

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
PRESENTS:
CALCAP STAKEHOLDER SYMPOSIUM
APRIL 26, 2017**

SYMPOSIUM TRANSCRIPT

>> **RENEÉ WEBSTER-HAWKINS:** WELCOME EVERYBODY TO THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY AND TODAY'S CAPITAL ACCESS LOAN PROGRAM STAKEHOLDER'S SYMPOSIUM. I AM RENEÉ WEBSTER-HAWKINS, THE EXECUTIVE DIRECTOR. ON BEHALF OF OUR BOARD, I WELCOME ALL PARTICIPANTS TODAY'S EVENT BOTH IN PERSON AND THOSE PARTICIPATING VIA WEBINAR.

WITH ME, FROM THE HARDEST WORKING TEAM I'VE EVER HAD THE PLEASURE TO WORK WITH ARE SOMEWHERE AROUND THE ROOM OR IN THE BACKGROUND: ELENA MILLER, MY DEPUTY EXECUTIVE DIRECTOR; PATRICIA CROWSON, CPCFA OPERATIONS MANAGER; JANAÉ DAVIS, STRATEGIC DEVELOPMENT MANAGER; DOREEN SMITH AND BIANCA SMITH, WHO ARE CALCAP COMANAGERS; JASON BRADLEY, ELECTRIC VEHICLE CHARGING STATION PROGRAM MANAGER; WE HAVE CALCAP ANALYSTS ISABEL BECCERRA, LAUREN ROSS, LEANDRE HENRY, CHRISTINA VUE, ROBERT SALLS, JEROME WASHINGTON, EDDIE CHRISEN, ANGIE HERNANDEZ AND LISA JOHNSON. THAT TEAM REVIEWS EVERY SINGLE LOAN ENROLLMENT APPLICATION AND CLAIM APPLICATIONS PERSONALLY. AND THEN CERTAINLY NOT LEAST, ON TODAY'S ADMINISTRATIVE PROFESSIONAL DAY OUR ADMINISTRATIVE TEAM WHICH SUPPORTS THE ENTIRE AUTHORITY IN ADDITION TO THE CALCAP PROGRAM, WE HAVE LAURA COULTER, RYAN MALLORY, ERIN LORIAUX-JIMENEZ, AND GERARDO MARTIN. WE ALSO HAVE OTHER CPCFA STAFF WITH US TODAY THAT SPECIALIZES IN OUR BOND AND REMEDIATION PROGRAM. I DO WANT TO SAY IN THE OFFSET OF MY YEAR'S OF PUBLIC SERVICE, I NEVER FOUND SUCH A POWERFUL NIMBLED TEAM WHO CAN ACCOMPLISH SO MUCH. FIRST WE ARE GOING TO BRIEFLY REVIEW TODAY'S AGENDA AND THEN WE WILL MOVE RIGHT IN TO THE HEART OF THE EVENT. WE'VE DONE THE INTRODUCTION.

WE WILL GO OVER SOME OF THE HOUSEKEEPING. WE WILL REVIEW BRIEFLY THE SYMPOSIUM'S OBJECTIVES AND THEN I WILL TURN IT TO THE MEMBERS OF OUR PANEL HERE TODAY. AFTER THAT WE WILL BE PROVIDING YOU SOME CALCAP PROGRAM PERFORMANCE DATA, SOME PROPOSALS, THE PROPOSAL PRESENTATIONS WILL FOLLOW - THEY'RE THE HEART OF OUR EVENT TODAY. FOLLOWING THAT, WHICH SHOULD TAKE US RIGHT TO ABOUT 11:30, WE WILL HAVE A 10 MINUTE BREAK. WHEN WE RETURN, WE WILL PRESENT SOME RECAPTURE SCENARIOS BASED ON CALCAP'S DATA SETS. AFTER THAT, WE WILL INVITE PARTICIPANTS COMMENTS. FINALLY PANEL MEMBERS COMMENTS ON WHAT THEY HEARD AND REFLECTED ON TODAY, FOLLOWED WITH THE WRAP-UP. WE DO EXPECT THIS TO TAKE US RIGHT TO ABOUT 1 O'CLOCK, DEPENDING HOW TALKATIVE EVERYONE IS. SO FIRST TO ADDRESS SOME HOUSEKEEPING.

WE ARE FORTUNATE ENOUGH TO USE THIS HEARING ROOM AND TELECONFERENCE EQUIPMENT HOSTED BY THE STATE PERSONNEL BOARD. FOR YOUR CONVENIENCE, RESTROOMS ARE DOWN THE HALL PASSED THE SECURITY STATION AND TO THE RIGHT. THERE'S ALSO TO THE LEFT ARE VENDING MACHINES. IN THE EVENT OF AN EMERGENCY, PLEASE USE EITHER OF THE EMERGENCY EXITS. EXIT OUT OF THE BUILDING, CROSS CAPITOL MALL AND GATHER IN THE GRASSY MEDIAN STRIP IN THE MIDDLE OF CAPITOL MALL.

