>\$ 133,906</u></u>	<u><u>\$ 135,768</u></u>

NOTE 3: CONCENTRATIONS AND CREDIT RISK

During 2024 and 2023, approximately 60% and 60%, respectively, of the Organization's funding was provided by in-kind services.

During 2024 and 2023, approximately 13% and 30%, respectively, of the Organization's funding was provided by CLC annual franchise licensing fees.

For accounting purposes, cash balances with a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) coverage are considered a credit risk. The Organization maintains cash balances with a financial institution that, at times, may exceed the institution's FDIC coverage. The Organization maintains its cash balances with a high-quality national financial institution and does not require collateral against its cash balances. At year end December 31, 2024 and 2023, cash balances in excess of federally insured deposits for, TCC, were \$-0- and \$0, respectively. The Organization constantly monitors its financial positions with the financial institution and does not anticipate any nonperformance by the institution.

NOTE 4: NOTE RECEIVABLE FROM / DUE TO CLC

In 2024, TCC loaned \$150,000 to CLC of Northern Arizona for the purpose of increasing the loan pool and lending monies for the Community Loan Center of Northern Arizona Affordable Small-Dollar Loan Program. The note receivable accrues interest at 4.50% annually. The monthly payment is \$562.50. The maturity date of the loan amount and accrued interest is May 1, 2026.

In 2024, TCC loaned \$450,000 to Brightpoint Development Fund for the purpose of increasing the loan pool and lending monies for Community Loan Center of Northeast Indiana.. The note receivable accrues interest at 4.50% annually, with monthly payments of \$1,687.50. The mature date of the loan is June 1, 2026.

In 2022, TCC loaned \$150,000 to CLC East Texas for the purpose of increasing the loan pool and lending monies for the Community Loan Center of East Texas Affordable Small-Dollar Loan Program. The note receivable accrues interest at 3.25% annually. The monthly payment is \$406.25. The maturity date of the loan amount and accrued interest is December 1, 2025.

TEXAS COMMUNITY CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2024 and 2023

NOTE 4: NOTE RECEIVABLE FROM / DUE TO CLC

Details of the maturity of notes receivable reported at year-end are the following:

	<u>2024</u>	<u>2023</u>
Principal amount due in		
2023	\$ 150,000	\$ 150,000
2024	594,971	-
Total notes receivable	744,971	150,000
Less current portion	(150,000)	(150,000)
Notes receivable, net of current portion	<u>\$ 594,971</u>	<u>\$ -</u>

NOTE 5: AFFILIATED ORGANIZATION

An affiliated non-lending organization, Texas Association of Community Development Corporation (TACDC) pays certain direct operating costs for the Organization, such as legal fees and travel, and bills the Organization for those costs. TACDC bills the Organization for a portion of staff time and a share of allocated expenses related to providing services to the Organization. In 2024 and 2023, TACDC billed the Organization \$132,106 and \$123,807 for expenses and the Organization paid TACDC \$132,106 and \$98,576 respectively. During 2024 and 2023, TACDC provided \$-0- and \$0 of in-kind donation to TCC for services provided. The Organization does not meet the criteria of a related party.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

During 2024 and 2023, net assets of \$-0- and \$-0-, respectively, were released from accompanying stipulations due to actions of the Organization or through the passage of time. Such amounts are reported as transfers from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. At December 31, 2024 and 2023, TCC had net assets with donor restrictions of \$334,000, which were restricted for funding small dollar loans.

NOTE 7: DUE TO COMMUNITY LOAN CENTER CORPORATION

TCC entered into a licensing and contract services agreement with Community Loan Center Corporation on October 14, 2014 in the amount of \$70,000. Based on the terms of the agreement, the schedule of payments remitted by TCC is based on the enrollment of community loan centers. As of December 31, 2024 and 2023, the remaining balance relating to the agreement was \$13,000 and \$13,000, respectively. The amounts are included in accounts payable. Additionally, as part of the agreement, TCC will receive up to \$6,000 from Community Loan Center Corporation upon the enrollment of community loan centers. This amount is considered conditional, and is not reflected in the financial statements until the centers are enrolled.

