STATE OF COLORADO
DEPARTMENT OF THE TREASURY

Dave Young
State Treasurer

Eric Rothaus
Deputy Treasurer

November 30, 2020

Joint Budget Committee
200 East 14th Avenue, Floor 3
Denver, CO 80203

Dear Members,

Respectfully submitted on behalf of the CLIMBER Oversight Board, please find attached the first semi-annual report of the Oversight Board of the CLIMBER Small Business Loan Program. The CLIMBER Program was created in 2020 under §24-36-201, C.R.S. following the passage of HB20-1413, the CLIMBER Act. This initial report is required to be submitted to the JBC on or before November 30, 2020 under subsection (12) of §24-36-204, C.R.S.

The CLIMBER Act conveys the urgency felt by the General Assembly, the Governor, and me around providing much needed operating capital to small businesses across the state. Accordingly, the Board and OEDIT have been working swiftly to launch the Program. Since the end of July, the Board has met 15 times as a full board, three times in noticed working group meetings that included more than one Board member, and dozens of other meetings that included only one Board member and Program staff. This report chronicles that intense work and the progress that has been made towards the launch of the Program.

Please feel free to contact me if you have any questions about the report or the Program.

Sincerely,

David L. Young
State Treasurer

CC: Members of the 72nd General Assembly
Members of the CLIMBER Oversight Board
Betsy Markey, Executive Director, OEDIT
Jeff Kraft, Director of Business Funding and Incentives, OEDIT

CLIMBER Small Business Loan Program
Semi-Annual Implementation Report Submitted to the Joint Budget Committee

November 30, 2020

Executive Summary

In June 2020 the Colorado general assembly passed and the Governor signed HB20-1413, the Colorado Loans for Increasing Mainstreet Business Recovery (CLIMBER) Act. The legislation charged the State Treasurer and the program's Oversight Board, in partnership with the Governor's Office of Economic Development and International Trade (OEDIT), with establishing a small business loan program to provide below-market capital to Colorado small businesses across the state to aid in the state's economic recovery, help the small businesses, and save jobs.

The CLIMBER program has set a target launch date between December 18 and December 31, 2020. Accordingly, there have not been any loans made to small businesses yet. This report details the implementation of the program to date.

The CLIMBER Oversight Board has policy oversight of the program. The Treasurer is the Chair of the Board. The Director of the Minority Business Office in OEDIT is likewise a member specified in statute. The three other members of the Board are appointees of the Governor, the Senate President and the Speaker of the house, respectively. The Board was fully appointed in July 2020.

One of the first actions taken by the Board was to select a Loan Program Manager to run the operations of CLIMBER. The Board has selected CHFA to be the manager. Treasury has executed an MOU with CHFA and contract work is ongoing and on track for completion for the anticipated Program launch date in December.

According to statute, the Program will roll out in successive tranches of up to $50 million of capital each. Except for the first tranche, a tranche cannot be launched until the previous tranche has been 90% deployed to small businesses.

For the first tranche, the Board has set out the financial products the Program will use to deploy capital. The Board created three different financial products: 1) direct lending capital for CDFIs and non-profit lenders, 2) credit enhancement for CLIMBER loans, and 3) loan participations.

The CLIMBER Act also charges the Board with setting policy to ensure equitable access to capital, across all 64 counties and for disadvantaged demographics and communities. The Board has designed methodologies for achieving this equitable distribution that has included extensive data analysis and review of relevant studies. Although these are not the only businesses served by CLIMBER, given the disadvantages these communities have faced in the past with respect to access to capital, there is a strong rationale for taking care to ensure these businesses are included in a fair distribution.

Over the course of standing up the Program, OEDIT and Treasury have conducted outreach with several stakeholders, including small businesses across the state and lenders from every type of financial institution as well as trade associations representing lenders and small businesses. The input provided has been instrumental in the program design.

In addition to the work of the oversight board, Treasury has been working expeditiously to capitalize the program. The CLIMBER legislation appropriates up to $50 million in State revenues to secure another $200 million in private contributions to provide a total of $250 million in capital for small businesses. The State's contribution will be provided by the sale of deferred tax credits that are redeemable after five years. Per the authorization in the statute, the Treasury successfully conducted an RFP and hired two firms to help advise, design, conduct and broker the tax credit sales. The private contributions are being raised by a five-member group of volunteer fundraisers, designated by the Governor. Both these important elements are on track for a CLIMBER program launch in December.

The Colorado General Assembly, the Governor, the Treasurer, OEDIT, and CHFA, as well as the CLIMBER oversight board, have been working diligently to establish and stand up the CLIMBER loan fund to support Colorado small businesses, save jobs, and help support the Colorado economy.

Full Report

In June 2020 the Colorado general assembly passed and the Governor signed HB20-1413, the Colorado Loans for Increasing Mainstreet Business Recovery (CLIMBER) Act. The legislation charged the State Treasurer and the program's Oversight Board, in partnership with the Governor's Office of Economic Development and International Trade (OEDIT), with establishing a small business loan program to provide below-market capital to Colorado small businesses across the state to aid in the state's economic recovery, help the small businesses, and save jobs.

The CLIMBER program has set a target launch date between December 18 and December 31, 2020. Accordingly, there have not been any loans made to small businesses yet. This report details the implementation of the program to date.

The CLIMBER Oversight Board has policy oversight of the program. The Treasurer is the Chair of the Board. The Director of the Minority Business Office in OEDIT is likewise a member specified in statute. The three other members of the Board are appointees of the Governor, the Senate President and the Speaker of the house, respectively. The Board was fully appointed in July 2020.

Overall Program Implementation Milestones

The CLIMBER Act conveys the urgency felt by the General Assembly, Governor and Treasurer around providing much needed operating capital to small businesses across the state. Accordingly, the Treasurer, Board and OEDIT have been working swiftly to launch the Program.

- June 23: HB20-1413 is signed by the Governor
- July 13: Kick-off call with the Governor and prospective CLIMBER contributors
- July 22: Final Oversight Board member appointed
- July 23: First Oversight Board meeting
- July 30: CHFA is selected to be the Loan Program Manager
- July 30: Board adopts a conflict-of-interest policy
- August 6: Board adopts bylaws
- August 13: Board divides itself into working groups
- August 14: Impact working group begins work on setting targets for businesses owned by women, minorities and veterans, and rural businesses