NOW LOOKING FORWARD TO THE TIME FOR PARTICIPANT COMMENTS, WE WILL FACILITATE IT MUCH AS YOU WOULD EXPERIENCE AT THE CITY COUNCIL OR PUBLIC BOARD MEETING. FOR THOSE OF YOU WHO ARE HERE IN PERSON, WHEN YOU CHECKED IN, YOU SHOULD HAVE BEEN OFFERED A PARTICIPANT COMMENT CARD TO FILL OUT IF YOU WOULD LIKE TO SPEAK DURING THAT TIME. PLEASE BE SURE YOU HAVE DONE SO IF NOT NOW, NO LATER THAN THE BREAK SO STAFF CAN IDENTIFY BY HOW MANY PEOPLE WOULD LIKE TO SPEAK. PLEASE PROVIDE YOUR CARD TO JANA DAVIS, WHO IS AT THE BACK OF THE ROOM. SIMILARLY FOR THOSE OF YOU PARTICIPATING REMOTELY, IF YOU ARE AT A COMPUTER WITH A MICROPHONE ENABLED DEVICE, YOU WILL BE ABLE TO OFFER YOUR SPOKEN COMMENTS TODAY AS WELL. LET US KNOW YOU WOULD LIKE TO DO SO BY ENTERING THE FOLLOWING INFORMATION IN THE CHAT BOX IN TO YOUR GOTOWEBINAR APPLICATION: YOUR NAME, YOUR ORGANIZATION, OR AFFILIATION, AND WHICH OF THE FIVE TOPICS OF THE SCOPING DOCUMENTS YOU WOULD LIKE TO SPEAK ABOUT. AND AGAIN, PLEASE PROVIDE THAT INFORMATION TO US THROUGH THE CHAT FEATURE BEFORE WE TAKE OUR BREAK. FOR THOSE OF YOU WHO ARE NOT AT A MICROPHONE ENABLED DEVICE, UNFORTUNATELY YOU WILL NOT BE ABLE TO PROVIDE SPOKEN COMMENTS TODAY BUT WE WELCOME YOUR WRITTEN COMMENTS. AT THE BREAK, BASED ON THE NUMBER OF INDIVIDUALS INDICATING THE DESIRE TO COMMENT WILL DETERMINE THE NUMBER OF MINUTES THAT EACH SPEAKER WILL HAVE. DEPENDING ON THE NUMBER, WE THINK EACH MINUTE A PERSON WILL HAVE IS BETWEEN 2 TO 3 MINUTES TO SPEAK. PARTICIPANTS VIA WEBINAR ARE WELCOMED TO USE CHAT BOX TO SEND US ANY TECHNICAL INFORMATION OR TECHNICAL QUESTIONS IF YOU'RE HAVING TROUBLE WITH THE PLATFORM.

AS THIS SYMPOSIUM AS OPPOSED TO A WORKSHOP OR A ROUNDTABLE, WE WON'T BE ENTERTAINING FREE FLOW QUESTIONS DURING THE COURSE OF THE EVENT. PLEASE SAVE THOSE FOR YOUR COMMENTS AT THE END OF THE EVENT. THEN FOR YOUR CONVENIENCE AND RESOURCE, A COPY OF THIS PRESENTATION AND A RECORDING OF THE WEBINAR PRESENTATION WILL BE POSTED ON OUR WEB PAGE LATER TODAY AND A TRANSCRIPT OF THE EVENT WILL BE POSTED BY NEXT WEEK.

SO MOVING BRIEFLY TO THE SYMPOSIUM'S OBJECTIVES, THE EVENT ANNOUNCEMENT AND SCOPING DOCUMENT, HAS HAD A THOROUGH EXPLANATION AND BACKGROUND FOR WHY WE ARE HERE TODAY. TO BRIEFLY ENCAPSULATE THE NEED FOR TODAY'S CONVERSATIONS EVERYTHING WE WILL BE DISCUSSING TODAY INCORPORATES THREE PRINCIPLE DYNAMICS ASSOCIATED WITH THE CALCAP FOR SMALL BUSINESS AND THE HEAVY-DUTY TRUCK LOAN PROGRAM. WE HAD INCREDIBLE PROGRAM GROWTH SINCE THE CALCAP WAS FIRST ESTABLISHED IN 1994. AFTER STEADY VOLUME, FOR THE FIRST 15 YEARS, THE ECONOMIC RECESSION IN 2008 DROVE UP DEMAND FOR THE PROGRAM FROM BORROWERS SEEKING CAPITAL UNDER DURESS ECONOMIC CONDITIONS. CPCFA RECEIVED THREE SIGNIFICANT SOURCES OF FUNDING AROUND 2010: INCLUDING A 6 MILLION DOLLAR APPROPRIATION FROM THE STATE GENERAL FUND; A MAJOR ALLOCATION FROM THE U.S. TREASURY TO EXPAND OUR CALCAP FOR SMALL BUSINESS PROGRAM AND THE BEGINNING OF OUR AIR QUALITY IMPROVEMENT FUNDING FROM THE AIR RESOURCES BOARD TO ESTABLISHED CALCAP PURCHASE AND RETROFIT OF HEAVY-DUTY TRUCKS.

