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Pitching to Climate Tech Lenders

Questions and Answers

1. Are there some preferred financial model templates available?
   Our Finance Leads, John and George, have a list of recommended financial documents that they preview and package prior to lender introductions. However, as we support many different technologies, we find that the best financial models are created by the clients to best address the revenue sources and related costs. The Finance Leads will review your model and actively recommend changes to improve the presentation to our participating lenders. Feel free to reach out so we can provide you a financial model template at ctf@baaqmd.gov

2. My company works in many states, is it okay to use loan funds for equipment that is used in other states?
   A significant portion of proceeds of loan and loan guarantee should be used in the state of California.

3. Would banks request collateral from the borrower for the remaining 20%?
   Banks typically require some collateral in addition to the financed assets. This may include personal guarantees of owners, cash deposits held at the bank, or additional equipment. We typically do not see banks requiring owners to pledge real estate. The goal is to collateralize the entire loan amount. To the extent there is a shortfall after the liquidation of the collateral, then the guarantee covers 80% of that shortfall.

4. Do you have any experience funding retrofitted heavy duty vehicles?
   For Climate Tech Finance, it would depend on the type of retrofit of heavy-duty vehicles. We focus on emerging climate technologies that are zero emissions or significantly reduce greenhouse gas emissions. We'd be happy to discuss your goals offline. Reach out to us at ctf@baaqmd.gov

5. Can funds be used for hiring employees AND consultants, or is there a preference for W2 hires?
   Yes, according to the Small Business Loan Guarantee program financing, proceeds include start-up costs, construction, inventory, working capital, business expansion, agriculture, lines of credit and more.

6. How do you all look at the novelty of different technologies? Is this for commercially-proven tech or can it be more early-stage?
   Looking at technologies that have been proven to work to ensure that company will have future cash flow. Viable, profitable, and safe. Data has been collected, and something that can be brought to market in a way that generates cash and profit.

7. And is this program geared towards climate-tech firms, or any business that is looking to incorporate less emissions-intensive solutions into their operations?
   Both, we have a strong pipeline of climate tech firms that are developing emerging GHG reducing technologies and solutions, and businesses that adopt these carbon neural solutions.

8. Are there any banks that deal with pre revenue companies? Specifically underwriting to projections.

   Lenders will look at two types of companies. *Pre-revenue*, those that haven't had any initial sales, or *pre-profit* companies, those that have started some revenues but 1-2 years away from being profitable. Most have had equity infusions, the technology is proven and accepted in the industry and through the BAAQMD technology review, have secured customer contacts, letters of intent, and now either need to build out a production facility, a pilot facility, to move from R&D level of production to 1st level of true initial production.

9. Can the Investment Tax Credit (ITC) be recognized as equity/collateral for the loan?

   Currently the program is geared for loans or capital leases where the borrower retains all tax and environmental attributes (Including ITC). On technologies that have an associated ITC, the lender could look at the ITC as additional cash flow in borrower's projected cash flow. However, the lender will likely still want to see sponsor equity as well.

10. What are the differences between this loan guarantee and venture loan?

    Loan guarantee program is designed to help businesses that are not quite approvable by a bank to help get a bank comfortable. The program is not a grant and not free money. It is set up to look for bank partners to help underwrite sustainable loans that can be paid back.

    Venture loan requires the business to raise additional equity to fund the company's growth and repay the debt.

11. Is it favorable or dis-favorable to have a combination of funding — e.g., personal funds, venture funds, venture debt, angel investing? Are there any funds that look riskier or more problematic to the bank?
    The preference is that proprietors have sizeable ownership of company. Most lenders are open to being part of a capital stack so long they understand the reasoning behind strategy.

12. Does the fact we're a social enterprise company focused on disadvantaged communities effect the way the lenders look at the deal?
    The loan guarantee program does give recognition to guarantees issued in areas that are socially and economically disadvantaged but does not change the credit decision. Lenders are more focused on cash flows to ensure repayment of loans. With IRA in place, there are new subsidies that focus on disadvantaged areas and these would be enhancers for a deal.

13. Have other state/ federal grants or credit enhancements been considered in the collateral package/ business model (i.e. Grants as a source of revenue)?
    Yes, state and federal grants or credit enhancements can be considered as part of the collateral package or business model for a project or venture. These financial instruments can provide additional security and stability, making a project more attractive to investors and lenders.

14. Can an operational performance guarantee worldwide assist in offsetting risk by Global Insurance company? While it depends on the lender, they could certainly consider operational performance guarantees (or insurance policies) to mitigate operational risk. They would still focus on your client risk and look at the client agreements that you have in place.