- August 24: Treasury post CLIMBER staff position
- August 26: Underwriting working group begins design of financial products and loan terms
- August 27: Board adopts geographic distribution methodology
- August 27: Full board takes up financial products and loan terms design issues [As the largest part of the Board’s work, these complex issues were before the Board each week until November 19]
- September 10: Board receives feedback from small business focus groups and the SBDC
- September 17: Board reviews the financial model for the CLIMBER fund
- September 17: Impact working group and OEDIT present the Board with data and research regarding access to capital of businesses owned by women, minorities and veterans
- September 24: Treasury releases RFQ for sale of insurance premium tax credits authorized by HB20-1413
- September 29: The Governor designated the fundraising team for CLIMBER
- October 8: Board adopts targets for businesses owned by women, minorities and veterans, and rural businesses
- October 8: Board takes up the definition for CLIMBER qualified businesses and methodology for counting employees
- October 12: Treasury selects two firms to manage the sale of the CLIMBER tax credits
- October 22: Board takes up plan for equitable distribution to economically disadvantaged areas of the state
- October 22: Board adopts definition for CLIMBER qualified business and methodology for counting employees
- November 5: Board adopts 80% of CLIMBER products and loan terms policy
- November 5: Board adopts plan for equitable distribution to economically disadvantaged areas of the state
- November 10: Treasury and CHFA execute MOU securing CHFA as the Loan Program Manager
- November 10: Treasury hires CLIMBER position
- November 17: Governor fundraising calls
- November 19: Board adopts remaining elements of CLIMBER products and loan terms policy
- November 23: CHFA CLIMBER kick-off call
- November 23: Governor fundraising calls
- November 23: Board meets for formal approval of the Semi-annual Report to the JBC

The Oversight Board's Work

The CLIMBER Oversight Board has policy oversight of the program. The Treasurer is the Chair of the Board. The Director of the Minority Business Office in OEDIT is similarly a member specified in statute. The three other members of the Board are appointees of the Governor, the Senate President and the Speaker of the House, respectively. The Board was fully appointed in July 2020.The current members of the Board are: 1) State Treasurer, Dave Young (chair), 2) Rosy McDonough, Director of the Minority Business Office within OEDIT, 3) Peter Calamari, Managing Director, Platte River Equity (appointed by the Governor), 4) Douglas Price, Chairman and CEO, Citizens State Bank, located in Ouray, on the Western Slope (appointed by the Senate President, and 5) Akasha Absher, President, Syntristic Investment Counsel (appointed by the Speaker of the House).

Since the Board was fully appointed in late July, it has been meeting weekly, with two exceptions. In addition, the Board divided itself into five working groups: 1) Impact, 2) Underwriting, 3) Small business outreach and technical assistance, 4) Fundraising and 4) Tax credit sale. Members of the working group have also been working weekly to advance goals and deliverables of those groups. Specifically, since the end of July, the Board has met 15 times as a full board, three times in noticed working group meetings that included more than one board member, and dozens of other meetings that include only one Board member and program staff. Staff from Treasury and OEDIT have been supporting the Board through all of their work. Attached as Appendix A includes the list of major decision points the board was tasked to work through by the legislation. The Board has made decisions and adopted policies to address each item, with the support of analysis, research, data, and gathering and synthesis of input from stakeholders, provided by staff from OEDIT, Treasury, and CHFA. The Attorney General's Office has also provided critical, regular, and ongoing legal counsel on a wide variety of legal issues for CLIMBER.

The Oversight Board's meetings are public meetings. Meeting notices, agendas, minutes, and all other documents presented to the Board are available on the Board's webpage on Treasury's website.

Loan Program Manager Selection

One of the first actions taken by the Board was to make a recommendation to the Treasurer for a Loan Program Manager to run the operations of CLIMBER. The Board recommended and the Treasurer selected the Colorado Housing and Finance Authority (CHFA) to be the Manager.

Statute specifically authorizes the Treasurer to enter into a contract with CHFA to be the loan program manager. The financial subcommittee of Governor Polis' Economic Stabilization and Growth Council, which was responsible for the recommendation that was the foundation of the CLIMBER program, initially vetted CHFA as a prospective fund program manager. The subcommittee provided the Board with a letter recommending CHFA, which is attached as Appendix B.

CHFA's also presented to the Board during their consideration of Manager selection. Finally, the Treasurer consulted with the Betsy Markey, the Executive Director of OEDIT, on the selection of a program manager, as required by statute. The Executive Director concurred with the financial services subcommittee's recommendation of selecting CHFA.

The Treasurer's office worked with CHFA to sign an MOU (Appendix C) and contract work is ongoing and on track for completion by the anticipated Program launch date in mid-late December.
CHFA has assigned a project manager and program lead to CLIMBER and has begun staffing up for all necessary responsibilities for launching CLIMBER.

CLIMBER Products and Terms

According to statute, the Program will roll out in successive tranches of up to $50 million of capital. Except for the first tranche, a tranche cannot be launched until the previous tranche has been 90% deployed to small businesses.

As specified by statute, the Program will rely on the network of lending institutions across the state to originate loans and service CLIMBER loans. It is through this partnership with lenders that CLIMBER will be able to successfully deploy the capital and help support businesses.

For the first tranche, the Board has set out the financial products the Program will use to deploy capital. The Board created three different financial products: 1) direct lending capital for CDFIs, 2) credit enhancement for CLIMBER loans, and 3) loan participations. Details about these financial products are included as Appendix D.

The direct lending capital product is designed to help deploy capital through Community Development Financial Institutions (CDFIs) and similar non-profits. CDFIs are non-profit lenders (and also include a few for-profit entities) certified by the Federal CDFI fund whose mission is to expand economic opportunity in low-income communities by providing access to capital and financial services. Since CDFIs are generally not depository institutions, they have lending capital constraints, the direct lending capital product will help address that constraint and ensure equitable access to CLIMBER capital.

The other two products will be available to all lenders, at their option and with CHFA approval. The credit enhancement tool will provide cash to lenders either to serve as collateral for a CLIMBER loan or to provide a pooled loan loss reserve for CLIMBER loans originated by the lender.

Finally, the Program will purchase 80% of CLIMBER loans, at the option of lenders. Through the loan participation product, the Program will significantly de-risk the loan by taking 80% of it off the books of originating lenders and also provide liquidity to the lenders. Loan participations are a tool used by most COVID-relief small business funds across the country and also by the Federal Main Street Lending Program.

The Board has designed all CLIMBER products to appropriately align incentives with the lending partners, the State, and the Program.

By statute, the small business loans must bear below-market interest rates. The board has set interest rates for loans and other terms and conditions. CLIMBER loans will also include business-beneficial terms, including loan deferrals and maturities up to five years. All CLIMBER compliant loans will cohere with the interest rates and terms set by the Board. From a small business perspective, it should be uniform (depending on loan term and other specifics but in all cases set by the Board). Interest rates and terms are also presented in Appendix D.

Achieving Equitable Access to Capital

The CLIMBER Act charges the Board with setting policy to ensure equitable access to capital, across all 64 counties and for disadvantaged demographics and communities.

The Board has designed a methodology for ensuring equitable distribution to all 64 Colorado counties, which is attached as Appendix E. The largest factor in distribution is the number of small businesses in each county. Additional considerations are: 1) non-metropolitan underserved areas, 2) non-metropolitan distressed areas, and 3) number of minority-owned businesses in the county. In addition, the methodology allocates a minimum of $200,000 dollars, in each tranche, to each county in order to ensure sufficient capital for every Colorado county.

In addition to geographic equity, the Board has also set targets and designed processes to ensure equitable distribution of capital to women-, minority-, and veteran-owned businesses as well as economically disadvantaged communities.

With respect to businesses owned by women, minorities and veterans, the Board is statutorily charged with setting targets and tracking and reporting on achievement toward those targets. The targets set by the Board are included as Appendix F. During the process of setting targets, the Board reviewed extensive data, research, and reports about the disproportionately low distribution of capital to these businesses in the past, and recently through the federal Payroll Protection Program (PPP), as well as how the recession created by the COVID pandemic has disproportionately affected them.