AS THE PROGRAM GROWS, TO ENSURE PROGRAM EFFICIENCY AND INTEGRITY, IT BEGS THE NEED FOR BOTH THE STATE AND OUR PARTICIPATING FINANCIAL INSTITUTIONS TO REMAIN EVER DILIGENT IN APPLYING SOUND LENDING AND ADMINISTRATIVE PRACTICES. IN THE RECENT YEARS, PROGRAM VOLUME, INCLUDING BOTH LOAN ENROLLMENTS AND CLAIM APPLICATIONS IS ACCELERATING DRAMATICALLY, IN AN UPWARD CURVE. AND EVEN AS WE NOW ARE REACHING THE FORESEEABLE END OF THE REVENUES IN BOTH PROGRAMS. THAT IS THE PRINCIPAL DRIVER OF THE TIMING OF OUR SYMPOSIUM

TODAY: TO IMPLEMENT A MECHANISM IN TO THE CALCAP TO ENSURE SUSTAINABILITY TO SUPPORT FUTURE LENDING TO SMALL BUSINESS BORROWERS THROUGH OUT THE STATE.

AT ALL TIMES AT EVERYTHING WE DO HERE AT CPCFA, WE ARE MINDFUL OF OUR DUTIES TO BE ACTIVE PUBLIC STEWARDS OF TAXPAYERS FUNDING WHILE ENSUREING AVAILABILITY OF THE PROGRAM TO THE WIDEST NUMBER OF SMALL BUSINESS OWNERS. AT THE HEART OF CALCAP IT IS THE NOTION THAT BY PROVIDING CREDIT ENHANCEMENTS TO SUPPORT PRIVATE COMMERCIAL LENDING, THE SMALL BUSINESS SECTOR CAN BE SUSTAINED, CAN GROW AND CREATE MORE JOBS AND ECONOMIC OPPORTUNITIES FOR CALIFORNIA. IN THE ENVIRONMENT THAT WE HAVE JUST DESCRIBED A PROGRAM GROWTH AND DECLINING NEW RESOURCES, BEING GOOD PUBLIC STEWARDS, IN LARGE PART, MEANS KEEPING AN EYE ON THE PROGRAM INTEGRITY AND OPERATIONS AND ACCESSIBILITY TO LENDERS AND SMALL BUSINESS BORROWERS IN ALL AREAS IN INDUSTRIAL SECTORS OF CALIFORNIA. WE HAVE AN INCREDIBLE OPPORTUNITY BEFORE US. THIS CHALLENGE PRESENTS A UNIQUE OPPORTUNITY TO ESTABLISH A SUSTAINABLE CAPITAL ACCESS PROGRAM.

WHEN THE U.S. TREASURY ALLOCATED THE STATE SMALL BUSINESS CREDIT INITIATIVE FUNDING IN 2011 IT REQUIRED STATE ADMINISTRATORS TO BUILD IN MECHANISMS TO ENSURE SUSTAINABILITY OF THE FEDERAL FUNDING LONG AFTER THE FIRST USE OF THE MONIES. FOR STATES LIKE CALIFORNIA WITH NEW OR EXISTING CAP PROGRAMS, THE U.S. TREASURY ALLOWED US TO COUNT THE LEVERAGE FROM COMPANION PROGRAMS LIKE COLLATERAL SUPPORT, THE LOAN GUARANTEE PROGRAM INVENTURE CAPITAL PROGRAMS AND ESSENTIALLY KICKED THE CAN DOWN THE ROAD FOR OUR CAP PROGRAM.

AS STAFF ANNOUNCED YESTERDAY FOR OUR CALCAP FOR SMALL BUSINESS, THE END OF THAT ROAD IS FORESEEABLE AND WE NEED TO FIGURE OUT HOW TO REFILL THAT CAN IF WE ARE TO CONTINUE TO SUPPORT THE ENROLLMENT OF NEW LOANS AFTER THIS SUMMER. IN OUR RESEARCH, WE ARE NOT AWARE OF ANY LOSS RESERVE PROGRAMS IN THE NATION THAT HAS A RECAPTURE FEATURE. THERE ARE A FEW THAT HAVE A MAXIMUM ALLOWABLE THRESHOLD IN THE LOSS RESERVE ACCOUNT SUCH AS THOSE THAT SUPPORT ENERGY EFFICIENCY RETROFITS. HOWEVER A BUILD IN RECYCLING MECHANISM MAY BE THE FIRST OF ITS KIND. THE U.S. TREASURY IS GREATLY INTERESTED IN OUR LEADERSHIP IN CALIFORNIA ON THIS ISSUE IN THE PROSPECT OF DEVELOPING A MODEL FOR A SUSTAINABLE CAPITAL ACCESS PROGRAM. THIS UNDERSCORES WHY WHAT WE ARE DOING HERE TODAY IS SO IMPORTANT.

