



CLIMBER DLC Loan Memo

Borrower:	B:Side Fund	Request Date:	November 14, 2022
Address:	3350 Brighton Blvd. Suite 135 Denver, CO 80216	Officer:	T. Grady
Entity Type:	Nonprofit Corporation	Funding Source:	CLIMBER State Funds
Staff Size:	0 – operated by B:Side Capital through MOU (40 employees)	Loan Amount:	\$1,000,000
Service Area:	Statewide	Loan Term:	Ten Years
		Interest Rate:	2.5%
Written Procedures:	Confirmed	Borrower Fee:	\$0

I. Description of Transaction:

Purpose:

B:Side Fund is requesting a \$1,000,000 loan from CLIMBER DLC. Loan funds will be used to make loans and lines of credit to eligible borrowers that meet CLIMBER DLC requirements.

Collateral:

CLIMBER DLC loan will be unsecured.

Exception to Standards:

None.

II. Business Background

Lender Overview:

B:Side Fund is a 501(c)3 non-profit organization that provides long-term, responsible financing options to historically excluded groups including underrepresented, underserved and low-income communities in Colorado, Utah, Arizona, and New Mexico. It accomplishes this through inclusive lending with flexible collateral and credit requirements for entrepreneurs, especially those with limited resources and opportunities. Its focus is on increasing accessibility and transparency in small business lending to provide a pathway for wealth generating opportunities. Since 2011, B:Side's direct lending programs have funded \$23.6 million to more than 375 small businesses, helping to create or retain over 1,920 jobs in the economy.

Management:

B:Side Fund is led by a competent team of professionals and overseen by an experienced 15-member Board of Directors. Chris Myers serves as Chief Executive Officer and has over a decade of experience as an executive and entrepreneur starting and scaling companies. Laurel Walk serves as Chief Lending Officer and has been with the organization for 15 years, working nearly every position on the production team throughout her tenure. She sits on the Board of the National Association of Development Companies (NADCO), the trade association of SBA Certified Development Companies that works to support, train, and empower organizations like B:Side capital throughout the nation. Karol Jones serves as Chief Financial Officer and has been with the organization for 20 years. She started her tenure as a loan officer, then grew to leading the SBA 504 team and oversaw B:Side's expansion into both the SBA 7(a) loan program as a Lender Service Provider and internally-led direct microloan program prior to moving into the CFO role.

III. Financial Analysis

B:Side Capital provided Form 990s for B:Side Fund. Audited financials weren't available in 2020 and 2021. Interim financial statements were also provided for 2023.

Revenues & Expenses/Profitability:

B:Side Fund's primary sources of revenue include grant revenue and interest and fee revenue generated by their loan portfolio. Expenses include program expenses, interest expenses, and professional services. B:Side Fund has reported a positive change in net assets in 3 of the 4 periods under review including the interim period.

	2020	2021	2022 Jan - Aug 2023	
Grant Revenue	108,225	40,868	251,275	1,107,419
Program Service Revenue	4,758	0	0	0
Investment Income	5,681	6,692	17,961	54,515
Other	0	0	413	473
Total Income	118,664	47,560	269,649	1,162,407
Grants and Other Assistance			153,775	
Bad Debt			93,851	114,332
Other	92,864	-1,562	139,163	584,125
Total Expenses	92,864	-1,562	386,789	698,457
Change in Net Assets	25,800	49,122	-117,140	463,950
CHFA Debt Service	25,000	25,000	25,000	25,000
Total Debt Service	25,000	25,000	25,000	25,000
DSCR	1.03	1.96	(4.69)	27.94

Liquidity/Working Capital/Leverage:

In the interim period, B:Side Fund shows \$464k in positive net assets. Of that, all is restricted capital. Loan receivables represented \$939k of the organization's \$2.124M of total assets, along with \$647k in operating cash, \$553k in restricted cash accounts, and \$25k in accounts receivable. B:Side Fund has \$1.7M in liabilities, \$1.6M of which are funding sources for their existing loan programs.

Portfolio Review:

B:Side Fund provided the required details regarding their loan portfolio for the past three years. The organization's portfolio has grown since 2020, increasing from \$484k to \$577k. When Chris Myers took over the organization in 2020, the direct lending program focused on smaller, riskier loans. In the years since, their direct lending program has pivoted to larger-sized loans with a narrower risk profile. The increase in charge-offs since 2020 is due to the nature of loans they took on prior to 2020. A higher rate of default is expected and B:Side Fund not only maintains a loan-loss reserve but also has strong cash reserves. The organization risk rates each loan annually to have an adequate understanding of what troubled loans have any amount of uncollectability. They adjust their reserves accordingly as a result. B:Side Fund confirmed that the organization does have written policies in place and those policies appear to be effective in ensuring the organization does prudent lending.

First Southwest Community Fund Loan Portfolio					
Year	End of Year Portfolio Size	Number of New Loans	Dollar Amount of New Loans	Number of Charge-Offs	Dollar Amount of Charge-Offs
2020	484,142	29	495,000	0	0
2021	364,426	1	45,000	1	10,000
2022	576,799	4	480,000	4	30,348

Primary and Secondary Source of Repayment:

The primary source of repayment will be from repayments B:Side Fund receives from its borrowers. The secondary source of repayment would be from B:Side Fund's other revenue sources should the organization fail to recover 80% of its CLIMBER portfolio from its borrowers. There is no collateral securing the note to provide an additional source of repayment.

Loan Officer Recommendation

This loan request complies with CLIMBER DLC eligibility requirements and program guideline requirements. B:Side Fund successfully demonstrated it is an experienced lending institution and that there is a reasonable expectation that they will repay at least 80% of the loan amount.

CHFA recommends approval.

IV. Signatures

DocuSigned by:

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 Terrance Grady, Commercial Loan Officer

11/13/2023

Date

Oversight Board Approval

The CLIMBER Oversight Board will review B:Side Fund's CLIMBER DLC request during a November Board meeting. Minutes from that meeting will be stored on file to document the Oversight Board's approval of this request.