Finally, the Board also focused on equitable distribution to economically-disadvantaged communities that have been historically underserved. The Federal Community Reinvestment Act of 1977 (CRA) identified the unfair financial practices of the past as an important rationale for requiring financial institutions to serve all communities, with a focus on the historically disadvantaged low-and-moderate-income communities, as well as non-metropolitan distressed and underserved communities. The Board's legislative charge is consistent with ensuring capital distribution to these communities. In addition, the private capital contributors to the fund are also concerned about equitable distribution to economically-disadvantaged communities as a part of their CRA obligations.

Accordingly, in each tranche, the Program will pause after 1/3 increments of capital deployment to review data and make necessary marketing, outreach, and structural changes to ensure equitable distribution.

These processes and methodologies are designed to ensure distribution to businesses owned by women, minorities, and veterans, as well as rural businesses, especially those in distressed and underserved areas, and businesses in or serving low and moderate-income communities. Although these are not the only businesses served by CLIMBER, given the documented disadvantages these communities have faced in the past with respect to access to capital, there is a strong rationale for ensuring fair distribution to all Colorado businesses.

Capital for the CLIMBER Fund

The CLIMBER legislation authorizes the Treasurer to sell deferred tax credits against State insurance premium tax liability. The up-to $68 million of authorized proceeds will provide the first-loss capital for the program over two fiscal years. After a fair and open selection process, the Treasurer has retained professional services from two firms with direct and recent experience in monetizing similar state tax credits. The target closing date for the first tax credit sale is December 18, 2020.

The State's $50 million contribution, as first loss capital, is designed to leverage an additional $200 million in private contributions. Governor Polis named a fundraising group to raise the private capital for both CLIMBER, and the related Energize Colorado Gap Fund. The fundraising group is: 1) Kent Thiry 2) Blair Richardson 3) Brad Feld 4) Peter Calamari (also a CLIMBER oversight board member), and 5) Jim Kelley. The fundraising group has been working with prospective contributors to raise the capital necessary for both these funds to help Colorado businesses.

Financial institutions that have Federal Community Reinvestment Act (CRA) requirements are possible contributors that could provide low-cost capital, which would make the economics of CLIMBER work. The fundraising team and Treasury staff have been working with these banks, and with the help of the Governor's Office, are on-track for program launch in December.

Statutorily Required Reporting Elements

The CLIMBER program has set a target launch date between December 18 and December 31, 2020. At the time of this report, there are no small business loans made through the program. The statute requires reporting on data associated with the small business loans made by CLIMBER. Although there is no loan data, information in the appendices of this report identifies board policy on: 1) loan size, 2) geographic distribution methodology, 3) eligibility requirements for size of business, and 4) demographic targets for businesses owned by women, minorities and veterans and rural businesses.

At the time of the next required legislative report on May 31, 2021, Treasury expects to have data on small business loans provided by the CLIMBER program as well as information about the first sale of insurance premium tax credits, the financial contributors to the program and the final steps in CHFA implementation and marketing.

Appendix A

Overview of Board Responsibilities and Plan for Addressing

Outline Working Groups and Plan for Addressing Board Work (Board Document 8/13/20)

In order to work through the many board decision points most efficiently, the board divided itself up into working groups with separate workstreams. Those working groups feed research and recommendations back into the full oversight board. Inevitably, the portfolios for these groups interact and even overlap. The full oversight board meetings and board staff from Treasury and OEDIT will facilitate coordination and sequencing between working groups.

1. *Underwriting*: This working group will interface with lenders and lender organizations to hone the details of how the fund will function (e.g. loan participations, loan loss reserve, etc.) and what the terms will be for eligible loans. The central question for this group is how the program can most effectively provide capital to small businesses. What is the gap where these loans would not be possible were it not for this program?

The legislation charges the oversight board with consulting with "lending industry leaders" on these matters. OEDIT organized a series of lender focus groups that included: 1) members of the Colorado Bankers Association, 2) members of the Independent Bankers of Colorado, 3) credit unions, and 4) Community Development Financial Institutions (CDFIs).

In addition to these focus groups, this working group will organize discussions, research, and recommendations for the first tranche of CLIMBER funding around the following workstreams and feed that work back to the full oversight board at future board meetings:

- How will the program function?
    - What are the most effective tools for the CLIMBER fund to use: participations, Colorado Credit Reserve (CCR) or another loan loss program, Cash Collateral Support (CCS) or a similar program? Each tranche of up to $50M may have different terms. What portion of the first tranche should be allocated to the tools?
    - If the fund will purchase participations, what should the participation percentage be? If it should be different in different in different circumstances (either by lending institution or by loan/business particulars), how should that be determined?
- Loan terms
    - Loan size, within the statutory parameters (between $30,000 and $500,000).

- Loan maturities, within the statutory parameters (not more than 5 years).
- Loan amortization, within the statutory parameters (not less than the term of the loan but could be longer).
- Payment deferrals, within the statutory parameters (up to one year).
- Interest rate of the loans, within the statutory parameters ("lower than would otherwise be available")
- Loan security, within the statutory parameters (no security is required by statute, but the board may add security requirements that could include a personal guarantee, collateral, or "other security as determined by the oversight board").

2. ***<u>Impact</u>***: This working group will interface with the OEDIT staff and the OEDIT Office of Minority Businesses to design impact targets. The central issue this group will tackle is ensuring equitable distribution of capital.

The legislation charges the oversight board with consulting with the OEDIT Minority Business Office in designing targets for women, minority, and veteran-owned businesses in addition to rural businesses. In addition, the board must determine the methodology for allocating capital across the state's 64 counties.

This working group will organize discussions, research, and recommendations for the first tranche of CLIMBER funding around the following workstreams and feed that work back to the full oversight board at future board meetings:

- Geographic distribution methodology
  - What is the metric(s) used to determine geographic distribution?
  - For what period of time with the capital be allocated geographically (after which it reverts to the general pool)
- Establish targets for loans to women, minority, and veteran-owned businesses and rural businesses.
  - What will the metrics be?
  - How will it be tracked?
  - What is the process for monitoring and making needed adjustments over the course of the first tranche of funding?

3. ***<u>Small business outreach and technical assistance</u>:*** This working group will interface with the OEDIT Small Business Development Center office and small businesses in Colorado to determine how businesses are being impacted and what their financing needs are. The central question for this group is how the CLIMBER program can best serve small businesses and what additional supports/resources can be connected to the program.

The legislation charges the oversight board with consulting with small businesses in designing loan terms and the definition of eligible borrowers. On this workstream, the small business working group work will inform the work of the underwriting working group and vice versa. In addition, the board is also charged with consulting with small businesses in establishing the criteria for eligible borrowers.

This working group will organize discussion, research and recommendations for the first tranche of CLIMBER funding around the following workstreams and feed that work back to the full oversight board at future board meetings:

- Establishing the criteria for eligible borrowers, in consult with small businesses
    - Defining how to determine “principal place of business”
    - Defining how number of employees is measured (between 5-99) and whether the statutory range should be more prioritized
    - Defining what it means to demonstrate at least two consecutive years of positive cash flow prior to February 29, 2020 [Any two consecutive years, or does it need to be the two years immediately preceding February 2020?]
    - Defining what it means to demonstrate a debt-service coverage ratio as of February 29, 2020, of at least one-to-one and whether the DSCR should be higher.