THE SCOPING DOCUMENT IDENTIFIED 5 CONCEPTS FOR CALCAP PROGRAM IMPROVEMENT TO INCREASE PROGRAM SUSTAINABILITY AND PARTICIPATION AND SOUGHT INPUT ON THE IDEAS FROM THE CALCAP STAKEHOLDER COMMUNITY. TO BE CLEAR THESE IDEAS ALL CAME FROM YOU, FROM CURRENT AND POTENTIAL AND PARTICIPATING LENDERS, FROM FUNDERS, FROM LEGISLATORS AND OTHER DECISION MAKERS INTERESTED IN CALCAP PROGRAMS, AND FROM SMALL BUSINESS ORGANIZATIONS INTERESTED IN MAXIMIZING THE AVAILABILITY OF MORE ACCESS TO CALCAP FUNDING. THESE FIVE IDEAS HAVE COME FROM THE STAKEHOLDER COMMUNITY THAT YOU COLLECTIVELY REPRESENT, INCLUDEING SOME OF YOU IN THIS ROOM AND ON THE WEBINAR AS WAYS TO EXTEND THE POWER OF THE CALCAP MODEL.

SO IN A NUTSHELL THE 5 IDEAS ARE: NUMBER 1, A FRAMEWORK TO IMPLEMENT THE RECAPTURE OF FUNDS FROM EXISTING LOSS RESERVE ACCOUNTS TO SUPPORT ONGOING PROGRAMS AND ADMINISTRATIVE COSTS; NUMBER 2, AN OPTION FOR A LENDER TO ELECT TO POOL FEES AND CONTRIBUTIONS FROM ALL CALCAP PROGRAMS THAT THE LENDER PARTICIPATES IN INTO A SINGLE LOSS RESERVE ACCOUNT FOR THE LENDER UNLESS FUNDING SOURCE WOULD EXPRESSLY PROHIBITED IT; 3, INCREASING THE INITIAL STATE CONTRIBUTION FOR NEW LENDERS TO ACCELERATE THE INITIAL BUILD

UP OF A LOSS RESERVE ACCOUNT AND INCENTIVIZE NEW LENDER PARTICIPATION INTO THE CALCAP PROGRAMS; 4, THE ESTABLISHMENT OF RESERVATION SYSTEM TO FACILITATE A LENDER'S ASSURANCE OF THE AVAILABILITY OF PROGRAM FUNDING; AND 5, HOW TO BUILD IN INCENTIVES FOR LENDERS TO MAINTAIN DEFAULT RATES AT OR BELOW THE NATIONAL AVERAGE FOR SMALL BUSINESS LENDING. WE NOTE THAT NOT ALL OF THESE IDEAS WERE ADDRESSED BY EITHER THE TWO PRESENTATIONS THAT WE WILL HEAR FROM LATER THIS MORNING.

WE'RE INTERESTED IN HEARING FROM YOU, PARTICULARLY THOSE OF YOU WHO PROPOSED THESE IDEAS TO US IN THE PAST. WHETHER THEY ARE WORTHY OF EXPLORATION OR UPON REFLECTION YOU BELIEVE MAY NOT BE THE RIGHT MOVE AT THIS TIME.

SO NOW I WOULD LIKE TO INTRODUCE OUR INVITED PANEL MEMBERS. WE HAVE 6 COLLEAGUES WE'VE INVITED HERE TODAY TO HELP US STRUCTURE AND DIGEST THE INFORMATION IN THE SYMPOSIUM. AND WE ARE GRATEFUL FOR THEIR TIME, THEIR ACTIVE INTEREST AND THEIR EXPERTISE TO HELP US THINK THROUGH THE CHALLENGE OF ESTABLISHING A SUSTAINABLE CALCAP PROGRAM. WHAT I AM GOING TO DO IS INTRODUCE EACH PANEL MEMBER BY DESCRIBING THEM THROUGH THEIR PROFILE, AND THEN GIVE THEM EACH ONE A BRIEF OPPORTUNITY TO SAY HELLO, AND OFFER A STATEMENT TO US ABOUT WHY THE CALCAP PROGRAM IS IMPORTANT TO YOU AND THE STAKEHOLDERS YOU REPRESENT.

FIRST OF ALL, I'LL START WITH MR. TIM SCHAEFER, DEPUTY TREASURER FOR PUBLIC FINANCE FOR THE CALIFORNIA STATE TREASURER, JOHN CHIANG. PRIOR TO JOINING THE TREASURER'S OFFICE, MR. SCHAEFER WAS THEN STATE CONTROLLER JOHN CHIANG'S SENIOR FINANCE ADVISER. BEFORE ENTERING STATE SERVICE, TIM WAS THE PRINCIPAL OWNER OF MAGIS ADVISORS, A PUBLIC FINANCE CONSULTING FIRM IN ORANGE COUNTY. TIM HAS MORE THAN 40 YEARS OF EXPERIENCE IN THE MUNICIPAL SECURITIES INDUSTRY. HE MANAGED THE PUBLIC FINANCE DIVISION OF BANK OF AMERICA IN SAN FRANCISCO AND WAS THE MANAGER OF A NATIONAL MUNICIPAL TRADING DESK AT CHEMICAL BANK IN NEW YORK CITY. HE SERVED MORE THAN TWENTY YEARS ON THE TECHNICAL ASSISTANCE COMMITTEE TO THE CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION (CDIAC), INCLUDING THREE TERMS AS ITS CHAIRMAN AND THREE YEARS AS A PRIVATE SECTOR ADVISOR TO THE STANDING COMMITTEE ON GOVERNMENTAL DEBT OF THE GOVERNMENT FINANCE OFFICERS ASSOCIATION. HE IS A CO-AUTHOR OF THE CALIFORNIA PUBLIC FUNDS INVESTMENT PRIMER, PUBLISHED BY CDIAC IN 2006. HE WAS PART OF A FOUR PERSON TEAM ENGAGED IN EARLY 2014 TO EDIT AND REVISE THE CALIFORNIA DEBT ISSUANCE PRIMER, ALSO PUBLISHED BY CDIAC. HE IS A FREQUENT SPEAKER IN THE FIELD OF PUBLIC FINANCE AND A MEMBER OF THE RISK MANAGEMENT ASSOCIATION, THE INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION, THE NATIONAL FEDERATION OF MUNICIPAL ANALYSTS, THE GOVERNMENT. TIM WELCOME AND IF YOU CAN OFFER US ANY THOUGHTS OF CALCAP'S ROLE IN PUBLIC FINANCE.

