



COLORADO LOANS TO IMPROVE MAINSTREET BUSINESS ECONOMIC RECOVERY (CLIMBER) TAXABLE LOAN

**Summary of Terms and Conditions
December __, 2020**

This Term Sheet is offered in connection with the captioned loan (the “Loan”). This Term Sheet does not constitute a commitment or an offer to lend and does not create any obligation on the part of the Lender (as defined herein). This Term Sheet is solely a general description of the principal terms of the proposed Loan and is intended for discussion purposes only. If the Lender determines to participate in the Colorado Loans to Increase Mainstreet Business Economic Recovery Fund (“CLIMBER”) program, it is anticipated that this Term Sheet will be superseded and replaced by an agreement to loan funds between the Fund (defined herein) and the Lender (the “Master Funding Agreement”) as well as other documents executed and delivered in connection with the closing of the Loan (the “Closing”). However, until the Master Funding Agreement is executed by both parties, to the extent any provision of the draft Master Funding Agreement conflicts with any provision of this Term Sheet, this Term Sheet shall control.

NOTE: a commitment to lend to the Fund is not free from risks, up to and including a loss of the Lender’s principal. The following summarizes certain of the information anticipated to be contained in the Master Funding Agreement and does not purport to be complete. Prospective lenders should read the terms below carefully and in their entirety, paying particular attention to the section entitled “Loan Risks and Conditions.” In addition, you should consult with your own financial, legal, accounting, tax, and other advisors, as applicable, to the extent you deem appropriate.

A. Background	
1. Borrower	<ul style="list-style-type: none"> Colorado Loans to Increase Mainstreet Business Economic Recovery Fund (the “Fund”). The Fund shall be established pursuant to the authority of HB 20-1413 (the “Act”).



2. Lender	<ul style="list-style-type: none"> • (the “Lender”).
3. Other Parties	<ul style="list-style-type: none"> • The Colorado Housing and Finance Authority (“CHFA”) will be the loan program manager. Established in 1973, the purpose of CHFA is to strengthen Colorado’s economy by investing in affordable housing and community development. • The CLIMBER Oversight Board (the “Board”), located within the State Treasurer’s Office, is legislatively charged with making key decisions about how the program will function.
4. Credit Facility	<ul style="list-style-type: none"> • Taxable fixed-rate term loan in the principal amount of approximately \$[_____] (the “Loan”)
5. Use of Loan Proceeds	<ul style="list-style-type: none"> • Proceeds from the Loan will provide funding for the Fund. The aim of the Fund is to enable lending institutions in Colorado to provide capital to small businesses across the State pursuant to the CLIMBER program, which places particular emphasis on small businesses owned by underrepresented persons in the State. The Fund intends to accomplish its aim through the use of certain features, including loan participations, credit enhancements, and direct lending capital for CDFIs. These features are planned to be designed to eliminate the potential for adverse selection and provide for risk-sharing with participating lending institutions that originate the small business loans.
6. Legal Structure of the Fund	<ul style="list-style-type: none"> • Pursuant to its role as program manager, CHFA will administer and maintain the Fund. The Lender will make payment(s) to CHFA directly and, upon deployment of Lender’s loan proceeds to community lending institutions in accordance with the Master Funding Agreement, CHFA will make scheduled principal and interest payments to the Lender directly. <i>Debt Service payments are payable solely from, and to the extent there are, moneys on deposit in the Fund and, to the extent there is insufficient funds to make the requisite payments, such payments will be made to each participating Lender within the applicable tranche on a pro rata basis.</i> CHFA will serve as the sole custodian of the Fund, including with respect to moneys on deposit therein. • CHFA will deploy funds of the Fund to make loans to community lending institutions. • Funds will be made pursuant to a Master Funding Agreement, which may contain one or more Form(s) of Promissory Note(s) relating to the Lender’s contribution to the Fund as well as additional Form(s) of Promissory