In addition, this group will work with the SBDC to identify and problem-solve barriers to success for the program from the small business, user, perspective. OEDIT and the SBDC can help organize focus groups or surveys of small businesses and provide research and data on small businesses in the state as well as map existing technical assistance programs that could be connected to the program recipients.

<u>Workstreams outside of the working groups</u>

> ***<u>Tax credit sale</u>***: Through the CLIMBER Act, the State Treasurer is authorized to conduct a sale(s) of State insurance premium tax credits to fund the State’s contribution to the program. It is a foundational element to the program but otherwise not connected to other workstreams. The Treasurer and Treasury staff will provide the oversight board with updates on the tax credit sale, timing and process. Any oversight board members that would like to be involved in the tax credit sale workstream may participate in review of materials for the sale including professional services solicitation documents and responses and other timing and pricing documents.
>
> ***<u>Fundraising</u>***: Members of the Governor’s Council of Economic Stability and Growth’s Financial Services subcommittee that developed the vision for CLIMBER and provided support through the legislative process have volunteered to help the State by fundraising the private capital. This group of volunteer fundraisers includes Peter Calamari. As a member of the oversight board, Peter Calamari will update the full board on the fundraising activities, progress, and any

other related issues that may inform board decisions. Since the program relies on raising very significant amounts of private investments (up to $200M), it will be important to communicate investor input with respect to program design to the board. Any oversight board members that would like to be involved in the fundraising workstream may participate in review of materials and consultation with the Loan Fund Program Manager (CHFA) about how to incorporate investment requirements into the program parameters.

Appendix B

CHFA Recommendation from the financial services subcommittee of the Governor's Council on Economic Stabilization and Growth

July 23, 2020

Dear Members of the Colorado Small Business Loan Program Oversight Board,

An off-shoot of the Financial Services subcommittee of the Governor's Council on Economic Stabilization and Growth has been meeting regularly since April to help create the vision behind what is now the CLIMBER fund. This small business loan fund working group has helped design many of the structural elements of the fund and some of our members intend to volunteer their time raising the private capital necessary.

Since selecting a fund manager is an essential for the success of CLIMBER, we have been engaged in identifying options for that function. HB20-1413 that established the CLIMBER fund allows for the Treasurer, along with the oversight board, to select the Colorado Housing and Finance Authority (CHFA) to be the fund manager. We met with CHFA about their interest, capacity and expertise to serve in this capacity. We have also spoken with a number of references from banks and other entities that have worked with CHFA in a similar capacity.

It is the unanimous opinion of the small business loan fund working group that CHFA should serve as the fund manager for CLIMBER. We believe the expertise, experience, and cost of CHFA make it the best option for managing the fund.

Thank you for your consideration of our recommendation.

Sincerely,

Blair Richardson Phil Kalin

Co-chairs of the Financial Services subcommittee

Appendix C

MOU Between CHFA and Treasury

MEMORANDUM OF UNDERSTANDING

This MEMORANDUM OF UNDERSTANDING (this "**MOU**") entered into is executed by and between the STATE OF COLORADO (the "**State**"), acting by and through the DEPARTMENT OF THE TREASURY ("**Treasury**"), and COLORADO HOUSING AND FINANCE AUTHORITY, a body corporate political subdivision of the State of Colorado ("**CHFA**") to explore and outline the roles, responsibilities, and expectations in coordinating and implementing the CLIMBER Fund, as defined below. CHFA and Treasury are also referred to herein individually as a "**Party**" and together the "**Parties**."

RECITALS

A. On March 11, 2020, Colorado Governor Jared S. Polis (the "**Governor**"), pursuant to Executive Order D 2020 003, declared a state of disaster emergency due to the presence of the coronavirus disease 2019 ("**COVID-19**") in the State.

B. On June 23, 2020 and in response to COVID-19's impact on businesses, the Governor signed House Bill 20-1413, the Colorado Loans for Increasing Main Street Business Economic Recovery Act (the "**CLIMBER Act**"), into law as Part 2 to Article 36 of Title 24 of the Colorado Revised Statutes.

C. The CLIMBER Act provides for, among other things, the creation of a small business recovery loan program (the "**Loan Program**") to be headed by an oversight board created within Treasury (the "**Oversight Board**").

D. The creation of the Loan Program will be seeded by money provided by the State to support the CLIMBER Act (the "**CLIMBER Fund**").

E. Treasury and the Oversight Board wish to engage CHFA, as allowed under the CLIMBER Act, to act as the program manager of the Loan Program (the "**Loan Program Manager**") to the CLIMBER Fund.

F. CHFA may agree to administer the CLIMBER Fund, and Treasury may agree to allow CHFA to administer the CLIMBER Fund, provided the Parties agree to the terms of this MOU and the Parties enter into a fully signed and executed Intergovernmental Agreement (the "**IGA**") that incorporates the terms of this MOU by no later than Expiration Date, as defined below.

NOW, THEREFORE, in consideration of the mutual promises and obligations contained herein, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. The above recitals are incorporated herein by reference.

2. Negotiated Terms. The Parties agree to incorporate the following terms and conditions, or materially similar terms and conditions, (collectively, the "**Negotiated Terms**") into the IGA:

a. *CLIMBER ACT*. The Parties agree that the IGA will comply with the language and spirit and intent of the CLIMBER Act. Accordingly, in addition to the terms below, the Fund's goals, structure, process, management, and oversight will be created and maintained in accordance with the CLIMBER Act.

b. *Fund structure and process flow*. The Parties agree that **Figure 1**, attached hereto and incorporated herein, represents an accurate depiction of the CLIMBER Fund structure and process flow.

c. *Fund project management*. CHFA will provide project management to support the creation of the CLIMBER Fund and will lead, or be included in, relevant discussions. Treasury and the Board will maintain their requisite and respective decision-making authority described in the CLIMBER Act and in the IGA and will not delegate such authority to any unaffiliated entity without the express written consent of CHFA.

d. *Loan Program Manager Fund duties*. As Loan Program Manager for the CLIMBER Fund, CHFA will act in accordance with the CLIMBER Act, including providing: initial fund design, project management during setup, fund management agreement with Treasury, investor agreements, bank account creation, investment tracking, marketing, lender participation agreements, underwriting and compliance review (CRA, geographic, demographic, portfolio), closing of participations, servicing and monitoring loans, default recommendations, repayment to investors, reporting to investors, and reporting to Treasury. However, CHFA will not be fundraising or soliciting

e. *Treasury duties*. Treasury will manage the sale and aggregation of tax credits, assist with the creation of the Oversight Board as set forth in section 24-36-204, C.R.S., and support the outreach for private capital.

f. *Oversight Board duties*. The Oversight Board has been created in accordance with the CLIMBER Act and will fundraise for private capital, establish loan programs, and establish program objectives among other things.