>>**TIM SCHAEFER:** THANK YOU, RENÉE AND THANK YOU ALL FOR PARTICIPATING AND THANK YOU TO FELLOW PANELISTS. ONE OF THE CHALLENGING AND EXCITING THINGS I GET TO DO IN MY JOB AS A DEPUTY TREASURER TO JOHN CHIANG, IS TO PUT MY FINGERS IN WHOLE LOT OF DIFFERENT PIES. THIS HAPPENS TO BE ONE OF THEM BECAUSE I HAVE A BACKGROUND AS RENÉE WAS KIND ENOUGH TO EXPLAIN. SOME OF YOU MIGHT INTERPRET THAT AS I COULD NOT HOLD ONTO A JOB LONG. OTHERS MIGHT SUGGEST WHAT I LIKE TO SAY MYSELF, THAT I HAVE A VERY ECLECTIC BACKGROUND. BUT THE ONE THING THAT I HAVE FOCUS INTENTLY ON THE TREASURER'S URGING IS THAT A STATE LIKE CALIFORNIA, WHICH HAS OF COURSE HAS SOME SIGNIFICANT CHALLENGES GOING FORWARD, SIMPLY

BECAUSE OF ITS 39 MILLION PEOPLE, THE FERTILITY OF A BUSINESS CULTURE, THAT REWARDS INVENTION AND INNOVATION HAS TO BE MAINTAINED. PART OF THE RESPONSIBILITY OF A GOOD PUBLIC STEWARD IS TO NURTURE THOSE CULTURES. SO THAT PEOPLE LIKE ME STARTED A BRAND NEW SMALL BUSINESS, WITH 4 EMPLOYEES- WAIT FOR THE PUNCHLINE NOW- IN AUGUST OF 2008, HAVE THE OPPORTUNITY TO FLOURISH AND PROSPER. THE CALCAP PROGRAM IS A PART OF THAT ECOSYSTEM AND AS SUCH TO THIS TREASURER AND TO OTHERS IT IS ONE OF THE CROWN JEWELS OF THE OFFICE. SO WE ENCOURAGE EACH OF YOU TO INTERACT WITH US, OFFER US YOUR UNGARNISHED TAKE ON THINGS ON HOW THIS MIGHT BE IMPROVED, BECAUSE THIS IS NOT, THIS IS NOT JUST SOME BUREAUCRATIC EXERCISE, WE ARE TRULY COMMITTED TO UNDERSTANDING THIS ECOSYSTEM AND RESPONDING TO IT IN A POSITIVE WAY THAT WILL BENEFIT ALL OF CALIFORNIANS.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU, TIM. NEXT WE HAVE DAVID HAITHCOCK, EXECUTIVE DIRECTOR OF THE CALIFORNIA COMMUNITY BANKING NETWORK FORMALLY THE CALIFORNIA INDEPENDENT BANKERS, THE EXECUTIVE VICE PRESIDENT OF THE INDEPENDENT COMMUNITY BANKERS OF AMERICA BASED IN IRVINE. DAVID WAS RECRUITED TO REPLACE RETIRING INCUMBENT TO SERVE A MULTIFUNCTIONAL ROLE WITHIN CALIFORNIA AND THE WESTERN REGION. HE HAS PRIMARY RESPONSIBILITY IN SERVING AS THE EXECUTIVE DIRECTOR AND EXECUTIVE OFFICER OF THE CALIFORNIA COMMUNITY BANKING NETWORK, CCBN, A STATEWIDE BANK TRADE ASSOCIATION, AS WELL AS, EXECUTIVE VICE PRESIDENT OF THE INDEPENDENT COMMUNITY BANKERS OF AMERICA, A NATIONALLY BASED WASHINGTON, DC, BANK TRADE ASSOCIATION WITH OVER FIVE THOUSAND MEMBER INSTITUTIONS ACROSS THE U.S. DAVID HAS OVER 20 YEARS OF ASSOCIATION EXECUTIVE MANAGEMENT EXPERIENCE COVERING AREAS SUCH AS: BOARD AND EXECUTIVE COMMITTEE MANAGEMENT, STRATEGIC PLANNING, BUDGET PREPARATION AND ADMINISTRATION, POLICY DEVELOPMENT AND LEGISLATIVE STRATEGY, MARKETING AND PUBLIC RELATIONS, ECONOMIC ANALYSIS AND REPORTING, PUBLIC SPEAKING, RESEARCH ANALYSIS, DEVELOPMENT OF EDUCATIONAL TRAINING PROGRAMS, MERGERS AND ACQUISITIONS OF NONPROFITS, HIRING AND TRAINING, TERMINATION OF STAFF, STRONG ANALYTICAL, CRITICAL THINKING AND PROBLEM SOLVING SKILLS. WE WELCOME YOU TO THIS EVENT. THANK YOU, MR. HAITHCOCK. DO YOU HAVE ANY COMMENTS YOU WOULD LIKE TO MAKE TO OPEN?