	<p>Note(s) and/or Form(s) of Loan Agreement(s) relating to downstream loans made by CHFA to participating community lending institutions.</p> <ul style="list-style-type: none"> • The State Treasurer’s Office anticipates executing an Intergovernmental Agreement with CHFA that: (i) establishes the Fund and delineates CHFA’s responsibilities as program manager and custodian of the Fund as well as limitations on CHFA’s liability in such roles; (ii) enumerates the authority of the CLIMBER Oversight Board as well as its responsibilities, rights, and limitations on liability, in accordance with the Act; (iii) remits proceeds of the State’s tax credit sale program to the Fund, as authorized by the Act. • It is anticipated that the State and CHFA will receive an opinion from the State’s counsel, Kline Alvarado Veio, P.C., stating in substance that the establishment of the Fund and the obligations of CHFA pertaining thereto comply with the limitations of Article X, Section 20 of the State’s Constitution, referred to therein as the Taxpayer’s Bill of Rights (and commonly known as “TABOR”). Kline Alvarado Veio, P.C. is a nationally recognized bond counsel firm located in the State.
B. Key Dates	
7. Closing Date	<ul style="list-style-type: none"> • The Loan is anticipated to close on or prior to _____, 2020 (the “Closing”).
8. Tranches	<ul style="list-style-type: none"> • The CLIMBER program will be launched in five successive tranches. Each tranche will include up to \$50 million consisting of \$10 million in State funding leveraged with \$40 million in private capital. Other than the first tranche, a particular tranche cannot launch until 90% of the funds of the previous tranche has been deployed to qualifying small businesses. • The anticipated launch schedule of each tranche is provided below: <ol style="list-style-type: none"> 1. December 2020 2. March 2021 3. July 2021 4. September 2021 5. December 2021
9. Funding	<ul style="list-style-type: none"> • The Loan may be funded in a single tranche or over multiple tranches at the launch of each tranche, at the sole discretion of the Lender.
10. Maturity Date	<ul style="list-style-type: none"> • Each tranche contains a 63-month maturity period.
C. Interest Rate and Security	



<p>11. Interest Rate</p>	<ul style="list-style-type: none"> • The Loan contains a fixed rate of 2% annualized. Interest on the Loan is not anticipated to be tax-exempt.
<p>12. Loan Security</p>	<ul style="list-style-type: none"> • The Loan will be secured by the assets of the Fund. • The obligations of CHFA to make payments pursuant to the Master Funding Agreement are special, limited obligations payable solely from the revenue received by the Fund, State funds provided to the Fund, and proceeds of the small business loans that are on deposit in the Fund. CHFA will act in a limited capacity as program administrator and will not be liable for Events of Default under the Master Funding Agreement or any action CHFA takes at the direction of the State or the CLIMBER Oversight Board. <i>Notwithstanding the foregoing and provided that such action was not taken at the direction of the State or the CLIMBER Oversight Board, CHFA shall be liable for intentional misappropriation of funds in its custody or the commission of fraud with respect to the handling of funds in its custody, in which case CHFA's liability to repay the Lender shall not be limited to the assets of the Fund, except that such liability shall be limited to only the amount of such intentionally mishandled funds. For the avoidance of doubt, in no event will CHFA be liable for any act made at the direction of the State or the CLIMBER Oversight Board</i> • The State will maintain a 20% subordinate position in each tranche.
<p>13. Repayment and Events of Default</p>	<ul style="list-style-type: none"> • Loan repayment installments will be made quarterly beginning on July 1, 2021, with payments on October 1, January 1, April 1 and July 1 on each year thereafter until final maturity. • On each payment dates, all fund revenues will be distributed in the following priority: <ol style="list-style-type: none"> 1. Interest on the Loan 2. Principal on the Loan 3. Any residual Fund revenue will remain in the Fund, be capitalized and will roll forward. 4. Once Lenders receive full repayment of principal and interest, any remaining revenue will be distributed to the State. • Events of Default shall include those that are deemed standard and customary for transactions of this nature all



	of which shall be subject to satisfactory review by the Lender and its counsel.
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D. Representations and Warranties	
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14. Representations/Warranties and Covenants	<ul style="list-style-type: none"> • CLIMBER Program Threshold Requirements for Small Businesses: The Fund will only make loans to Colorado small businesses that meet certain threshold requirements. Such requirements include the following: (i) all participating small businesses must have at least two years positive EBITDA prior to February 29, 2020 (and therefore must have been in operation for at least two years); and (ii) all participating small businesses must maintain a debt service coverage ratio of at least 1.0 (though the CLIMBER Oversight Board may establish a higher minimum debt service coverage ratio). • The Master Funding Agreement shall include those representations and warranties, affirmative and negative covenants, events of default and remedies and other provisions that the Lender and its counsel consider customary, reasonable and appropriate for the proposed Loan, including but not limited to the following: <ul style="list-style-type: none"> ➤ Standard representations including, but not limited to, no adverse litigation and no material adverse change in financial condition of the Fund prior to the Closing Date; ➤ the Fund shall covenant for the benefit of the Lender that it will not knowingly take any action or omit to take any action with respect to the Loan, the proceeds thereof, or any other funds of the Fund if such action or omission would materially impair the Fund’s ability to repay debt service on the Loan; and ➤ any additional representations and warranties and other affirmative and negative covenants that the Lender and its counsel consider customary and reasonably appropriate for the proposed Loan.
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15. Lender Representations	<ul style="list-style-type: none"> • The Lender will represent that: <ul style="list-style-type: none"> ➤ The Lender is either a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”), or an “accredited investor” as defined in Rule 501 of Regulation D under the 1933 Act and is able to bear the economic risks of its investment. ➤ The Lender has been provided an opportunity to ask questions of, and the Lender has received answers from, representatives of the State regarding the terms and conditions of the Loan, and the Lender has obtained all additional information requested by
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	<p>it in connection with the Loan. The Lender has made its own inquiry and analysis with respect to the State, the CLIMBER program, the Loan and the security therefor, and other material factors affecting the security for and payment of the Loan.</p> <ul style="list-style-type: none"> ➤ The Lender understands that the Loan is not registered under the Securities Act of 1933, as amended, and is not registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state. ➤ The Lender is making the Loan for its own account and not with a view to distribute. ➤ The Lender understands that it may need to bear the risks of the Loan for the term of the Loan, since any sale prior to maturity may not be possible due to unmarketability of its Loan. ➤ The Lender has sufficient knowledge and experience in financial and business matters to be able to evaluate the risks and merits of its Loan. ➤ The Lender has consulted with its own financial, legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate.
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E. Loan Risks and Conditions