TEXAS COMMUNITY CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2024 and 2023

NOTE 8: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 430,931	\$ 392,230
Grants receivables	12,500	12,500
Total financial assets available within one year	443,431	404,730
Less: amounts unavailable within one year due to:		
Restricted by donors with purpose restrictions	(274,000)	(274,000)
Total amounts unavailable for general expenditures within one year	169,431	130,730
Amounts unavailable to management without board approval:	(13,000)	(13,000)
Total financial assets available within one year after Board designation	<u>\$ 156,431</u>	<u>\$ 117,730</u>

As part of our liquidity management plan, we have a policy to structure financial assets to ensure availability as general expenditures, liabilities, and other obligations come due.

NOTE 9: LONG-TERM DEBT

Long-term debt reported in the financial statements consists of the following:

	<u>2024</u>	<u>2023</u>
Note payable to Religious Communities Investment Fund dated April 6, 2020, original amount of \$150,000, interest accrues at a rate of 2.0% annually, with interest only payments due until the/maturity on April 3, 2023, total principal due in the amount of \$150,000 plus any remaining interest. The note was refinanced in 2023 and the new Note payable was dated April 3, 2023, in the amount of \$150,000, interest accrues at a rate of 2.25% annually, with interest only payments due until the maturity on April 3, 2026, total principle due in the amount of \$150,000 plus any remaining interest.	\$ 150,000	\$ 150,000
Note payable to Commonspirit Health Operating Investment Pool, LLC, dated September 1, 2021, original amount of \$600,000, interest accrues at a rate of 3.0% annually, with interest only payments due until the/maturity at September 1, 2026, total principal due in the amount of \$600,000 plus any remaining interest. The disbursement of the loan is upon request of four advances.	600,000	-
Total notes payables	750,000	150,000
Less current portion	-	-
Notes payable, net of current portion	<u>\$ 750,000</u>	<u>\$ 150,000</u>

TEXAS COMMUNITY CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
Years Ended December 31, 2024 and 2023

NOTE 9: LONG-TERM DEBT (CONTINUED)

Estimated annual maturity due on the long-term debt is the following: 2024- \$-0-; 2024 \$-0-; 2025 \$-0- 2026- \$150,000; thereafter \$-0-. Interest costs incurred and charged to expense during 2024 and 2023 was \$2,531 and \$3,921, respectively.

NOTE 10: FORGIVABLE LOANS

The Organization provided loans to other Community Loan Centers (CLC's). These loans are for the purpose to recruit additional participating employers and promote the Loan Program to employees of these additional employers as these employees require a personal loan. These loans are unsecured, bear no interest, and are forgivable if used in accordance with the loan agreement. In the event the provisions of the loan agreement are not met, the loan is subject to recapture, including interest of 5%. TCC issued five loans to BCL of Texas totaling \$50,000 (one for \$15,000, two for \$10,000, and two for \$7,500), and one loan to Community Loan Center of Greater Houston in the amount of \$25,000. In light of the extenuating circumstances due to the effects of COVID, TCC has allowed additional time for these borrowers to meet the conditions included in the forgivable loan agreements. The amount of loans forgiven during December 31, 2024 and 2023 was \$12,500 and \$12,500, respectively. The amount of loans forgivable outstanding at December 31, 2024 and 2023 was \$25,000 and \$25,000, respectively.

NOTE 11: GRANTS TO OTHER ORGANIZATIONS

The Organization provided grants to Community Loan Centers in the amount of \$25,000 per grant. These grants are restricted in use for the purpose of recruiting additional participating employers into the CLC small dollar loan program network. For organizations that the grantee discontinues lending through the loan program or fails to make a good faith effort to use the proceeds as intended, a recapture with 5% interest will be applied. At December 31, 2024 and 2023, grants payable in the amount of \$25,000 and \$25,000, respectively was outstanding and due to organizations, and are included in accounts payable.