>> **DAVID HAITHCOCK:** YES. FIRST I WOULD LIKE TO START OFF BY THANKING YOU FOR ALLOWING US TO BE PART OF THIS, FOR BEING VERY PROACTIVE IN THIS TOPIC AND I ALSO WANT TO COMMEND YOU ON YOUR ORGANIZATION ON PUTTING THIS MEETING TOGETHER. WE PUT ON OVER 20 MEETINGS A YEAR SO I HAVE A PERSONAL UNDERSTANDING OF WHAT IT TAKES TO GET THIS ALL RUNNING. I WAS JOKING WITH TIM, WHEN I FIRST STARTED, I CAME TO THIS ORGANIZATION, I CAME OUT OF COLLEGE AND MY FIRST JOB WAS TO PUT TOGETHER BOARD PACKETS AND WE USED TO USE THESE OVERHEADS. THE CLEAR OVERHEADS WERE SIMPLE AND EASY. YOU JUST HAVE TO PRINT IT OUT FROM THE COPIER AND JUST HAVE TO RUN IT AND GO. I HAD TO EDIT THE VERBIAGE FIRST. SO I DID THAT. FIRST PRINT IT OUT AND THEN EDIT, THEN PRINT AGAIN AND EDIT. FIRST PIECE GOES ON TO THE OVERHEAD AND SURE ENOUGH IT IS THE WRONG SET. I HAVE ROOM OF CEOS LOOKING AT ME LIKE WHAT IS THE DEAL WITH THIS KID? SO THANK YOU FOR ALLOWING US TO BE A PART OF THIS. YOU KNOW, I STARTED THIS IN 1994, I HAVE SEEN A LOT OF CYCLES THROUGH THE INDUSTRY. BACK THEN WAS COMMERCIAL REAL ESTATE, IT WAS A CHALLENGE. YOU KNOW, FOR US, WE'VE SEEN-- 90% OF US ARE COMMERCIAL LENDERS, THAT'S THEY'RE SMALL BUSINESS. IT IS WHAT THEY DO. WE HOLD LESS THAN 20% OF THE ASSETS BUT MAKE OVER 6% OF SMALL BUSINESS LOANS. SO IT IS REALLY IN OUR WHEEL HOUSE IN THIS AREA. SINCE 2008, WE PROBABLY

HAVE LOST 80% OF OUR CHARTERS HERE IN CALIFORNIA. SO WE HAVE THOSE THAT HAVE SURVIVED THAT ARE GETTING THROUGH IT. FOR US WE'VE ALWAYS HAD A GOOD CONNECTION AND RELATIONSHIP WITH THE TREASURER'S OFFICE. BUT MORE SO NOW WITH THIS TREASURER. I THINK HE HAS A CLEAR UNDERSTANDING AND APPRECIATION FOR THE COMMUNITY BANKS SERVING IN THEIR COMMUNITIES AND THE ROLE OF PUBLIC-PRIVATE PARTNERSHIP. WE ARE VERY BIG PROPONENTS OF KEEPING OUR CALIFORNIA'S MONIES LOCAL. WE WORK WELL WITH THE POOLED MONEY INVESTMENT ACCOUNT ON THE LIABILITY SIDE. SO NOW ON THE ASSET SIDE, WE CAN LEND IT. WE ARE STILL HANGING ON TO THAT PUBLIC-PRIVATE PARTNERSHIP AND IT IS PERFECT FOR OUR INSTITUTIONS. SO I THANK YOU FOR ALLOWING US TO BE PART OF THIS DISCUSSION AND LOOK FORWARD TO HEAR MORE.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU. ALRIGHT. NEXT WE HAVE MS. ANNMARIE RODGERS, CHIEF OF THE COMPLIANCE BRANCH AND OUTREACH BRANCH OF THE CALIFORNIA AIR RESOURCES BOARD (CARB OR ARB). ANNMARIE HAS MORE THAN 25 YEARS OF WORK EXPERIENCE WITH ARB. SHE HAS HELD THE POSITION OF CHIEF OF THE COMPLIANCE ASSISTANCE AND OUTREACH BRANCH, SINCE OCTOBER 2014. IN THIS CAPACITY, ANNMARIE OVERSEES THE DEVELOPMENT OF COORDINATED STAKEHOLDER OUTREACH AND EDUCATION FOR DIESEL REGULATIONS AND INCENTIVE PROGRAMS, INCLUDING LOW CARBON TRANSPORTATION PROGRAMS FUNDED THROUGH CAP AND TRADE FUNDS. SHE IS ALSO RESPONSIBLE FOR THE TRUCK LOAN ASSISTANCE PROGRAM AND SCHOOL BUS CLEAN-UP PROJECTS THAT SUPPORT STATE AIR QUALITY AND CLIMATE GOALS. PRIOR TO HER CURRENT POSITION, ANNMARIE MANAGED THE CLIMATE ACTION AND RESEARCH PLANNING SECTION IN THE RESEARCH DIVISION AT ARB. SHE OVERSAW THE DEVELOPMENT OF ARB'S EXTRAMURAL RESEARCH PROJECTS AND DEVELOPED PROGRAMS THAT SUPPORT CLIMATE FRIENDLY PRACTICES FROM BUSINESS, INDIVIDUALS, AND LOCAL GOVERNMENTS. WELCOME, ANNMARIE.

