

**RESOLUTION NO. 21-08**

**RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK BOARD OF DIRECTORS APPROVING ENTRY INTO A FINANCING AGREEMENT PROVIDING FOR A LOAN OF UP TO \$37,500,000 TO THE CALIFORNIA REBUILDING FUND, LLC**

**WHEREAS**, the California Infrastructure and Economic Development Bank (“IBank”) is established and existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (the “IBank Act”), for the purpose of, among other things, providing, directly and indirectly, financial assistance to California small businesses; and

**WHEREAS**, the Small Business Financial Assistance Act of 2013, (the “Small Business Act”) (i) established the California Small Business Finance Center (the “Center”) within IBank, (ii) transferred administration of various small business programs to the Center; and (iii) added provisions of the Small Business Act to the IBank Act; and

**WHEREAS**, the Small Business Act provides that the IBank Board of Directors (the “Board”) adopt Directives and Requirements (as defined in the Small Business Act) to govern the activities within the Center;

**WHEREAS**, Resolution No. 2020-14, approved by the Board on August 26, 2020, adopted Amended and Restated Directives and Requirements for the Center creating the Small Business Loan Catalyst Program (the “SBLCP”) within the Center; and

**WHEREAS**, under the SBLCP, IBank may participate in financing transactions with financial institutions and other entities for the purpose of increasing small business lending in California; and

**WHEREAS**, on August 26, 2020, the Board adopted Resolution No. 20-15 (the “Original Resolution”) authorizing IBank’s participation in a financing transaction under the SBLCP, pursuant to certain terms and conditions set forth in Attachment A to the Original Resolution, to loan up to \$25,000,000 to the California Rebuilding Fund, LLC (the “Borrower”) for the purpose of generating small business loans in California; and

**WHEREAS**, on December 16, 2020, the Board adopted Amended and Restated Resolution No. 20-15 (the “A&R Resolution”), among other things, increasing the financing amount authorized under to Original Resolution to \$37,500,000 (the “SBLCP Loan”); and

**WHEREAS**, the A&R Resolution requires that IBank make the SBLCP Loan pursuant to the terms and conditions set forth in Attachment A thereto (the “Term Sheet”); and

**WHEREAS**, the Borrower will aggregate the SBLCP Loan with loans from other entities and use the combined funds to provide lines of credit the (“Lines of Credit”) to California small

business lenders (the “Small Business Lenders”), who will in turn borrow from the Lines of Credit and use the proceeds to make small business loans in California; and

**WHEREAS**, the A&R Resolution and the Term Sheet required that the Borrower obtain loan commitments from other lenders to raise, in combination with the SBLCP Loan, at least \$125,000,000 to administer operations and for the Lines of Credit; specifically, the Term Sheet provided that the Borrower receive commitments from its various lenders “ ... in an aggregate amount of not less than \$125.0 million”; and

**WHEREAS**, following adoption of the A&R Resolution, the Borrower and its sponsors, affiliates, and representatives engaged in significant efforts to raise commitments from other lenders to meet the \$125,000,000 threshold; and

**WHEREAS**, due to changes in conditions prevailing in the capital markets, including the prevalence of small business grant programs administered by the State of California as well as federal stimulus money, the Borrower has yet to raise the requisite \$125,000,000 in a manner consistent with the strict confines of the Term Sheet; and

**WHEREAS**, the Borrower has requested that IBank enter into a financing agreement, substantially identical to the financing agreement (the “Financing Agreement”) attached hereto as Attachment A, which deviates in some measure from the terms and conditions of the Term Sheet; and

**WHEREAS**, the primary difference between the Term Sheet and Financing Agreement is that the Term Sheet contemplated extension of the SBLCP Loan only after aggregate commitments have reached \$125,000,000, while the Financing Agreement allows IBank to disburse money to the Borrower prior to the Borrower having aggregated loan commitments totaling \$125,000,000, so long as IBank’s disbursement does not exceed 30% of the aggregate disbursements at that time<sup>1</sup>; and

**WHEREAS**, Attachment B hereto is a table showing other key differences between the Term Sheet and the Financing Agreement;

**NOW, THEREFORE, BE IT RESOLVED** by the Board as follows:

**Section 1.** The above recitals are true and correct.

**Section 2.** Pursuant to this resolution (this “Resolution”), the Board authorizes and approves IBank’s extension of the SBLCP Loan in favor of the Borrower and IBank’s entry into the Financing Agreement.