3. g. *CHFA's fees*. Treasury agrees to pay CHFA a "**Base Fee**" equal to Six Hundred Fifty Thousand and No/100 Dollars ($650,000.00) to deploy the CLIMBER Fund which is to be paid within the first three years of the CLIMBER Fund. Additionally, CHFA will receive variable fees, based on actual program volume, consisting of a "**Servicing Fee**" equal to one-fifth of one percent (0.20%) for participated loans or direct lending capital that are serviced by CHFA and a "**Registration Fee**" equal to the greater of (i) a minimum amount to be determined by the Parties and (ii) an amount to be determined by the Parties of loan registrations for capital access projects such as CCR and CCS. However, as set forth in section 24- 36-205(5), C.R.S., if the money in a tranche is not fully invested in small business loans as determined by the Oversight Board in the time period allowed under the IGA, the portion of the unused money provided by the State to the CLIMBER Fund shall be returned to the Small Business Recovery Fund. Furthermore, if the structure of the CLIMBER Fund materially changes such that participated loans or direct lending capital are not being serviced, CHFA and the Treasury agree to negotiate a fair fee. Third-party costs. Treasury agrees to pay all third-party costs incurred by CHFA at the direction and written preapproval of Treasury, in consultation with the Oversight Board.

4. Exploration Fee. In addition to the foregoing expenses and fees and regardless of whether the CHFA administers the CLIMBER Fund, Treasury agrees to pay CHFA a flat fee in the amount of Fifty Thousand and No/100 Dollars ($50,000.00) (the "**Exploration Fee**") for the administrative costs CHFA expects to incur in

exploring this relationship and the CLIMBER Fund. This Exploration Fee is due and payable upon the Expiration Date, defined below, and will be credited to the services contemplated in the IGA, or this Exploration Fee may be waived in CHFA's sole discretion.

5. Integration and modification. This MOU is the entire agreement of the Parties and supersedes any and all prior agreements whether oral or written. This MOU and any provision within may only be modified by a writing signed by the Parties. Any waivers of any term in this MOU must be provided in writing (including by email) by the Party waiving the other's obligation to be effective. Any inaction or failure to demand strict performance will not be deemed a waiver.

6. Assignment. This MOU may only be assigned or transferred with the prior written consent of all Parties.

7. Governmental immunity. It is specifically understood and agreed that nothing contained in this paragraph or elsewhere in this MOU will be construed as: an express or implied waiver by either Party of its governmental immunity or of the governmental immunity of the State; an express or implied acceptance by either Party of liabilities arising as a result of actions which lie in tort or could lie in tort in excess of the liabilities allowable under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101, *et seq*.; a pledge of the full faith and credit of a debtor contract; or, as the assumption by either Party of a debt, contract, or liability of the contractor in violation of Article XI, Sections 1 and 6 of the Constitution of Colorado.

8. Severability. The invalidity or unenforceability of any provision of this MOU will not affect the validity or enforceability of any other provision.

9. Paragraph headings. The paragraph headings in this MOU are for convenience only and must not be considered when construing the interpretation of any provision of this MOU.

10. State and federal laws. All Parties agree to comply with all applicable state and federal laws and regulations. Any failure to comply with this provision results in a breach of the non-complying Party and the other Party may terminate this MOU.

11. Disputes. Either Party's failure to comply with any provision of this MOU will constitute a breach of this MOU. Any dispute related to the performance of this MOU, which cannot be resolved by the primary contact, will be referred to superior departmental management staff designated by each Party. If the dispute is still unresolved, disputes shall be presented to the Governor whose decision on the dispute shall be final.

12. Waiver. **IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY DIRECT, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, LOSS OF BUSINESS PROFITS OR OPPORTUNITY) IN CONNECTION WITH THIS MOU OR EXPIRATION OF THIS MOU, AND THE PARTIES, BY EXECUTING THIS MOU, HEREBY WAIVE ANY RIGHT TO CLAIM OR SEEK ANY SUCH DAMAGES.**

13. Rights in data and documents. Any and all research, reports, studies, data, or other documents or materials prepared in the performance of this MOU will be the shared property of the Treasury, CHFA, and the State.

14. MOU effectiveness and expiration. This MOU is effective as soon as both Parties' respective authorized agent signs this MOU. If the Parties fail to incorporate the Negotiated Terms into an Intergovernmental Agreement fully signed by the Parties by December 30, 2020, (the "**Expiration Date**") this MOU, excepting Paragraphs 3,4,7,8,9,12, and 13, will expire, CHFA will have no obligation to administer the CLIMBER Fund, and Treasury shall have no obligation to remit any payment except for the Exploration Fee.

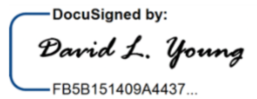
[**Remainder of Page Left Intentionally Blank, Signatures on Following Page**]

The following individuals, by signing below, confirm their authority to execute this MOU on behalf of their respective Party and do so as of the date written below their respective signature.

COLORADO HOUSING AND FINANCE AUTHORITY,
a body corporate and political subdivision of the State of Colorado,

THE STATE OF COLORADO,
acting by and through
DEPARTMENT OF THE TREASURY

By: Name: Title: Date:



Appendix

Appendix D

CLIMBER Financial Products for First Tranche of Capital

CLIMBER Fund Product Design

11/22/2020

Approved by the CLIMBER Oversight Board, subject to legal review and availability of funds

Proposed CLIMBER FUND Products

CLIMBER Product Type	Lender Type	Program Structure and Rules	Meets CLIMBER Loan Terms
Direct Lending Capital	Non-Depository CDFIs & Non-profit Lender	• Lending capital in the form of low interest loan @2% to originator • Can fund up to 100% of originated loans • Lender has to pay at least 80% of capital back to CLIMBER • Lender can charge borrower-paid fees of .5 to 1% • If lender returns more than 80% of the capital they keep half the difference over 80% • Need for fund paid fee of 5% or higher to underserved businesses	Yes
CLIMBER Credit Enhancement	Bank/Credit Union CDFI & Non-profit Lender	• 10 to 15 percent pooled loan-loss reserve contribution (bonus for loans to underserved demographics) or up to 20% dedicated collateral, no borrower fee • Accessible after Lender undertakes collection activity • CLIMBER Fund deposits are interest-free but must be paid back to state at the end of the CLIMBER Program	Yes
Loan Participation	Bank/Credit Union CDFI & Non-profit Lender	• Fund will purchase 80% of loans originated by lender • No borrower fees • Lender can charge interest rate of 4.25 to 6.5% to borrower on retained share of loan (blended rate to borrower much lower due State contribution) • Purchased part of loan must be *pari passu* with retained loan regarding collateral • The originator-retained portion of CLIMBER Loans that are participated can also use CLIMBER Credit Enhancements if the loans are to targeted segments.	Yes