>> **ANNMARIE RODGERS:** THANK YOU. I JUST WANT TO SAY THANK YOU RENEÉ, ALL YOUR STAFF AND EVERYONE FOR LETTING US BE HERE TODAY SO WE CAN START WORKING ON THIS REALLY IMPORTANT ASPECT. MY NAME IS ANNMARIE RODGERS, I AM WITH THE AIR RESOURCES BOARD AND MY GROUP IS RESPONSIBLE FOR THE HEAVY-DUTY VEHICLE PROGRAM OR THE TRUCK LOAN ASSISTANCE PROGRAM. AS MANY OF YOU KNOW, THE PROGRAM IS FUNDED THROUGH AIR QUALITY IMPROVEMENT PROGRAM FUNDS AND IT'S TO HELP SMALL BUSINESS FLEET OWNERS EFFECTED BY ARB TRUCK AND BUS REGULATIONS TO SECURE FINANCING FOR UPGRADING THEIR FLEETS THROUGH NEW TRUCKS AND EXHAUST DIESEL RETROFITS. THE PROGRAM WAS LAUNCHED IN 2009 AND IS IMPLEMENTED IN PARTNERSHIP WITH CPCFA. ARB FUNDS ARE USED FOR LOAN LOSS RESERVE ACCOUNTS WHICH ENABLE LENDERS TO ISSUE LOANS TO BUSINESSES WHO MAY NOT OTHERWISE QUALIFY FOR FINANCING AT REASONABLE TERMS.

THE PROGRAM HAS BEEN VERY POPULAR AND ARB HAS BEEN LUCKY ENOUGH TO MEET THE MARKET DEMAND OF THE LAST FEW YEARS. AS OF JANUARY 2017, CARB'S CONTRIBUTIONS OF \$84 MILLION HAVE ENABLED 12800 LOANS. ALMOST 4000 LOANS WERE ISSUED IN 2016 AND WE EXPECT ABOUT 5500 LOANS IN 2017. TO DATE, THIS PROGRAM HAS SOLELY RELIED ON FUNDING THROUGH INDEPENDENT CONTRIBUTIONS BY CARB. SINCE INCEPTION, RECAPTURE OF FUNDS HAS ALWAYS BEEN A CARB GOAL BUT HOWEVER IT WAS NOT BUILT INTO THE PROGRAM FIRST INTRODUCED IN 2009.

SINCE THE PROGRAM HAS BEEN WELL-ESTABLISHED, WE BELIEVE IT IS APPROPRIATE TO START LOOKING AT A RECAPTURE MECHANISM. THE TWO ACTION ITEMS FOR US TODAY ARE REALLY LOOKING AT HOW TO ESTABLISH A SAFE RECAPTURE MECHANISM AND EXPLORING BORROWER AND LENDER FEES. SO I AM

HOPING TODAY'S PRESENTATIONS WILL SHED LIGHT ON THOSE ITEMS. WE THINK WE HAVE A GOOD IDEA OF WHAT CAN BE RECAPTURED. THERE IS POTENTIALLY OVER \$75 MILLION THAT WOULD ACCUMULATE IN THE LOAN LOSS RESERVE ACCOUNTS BY THE END OF THE FISCAL YEAR 2021 AND 2022.