<p>16. Loan Risks and Conditions</p>	<ul style="list-style-type: none"> • A commitment to lend to the Fund is not free from risks, up to an including a loss of the Lender’s principal. Certain risks of lending to the Fund are enumerated below. <u>Note</u>: the risk factors provided below represent only a small portion of the risks of lending to the Fund, and this list is intended to be non-exhaustive; the Lender should consult with its own financial, legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate. <ul style="list-style-type: none"> ➤ Loan Not a Security; Restrictions on Transfer; No Assurance of Secondary Market: the Loan is a loan and not a security subject to the provisions of the federal securities laws. The Loan may not be sold, transferred or otherwise disposed of by the Loan except in accordance with the Master Funding Agreement, and the Lender is representing that it is making the Loan for its own account and not with a view to distribute. Further, there can be no assurance that there will be a secondary market for the Loan or, if a secondary market exists, that the Loan can be sold for any particular price. Consequently, Lenders may be required to bear the
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	<p>financial risks of this investment for the term of the Loan.</p> <ul style="list-style-type: none"> ➤ Risks Related to the coronavirus disease 2019 (COVID-19) Pandemic: COVID-19 is currently altering the behavior of businesses and people in a manner that is having significant negative effects on global, national, state and local economies, including the economy of the State. State and local governments throughout the nation, including Colorado and its local governments, as well as state and local public health agencies, have issued orders, made recommendations and implemented various measures intended to mitigate the effects of the pandemic. There can be no assurance that the spread of COVID-19 and the implementation of restrictions on a local, State and national level will not materially impact the local, State and national economies—including small businesses that may participate in the CLIMBER program—nor can there be any assurance that such occurrences will not have a material adverse impact on the amount of the revenue in the Fund available for repayment of the Loan, or the timing of the receipt thereof. ➤ New Entity: The Fund was organized in 2020 and has no material operating history. Until the funding of the Fund increases to a sufficient amount, if ever, the Fund will not be able to operate as contemplated by the CLIMBER program. ➤ The Fund is Not an Obligation of State and is Not Backed by the Full Faith and Credit of the State: Repayment of the Loan is anticipated to be made solely from and to the extent of available assets of the Fund, if any, and any other legally available moneys which the Fund is able to access and apply towards repayment of the Loan. The Fund is not an obligation of the State of Colorado or any governmental entity or political subdivision thereof and is not secured by the full faith and credit of the State of Colorado. The Fund is not secured by any lien or mortgage on, or security interest in, any assets of the Fund. The Loan is also not an obligation of the CLIMBER Oversight Board, the volunteer group assembled to fundraise for the Fund, or any other such parties, or the property or assets owned by such entities.
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F. Reporting



17. Periodic Reporting Requirements

- Semi-annually on November 30 and May 31 each year, CHFA shall provide the Lender with a report (a “Report”) that includes:
 - The number and size of small business loans made by the Fund
 - The geographic distribution of loans small business loans made by the Fund, including:
 - The number and size of loans made to low and moderate-income communities and distressed and underserved non-metropolitan communities
 - The amount of Fund capital provided to CDFIs
 - The distribution of loans made by business sector
 - The demographics of the owners of the businesses receiving loans, including the number of businesses owned by women, minorities and veterans
 - The number of loans made to rural businesses
 - The size of businesses receiving small business loans, and the gross annual income of such business
 - The number of people employed by the businesses receiving small business loans
 - The financial performance of the Fund
 - Notice of any material events that have occurred since the date of the last Report which, in the determination of the Fund, may impact the future financial performance of the Fund
 - The default rate for loans made by the program
 - Any other information that any Lender may reasonably request specifically with respect to such Lender’s Loan