CLIMBER FUND Interest Rates and Fees for CLIMBER Compliant Loans

Reference point: *Wall Street Journal Prime Rate* was 3.25% as of 8/21/20

	Loan Term			
Fixed Borrower Interest Rates by Product	**1-2 year**	**3 year**	**4 year**	**5 year**
Direct Lending Capital	3.45%	3.60%	3.75%	3.90%
CLIMBER Credit Enhancement	2.45%	2.60%	2.75%	2.90%
Blended Borrower Rate on 80% Participated Loan	2.45%	2.60%	2.75%	2.90%
	Loan Term			
Borrower Origination Fees Paid to Lender (excludes packaging fees)*	**1-2 year**	**3 year**	**4 year**	**5 year**
Direct Lending Capital	.5%	.75%	1%	1%
CLIMBER Credit Enhancement	0%	0%	0%	0%
	Loan Term			
APR by Borrower (excludes packaging fees)	**1-2 year**	**3 year**	**4 year**	**5 year**
Direct Lending Capital (DLC)	3.94%	4.10%	4.26%	4.31%
CLIMBER Credit Enhancement (CLCE)	2.45%	2.60%	2.75%	2.90%
Loan Participation (LP)	2.45%	2.60%	2.75%	2.90%

CLIMBER FUND Loan Terms

Term Name	Summary	Details/Notes
Loan Amount	$30,000 to $500,000	Recommend keeping full statutory range
Length of Term	Revolving/1 to 5 years	Up to lender to decide
Use of Funds/Definition of working capital	See later slide for details	Statement by borrower on use of funds included in note/loan close docs
Payment Frequency	Monthly	
Payment Deferment	Up to 1 year on principal and interest	3 months automatic deferral of principal at borrower discretion. Lender can offer up to 6 months deferral of principal; need approval from CHFA to go beyond 6-month deferral of principal.
Amortization	Full level to 20% balloon	Need approval from CHFA to not fully amortize
Borrower APR	2.45 to 4.31%	Fixed but varies with length of term and product
Prepayment Penalty	None	
Borrower Origination Fee Paid to Lender	0% to 1% (deducted from loan disbursement)	Varies with product type and term of loan
Ability to Refinance Existing Debt	See later slide for details	Yes (minimum 2 to 1 ratio of new to refinanced debt) 50/50 with CHFA approval
Collateral	To be proposed by lender	Need approval from CHFA if no collateral
Personal guarantee	To be proposed by lender	Need approval from CHFA if no guarantee

Direct Lending Capital

- Who Can Use this Option: Non-Depository CDFIs and Non-Profit Lenders
- How It Works:
  - CLIIMBER Provides lending capital in the form of low interest loan @2% to originator
  - Can fund up to 100% of originated loans
  - Lender has to pay 80% of capital back to CLIMBER depending on losses plus interest on full principal
    - If lender can return more than 80% of the capital, they keep half the difference over 80%
  - Lender can charge origination fees (deducted from loan disbursement) per schedule approved by Board
  - Program is working to identify a source of funds to have a "fund-paid" fee averaging 6% to lender. Higher fees will be paid on loans to underserved borrowers [Treasury and OEDIT are working to identify necessary funs]
- What it Addresses for Lenders:
  - Lack of capital/liquidity to make new loans by directly funding the loans
  - Credit risk by allowing non-profit lenders to not be obligated to pay back full loan to fund
  - Loan margin by allowing larger fees and higher APRs

***Underserved demographics include rural or minority, women, veteran-owned businesses and businesses located in low to moderate income communities or economically distressed or underserved non-metropolitan areas.

CLIMBER Credit Enhancement

- Who Can Use this Option: CDFI, Non-Profit Lenders, Banks, Credit Unions
- How It Works:
  - CLIMBER provides 15% to 20% Contribution, (per table in next slide)
  - Contribution can be used either as pooled loan-loss reserve or dedicated cash collateral, at lender's choice
    - Lender can mix and match and choose different option for each CLIMBER loan
  - CLIMBER contribution available to lender after lender undertakes collection activity
  - CLIMBER contribution is interest-free but unused amount must be paid back to state at program end
  - Only CLIMBER loans can be registered for CLIMBER Credit Enhancement (CCE), but CLIMBER Loans can also leverage the existing Colorado Credit Reserve (CCR) pools as a secondary reserve
  - The originator retained portion of CLIMBERL loans which are participated can also be registered against CCE per table below
  - What it Addresses for Lenders:
    - Credit risk by providing pooled loan-loss reserve
    - Provides extra risk capital to absorb loan losse,s so should make regulators more comfortable

Anti-abuse Provisions

- Lender must certify that it would not have made this loan at the terms being offered without the credit enhancement and explain why using its underwriting and interest rate policy.
- CHFA must review and approve lender explanation
- The program may be curtailed if CHFA determines it is not driving loans that would not otherwise be made.

CLIMBER Credit Enhancement Contribution Table

Loan Size	$30,000 to $74,999	$75,000 to $249,999	$250,000 to $500,000
Standard Contribution to Pooled Loan Loss Reserve (PLLR) (loan is not to underserved demographic)	10% (~$2,000)	10% (3%)	10% ($7,500)
Max Contribution to PLLR (Loan is to underserved demographic)***###	15%	15%	15%
CLIMBER Contribution for Dedicated Cash Collateral	Up to 20% depending on shortfall Size (case by case basis)		
CLIMBER Contribution for retained portion of participated Loan (either Pooled LLR or Dedicated CC) only for Loans to underserved demographics as defined below***	8%	8%	8%

***Underserved demographics include rural or minority, women, veteran-owned businesses and businesses located in low to moderate income communities or economically distressed or underserved non-metropolitan areas.

###For each underserved demographic a borrower belongs to, up to two categories the PLLR gets an extra 2.5% contribution,up to a maximum extra of 5% or 15% total. Example: a veteran and minority owned business gets 15%.

Definition of Working Capital, Use of Proceeds and Borrower Certification

Definition of Working Capital: Proceeds are required to be used for working capital, which includes inventory, marketing, payroll, refitting work space for new social distancing guidelines, operating and emergency maintenance, property taxes, utilities, rent, supplies, making regularly scheduled interest and principal payments on mortgages, loans, and existing debt or paying off existing debt that is due within 90 days and other working capital uses

- Refinancing of an existing loan is not permitted except as explicitly in the CLIMBER Rules
- The loan applicant will be required to describe anticipated use of funds when they apply and certify that the use of funds will not violate terms.

Loan Participation

- Who Can Use this Option: CDFI, Non-Profit Lenders, Banks, Credit Unions
- How It Works:
  - CLIMBER Fund will purchase 80% of loans originated by lender
  - Lender can charge higher interest rate to borrower (per schedule above) on its retained share of loan.
  - Purchased part of loan must be pari passu with retained loan regarding collateral/guarantees.
  - The originator retained portion of CLIMBER Loans which are participated can also be registered against CLIMBER Credit Enhancement.
- What it Address for Lenders:
  - Lack of capital/liquidity by purchasing a big portion of lender originated loans.
  - Credit risk by allowing lenders to sell off some portion of loan and using CLCR to created pooled loan loss reserve for un-participated portion.
  - Loan Margin by allowing origination fees and the lender to charge higher interest in the unsold portion of the loan.