**Section 3.** The Executive Director is hereby authorized to execute and deliver the Financing Agreement, substantially in the form attached hereto as Attachment A, and with such changes therein, or subsequent amendments thereto, as the Executive Director may deem

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<sup>1</sup> 30% = \$37,500,000/\$125,000,000.

necessary or advisable in connection with the Executive Director's experience with similar financing transactions, provided, however, the Executive Director may not without further Board approval (1) decrease the interest rates payable to IBank provided for in the Financing Agreement or increase the principal amount of the SBLCP Loan, (2) reduce, limit the recourse to, or voluntarily subordinate the lien position in, the security or collateral for the SBLCP Loan, provided, however, the Executive Director may do so without Board approval if such action is reasonable or beneficial to IBank in the good faith judgment of the Executive Director, and provided further, that any release of collateral for the SBLCP Loan contemplated under the Financing Agreement is expressly approved by the Board, (3) increase the interest rates charged (a) to the Small Business Lenders, or (b) the small business borrowers, ultimately financed by way of the Financing Agreement, (4) increase the ratio of (a) IBank's disbursement of SBLCP Loan funds, to (b) the disbursement of loan funds by all other lenders under the Financing Agreement, beyond 3:7, or (5) increase materially, as determined in the reasonable discretion of the Executive Director, the fees and expenses to be paid in connection with the Financing Agreement. The Executive Director is also authorized to execute and deliver any and all other agreements, certificates and instruments which he or she may deem necessary or desirable to consummate the closing of the Financing Agreement or to otherwise to effectuate the purpose of this Resolution.

**Section 4.** All actions heretofore taken by the officers and employees of IBank with respect to the consideration and approval of the SBLCP Loan, including the retention of professionals to assist in consummating the Financing Agreement, are hereby approved, confirmed and ratified. The Executive Director or the Executive Director's assignees, each acting alone, is hereby authorized and directed, jointly and severally, to perform their duties, provide funding, take actions and execute and deliver the Financing Agreement and any and all other financing documents and instruments they may deem necessary or desirable in order to facilitate the SBLCP Loan and to otherwise effectuate the purposes of this Resolution.

**Section 5.** IBank's approval pursuant to this Resolution is conditioned upon entry by IBank and the Borrower into the Financing Agreement, in form and substance satisfactory to IBank, within 180 days from the date of its adoption. Such satisfaction is conclusively evidenced by IBank's execution and delivery of the same.

**Section 6.** This Resolution shall take effect immediately upon its adoption.

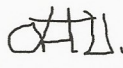
**PASSED, APPROVED, AND ADOPTED** at a meeting of the Board of Directors of the California Infrastructure and Economic Development Bank on April 28, 2021, by the following vote:

AYES: Myers, Saha, Miller, Quant, Steinorth

NOES:

ABSENT:

ABSTAIN:

By:   
\_\_\_\_\_  
Scott Wu, Executive Director

ATTEST

By:   
\_\_\_\_\_  
Stefan R. Spich,  
Secretary of the Board of Directors

ATTACHMENT A

**Financing Agreement**

ATTACHMENT B

**Key Differences Between Term Sheet and Financing Agreement**

<b>Term Sheet</b>	<b>Financing Agreement Revision</b>	<b>Reason for Revision</b>
IBank \$37.5M commitment for a \$125M first close (30% of the close).	Borrower to conduct a first close with available commitments and grow thereafter, maintaining the 30% ratio of IBank's principal disbursed to other committed capital disbursed.	The Borrower reports some lenders are facing timing challenges with committing capital. Phased closing/disbursement allows CDFIs to start small business lending immediately.
No Class B leverage ratio.	Class B Leverage Ratio of 90%.	Requested by Class B lenders so needed to induce their participation in financing.
No clarity on payment waterfall for Class A and Class B.	Additional clarity in the payment waterfall to pay Class B interest ahead of Class A principal.	Requested by Class B lenders so needed to induce their participation in financing.
Collateral package included the only the Borrower's equity interests in the Blended SPV.	Collateral package includes the Borrower's equity interests in the Blended SPV, certain accounts created under the Financing Agreement, and the Borrower's rights under the CDFI loan agreement.	Lenders required additional collateral as inducement to participate in the Financing Agreement.
No new businesses are eligible.	Up to 15% of each CDFI's lending allocation can be used to provide loans to businesses started since 2019 if they otherwise meet the CDFI's underwriting criteria.	Revision intended to allow financing to re-started small business entrepreneurs forced to close earlier in the pandemic.
Eligible small businesses defined as 50 FTEs and up to \$2.5 million in revenue.	Revise definition of eligible small businesses as 50 FTEs with up to \$5 million in revenue.	Increasing eligibility to include small businesses with up to \$5 million in revenue will allow more small restaurants and other hard-hit industries with higher revenues but lower margins to obtain loans.
Required strict personal credit checks without nuance.	Small businesses remain eligible if there are personal collection accounts for < \$1000 and tax liens or judgements	CDFIs report that some credit criteria were too strict when put into practice and were

	more than 10 years old are not automatically disqualifying.	unnecessarily causing strong businesses to be declined.
Potential lenders in third priority position (like IBank) will not have the right to receive any interest.	Lenders in third priority position will have the ability to receive up to 3% interest, but only if the second and first priority lenders are paid in full. The likelihood of third priority lenders receiving any interest is extremely low.	Potential increase in prime rate could leave excess after Class A and Class B Lenders' interest and principal repaid and Class C Lenders' principal repaid. Class C Lenders should have ability to achieve return instead of excess escheating to the Borrower.