Borrower Certifications on Use of Funds

CHFA to develop appropriate guidelines and present to CLIMBER Board, taking the following ideas and others into account

Borrower Certification on Use of Funds

Borrower will attest that loan proceeds will be used for working capital as defined by CLIMBER rules

Borrower Certification on Prohibited Uses of Funds

Borrower will attest that loan proceeds will not be used:

- to repay delinquent federal or state income taxes unless the Borrower has a payment plan in place with the relevant taxing authority;
- to repay taxes held in trust or escrow (e.g., payroll or sales taxes)
- to reimburse funds owed to any owner, including any equity injection or injection of capital for the business continuance;
- to purchase any portion of any ownership interest of any owner of the business
- to place under the protection of the Program prior debt that is not covered under the Program and that is or was owed by the Borrower to the Intermediary or to an affiliate of the Intermediary without approval per the rules of the CLIMBER Program;
- To refinance a loan previously made to the Borrower by the Intermediary or an affiliate of the Intermediary that existed prior to the COVID-19 Crisis without approval by CHFA per the CLIMBER refinancing rules ;
- to enroll or refinance the unguaranteed portions of SBA-guaranteed or other federal loans; or
- to pay severance to any employee (CHFA may waive this restriction in writing).

Rules for Refinancing Existing Debt

1) Making regularly scheduled interest and principal payments on mortgages, loans, and existing debt or paying off existing debt that is due within 90 days is considered a working capital use of CLIMBER Loan proceeds and is not considered to be refinancing.
2) CLIMBER Loans can be used for refinancing per the following terms
   a) The debt being refinanced must be incurred on or after July 1, 2019.
   b) Any refinanced loans, including both new and existing debt must be *pari passu* with regard to security (e.g. collateral and guarantees) held by the original, refinanced debt.
   c) Lines of credit (LOC) are a unique case and those that meet a) and b) above but not d) below can be refinanced by taking the unpaid balance and converting it into a CLIMBER term loan
      i) The bank must also maintain a LOC with the borrower with at least the amount of the original line of credit that was refinanced as a term loan or at 80% of the full original amount of the LOC, whichever is larger.
      ii) All three product types (direct lending capital, loan participations and credit enhancement) can be used for the refinancing of a LOC into a term loan.
      iii) The lender cannot charge fees for re-establishing the new LOC after an existing LOC was refinanced into a CLIMBER Loan

Rules for Refinancing Existing Debt

<u>d) All other debt types</u> aside from LOCs, including credit cards and term loans, can be refinanced under the following conditions and subject to a) and b) above

- i) Only via the credit enhancement product (i.e. the lender must use its own capital not CLIMBER Fund investor capital)
- ii) The APR being refinanced to must be at least 5% less than the interest rate on the refinanced loan
- iii) The lender must provide new credit via a CLIMBER loan at a rate equal to at least $2 for every $1 refinanced unless CHFA approves an exception of a $1 to $1 ratio. This new credit may be an LOC
- iv) No debt associated with a federally funded loan program can be refinanced. Per 1) CLIMBER Loan Proceeds could be used to make regularly scheduled debt payments including on federal loans.
- v) If the loan being refinanced had an origination fee of more than 3% or a prepayment penalty of more than 3%, no fee other than packaging fees can be charged on the CLIMBER refinancing. Note that CDFI's cannot use the direct lending product, only the credit enhancement product, to refinance except for Line of Credit.
- vi) The term on the CLIMBER Loan must be at least as long as the remaining term on the refinanced debt unless CHFA permits an exception.
- vii) If a borrower demonstrates that it uses its credit card to pay monthly operating expenses which would be considered working capital uses [for example 1/12 of annual operating costs] and, pre-COVID, the borrower had the cash to pay these monthly expenses and reduce the credit card balance to zero each month, making these monthly payments is considered a working capital use of CLIMBER proceeds and not a refinancing. However, if the borrower has accumulated credit card balances that exceed 1/12 of operating expenses and wishes to pay this balance off with a CLIMBER loan, this would be considered a refinancing and is subject to the rules around re-financing.
- viii) Subject to all of the rules above, lenders are allowed to refinance their own or other lenders' debt.

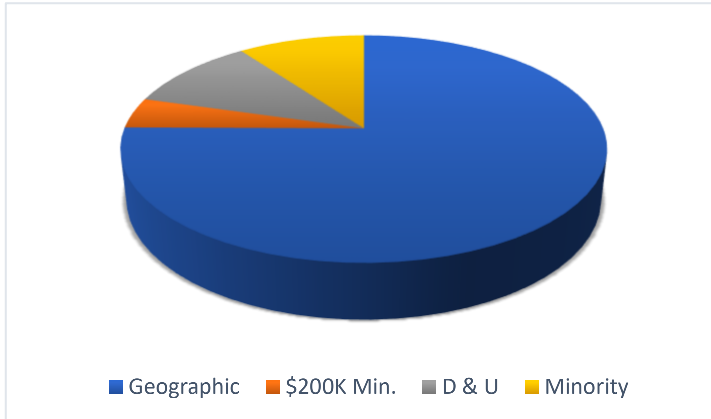
Interest Rates and APR by Product Types

		Number of Years in Loan Term			
		2	3	4	5
	Rate to Fund Plus CHFA (2%)	2.00%	2.00%	2.00%	2.00%
Loan Participaton	Rate Paid to Lender	4.25%	5.00%	5.75%	6.50%
	Blended Borrower Rate 80% Participation	2.45%	2.60%	2.75%	2.90%
	Allowed Lender Origination Fee	0.00%	0.00%	0.00%	0.00%
	Loan Amount	$ 30,000	$ 30,000	$ 30,000	$ 30,000
	Final Outstanding Balance	$ -	$ -	$ -	$ -
	Monthly Payments	($1,282.15)	($867.16)	($660.72)	($537.73)
	Borrower APR	2.45%	2.60%	2.75%	2.90%
Direct Lending Capital	Borrower Interest Rate	3.45%	3.60%	3.75%	3.90%
	Allowed Lender Origination Fee	0.50%	0.75%	1.00%	1.00%
	Loan Amount	$ 30,000	$ 30,000	$ 30,000	$ 30,000
	Final Outstanding Balance	$ -	$ -	$ -	$ -
	Monthly Payments	($1,295.42)	($880.39)	($674.02)	($551.14)
	Borrower APR	3.94%	4.10%	4.26%	4.31%
CLIMBER Credit Enhanceme	Borrower Interest Rate	2.45%	2.60%	2.75%	2.90%
	Allowed Lender Origination Fee	0.00%	0.00%	0.00%	0.00%
	Loan Amount	$ 30,000	$ 30,000	$ 30,000	$ 30,000
	Final Outstanding Balance	$ -	$ -	$ -	$ -
	Monthly Payments	($1,282.15)	($867.16)	($660.72)	($537.73)
	Borrower APR	2.45%	2.60%	2.75%	2.90%

Appendix E

Methodology for Geographic Distribution of CLIMBER Capital

Approved Methodology for Allocating the first $50M Tranche of the CLIMBER Fund	**Approved**
Description of methodology	Geographic by number of businesses + Bonus D&U + distribute $5M based on Minority Population, then min. $200K/county
Amount Geographically Distributed (by number of small businesses)	$37,569,084
Bonus for Distressed and Underserved (D&U)	$5,250,000
Minority Allocation	$5,000,000
Amount to get each county to a minimum of $200K	$2,180,916



Period of Allocation to Counties
Two Months, with Oversight Board's Option to extend based on level of participation

All CO Counties	
Adams	$2,778,239
Alamosa	$432,616
Arapahoe	$4,750,437
Archuleta	$291,108
Baca	$200,000
Bent	$200,000
Boulder	$3,152,730
Broomfield	$478,496
Chaffee	$399,920
Cheyenne	$316,126
Clear Creek	$200,000
Conejos	$340,434
Costilla	$200,000
Crowley	$200,000

Custer	$200,000
Delta	$216,338
Denver	$6,333,282
Dolores	$200,000
Douglas	$2,201,525
Eagle	$910,673
El Paso	$4,328,098
Elbert	$200,000
Fremont	$228,698
Garfield	$638,343
Gilpin	$200,000
Grand	$366,834
Gunnison	$453,689
Hinsdale	$200,000
Huerfano	$200,000
Jackson	$317,747
Jefferson	$4,265,711
Kiowa	$308,495
Kit Carson	$217,358
La Plata	$614,452
Lake	$200,000
Larimer	$2,656,164
Las Animas	$404,724
Lincoln	$336,910
Logan	$200,000
Mesa	$1,073,423
Mineral	$317,319

Moffat	$200,000
Montezuma	$200,000
Montrose	$327,455
Morgan	$200,000
Otero	$263,564
Ouray	$200,000
Park	$200,000
Phillips	$200,000
Pitkin	$399,407
Prowers	$391,828
Pueblo	$876,346
Rio Blanco	$201,085
Rio Grande	$248,612
Routt	$440,041
Saguache	$200,000
San Juan	$200,000
San Miguel	$310,004
Sedgwick	$317,921
Summit	$556,093
Teller	$200,000
Washington	$200,000
Weld	$1,689,578
Yuma	$248,179
	$50,000,000

Appendix F

Targets for Women-, Minority-, and Veteran-Owned Businesses

Proposed Targets for Number of Loans** Made to Businesses Owned by or Located in the Demographics Below

Tier Color	Description	Rationale for Minority Targets	Source	Minority	Women	Veteran	Rural
Gold	Exceeds Objective	21% is the percent of SBA 7A loans made to minority businesses in Colorado	SBA Report (data from 2019 to 2017)	21% and above	39% and above	11% and above	17% and above
Silver	Meets Objective	18% is the percent of minority businesses within Colorado among all small businesses with employees adding Hispanic to Minority Ethnicity	Census Annual Community Survey, 2018, 5-Yr Estimates as summarized in "Mapping Minority Businesses in Colorado", Page 6 - % of all states classifiable businesses	18 to 20.9 %	34 to 38.9%	9 to 10.9%	15 to 16.9%
Bronze	Partially Meets Objective	13% is estimated historic share of bank and credit unions loans to minority businesses in Colorado	Combination of % of businesses from above with lender data supplied by Federal Reserve 2020 Report on Employer Firms Small Business Credit Survey, p. 9.	13 to 17.9%	28 to 33.9%	6 to 8.9%	11 to 14.9%
None	Does Not Meet Objective	Below historic share of bank loans	None	below 13%	below 28%	below 6%	below 11%

**These target percentages are based on number of loans and NOT percent of loan capital.
The targets for "meets objective" for all business types except women owned were set based on the percent of those businesses among all employer businesses.
For the women owned businesses the SBA 7A loans were lower than the percent of women owned businesses as a percent of total businesses so we used the SBA data as the "meets objective" threshold.
For all non-minority businesses the other tiers, besides "meets", were set using spreads of whole percents roughly proportional to the ones used for minority businesses.

Estimation of Historic Market Share of Bank and Credit Union Loans Received by Minority Businesses

	Percent in population	percent receiving loan from banks/CU***	# receiving loans	market share
Minority businesses	18%	34%	6%	13%
Non-Minority businesses	82%	52%	43%	87%
			49%	

34% for minority businesses is an average of the Black Non-Hispanic percents 31% and the Hispanic 36% weighted slightly toward the Hispanic percent
***lender data supplied by Federal Reserve 2020 Report on Employer Firms Small Business Credit Survey, p. 9.

Appendix G

Definition of a CLIMBER-Eligible Business and How to Count Employees

CLIMBER Oversight Board Staff Proposal: Definition of CLIMBER Qualified Businesses
Section 24-36-203(4), C.R.S. "ELIGIBLE BORROWER" MEANS A BUSINESS THAT, AS DETERMINED BY THE OVERSIGHT BOARD:

Business is defined as:
(1) A for-profit partnership, corporation, association or entity, incorporated in Colorado in good standing with the Secretary of State, or (2) that filed and is in good standing with the Secretary of State as a foreign entity authorized to transact business in Colorado, or (3) is a sole proprietorship owned by a Colorado resident that operates primarily in Colorado, or (4) is a non-profit entity, incorporated in Colorado.

(a) HAS ITS PRINCIPAL PLACE OF BUSINESS IN THE STATE;
Defined as:
More than 50 percent of its employees are based in Colorado
AND

(b) HAS AT LEAST FIVE BUT FEWER THAN ONE HUNDRED EMPLOYEES;
Defined as:
Employees are residents of Colorado and have a w2 or 1099 relationship with the borrower as defined in 8-40-301, C.R.S.
The employees may be full or part-time to satisfy the statutory lower limit of five employees.
Part-time employees may be aggregated into FTEs for purposes of satisfying the upper statutory limit of fewer than 100 employees.
Seasonal businesses, who have more than 100 employees in certain periods during the course of a year, may satisfy the upper limit of fewer than 100 employees using an average monthly FTE calculation based on a 12-month period of their choice that includes the date of application or their most recent full tax year. The lower limit five-employee test is applied either as of February 29, 2020 or currently whichever has the most employees.
Businesses must have fewer than one hundred FTEs based on their current number of FTEs or the seasonal business calculation described above, whichever is lower.

(c) CAN DEMONSTRATE THAT IT HAD AT LEAST TWO CONSECUTIVE YEARS OF POSITIVE CASH FLOW PRIOR TO FEBRUARY 29, 2020; AND
Defined as:

Positive operating cash flow shall be determined and documented by the lender based on analysis of tax returns or similar financial statements. The two consecutive years may not be the two years immediately prior to February 29, 2020.

AND

(d) CAN DEMONSTRATE THAT IT HAD A DEBT-SERVICE COVERAGE RATIO AS OF FEBRUARY 29, 2020, OF AT LEAST ONE-TO-ONE OR A HIGHER LEVEL AS DETERMINED BY THE OVERSIGHT BOARD.

Defined as:

Debt Service Coverage Ratio (DSCR) shall be determined and documented by the lender using following methods: DSCR = Net Operating Income or Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) (whichever metric is deemed appropriate by the lender for the type of business applying for the loan), divided by total debt service. These metrics shall be based on either the actual operating income or EBITDA and debt service in the prior tax year immediately preceding February 29, 2020 or actual operating income and debt service from March 1, 2019 through February 29, 2020 or other reasonable methodologies as determined by the lending institution. Using these methods for calculating DSCR, the borrower must have a ratio of at least 1 but the lender, according to its own underwriting standards, may require a higher ratio.