WE ARE LOOKING FOR A DATA DRIVEN SOLUTION WHICH WOULD ACCOUNT FOR POSSIBLE DOWNTURNS AND ALSO TAKE INTO ACCOUNT THE PERFORMANCE OF LENDERS, SO LOOKING AT VOLUME OF LOANS AND THE CLAIM RATES. WE WOULD ALSO LIKE TO LOOK AT THE FEASIBILITY OF INTRODUCING BORROWERS AND LENDERS FEES INTO THE PROGRAM, IDEALLY THE STRUCTURE WOULD NOT ADVERSELY AFFECT THE BORROWER OR THE LENDER. AS YOU KNOW WE HAVE A LOT OF COMPETEING FUNDING PRIORITIES THAT IS WHY IT IS IMPORTANT TO LOOK AT HOW TO MAKE THIS PROGRAM SELF-SUSTAINING SO THAT WE CAN CONTINUE TO SERVE THE LARGE DEMAND OF THE BORROWERS. IMPLEMENTING A SUCCESSFUL RECAPTURE COMPONENT WOULD SET A REALLY GOOD EXAMPLE AND BE A GREAT MODEL FOR CURRENT AND FUTURE FOR STATE FINANCING PROGRAMS. THIS EFFORT IS IMPORTANT ON MANY LEVELS AND I LOOK FORWARD TO WORKING WITH ALL OF YOU AS WE WORK TO EVOLVE THE TRUCK LOAN PROGRAM.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU, ANNMARIE. NEXT WE HAVE MR. KEVIN GOULD, SENIOR VICE PRESIDENT OF STATE RELATIONS FOR THE CALIFORNIA BANKERS ASSOCIATION (CBA). KEVIN JOINED THE CBA IN 2004 BRINGING WITH HIM MORE THAN SEVEN YEARS OF LEGISLATIVE EXPERIENCE. IN HIS ROLE AS SENIOR VICE PRESIDENT AND DIRECTOR OF STATE GOVERNMENT RELATIONS, HE IS A MEMBER OF THE SENIOR MANAGEMENT TEAM AND OVERSEES CBA'S STATE GOVERNMENT RELATIONS DEPARTMENT AND ALSO SERVES AS ONE OF CBA'S THREE REGISTERED LOBBYISTS. MR. GOULD OVERSEES CBA'S STATE GOVERNMENT RELATIONS COMMITTEE AND INTERNAL POLICY COMMITTEES, WHO PROVIDE EXPERTISE AND DIRECTIVES THAT GUIDE THE PRIORITIES OF THE ASSOCIATION'S STATE GOVERNMENT ADVOCACY PROGRAM. MR. GOULD IS A MEMBER OF THE 2009 GRADUATING CLASS OF THE PACIFIC COAST BANKING SCHOOL. WELCOME, KEVIN

>> **KEVIN GOULD:** THANK YOU, RENEÉ. AND I TOO, AS OTHERS HAVE, WANT TO THANK YOU AND YOUR TEAM FOR PUTTING TOGETHER THIS FORUM. IT IS A PRIVILEGE FOR CBA TO BE ABLE TO PARTICIPATE. CALIFORNIA BANKERS ASSOCIATION HAS BEEN A LONG TIME SUPPORTER OF CALCAP SINCE ITS ORIGINATION AND WE HAVE BEEN VERY SUPPORTIVE OF IT AS IT HAS EVOLVED THROUGHOUT THE YEARS. WE WANT TO SEE IT TO CONTINUE TO BE SUCCESSFUL. SO I AM VERY MUCH INTERESTED IN LISTENING AND LEARNING IN FIGURING ON HOW TO CONTINUE TO WORK TOGETHER ON A GO FORWARD BASIS. THANK YOU.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU. MR. MIKE DANIELS, REGIONAL DIRECTOR OF THE ORANGE COUNTY/INLAND EMPIRE SMALL BUSINESS DEVELOPMENT CENTER NETWORK. MIKE OVERSEES A NETWORK WITH SEVEN SERVICE CENTERS THAT COVER THE REGION THAT SERVICE MORE THAN 5,000 SMALL BUSINESS OWNERS EACH YEAR. HE HAS BEEN WITH THE SMALL BUSINESS DEVELOPMENT CENTER PROGRAM FOR THE PAST SIX YEARS AND HAS ALSO SERVED AS DIRECTOR OF THE LONG BEACH CITY COLLEGE SMALL BUSINESS DEVELOPMENT CENTER. MIKE HAS PERSONALLY ASSISTED MORE THAN 1,000 CLIENTS IN AREAS SUCH AS BUSINESS START-UP, MARKETING, LEGAL ADVICE, FUNDING OPPORTUNITIES AND MORE. MIKE IS ALSO A SMALL BUSINESS OWNER, OWNING ROCKY MOUNTAIN CHOCOLATE FACTORY'S- DID YOU BRING SAMPLES? HE HAS BEEN PART OF THE ROCKY MOUNTAIN FRANCHISE SYSTEM FOR MORE THAN 15 YEARS. HE IS CURRENTLY OPENING A NEW VENTURE CALLED SUGAR DADDIES SWEET SHOPPE, WHICH IS ANOTHER HIGH-END CANDY STORE THAT WILL BE LOCATED IN SHORELINE VILLAGE.

AS AN ENTREPRENEUR, MIKE HAS FIRSTHAND EXPERIENCE IN SYSTEMATIZING OPERATIONS, DEVELOPING BUDGETS, CREATING MARKETING PROGRAMS AND MANAGING EMPLOYEES. IN ADDITION TO HIS ROLE AT THE SBDC, MIKE HAS BEEN TEACHING AT CYPRESS COLLEGE FOR THE PAST 10 YEARS. HE HAS TAUGHT COURSES INCLUDING INTRODUCTION TO COMPUTERS, WINDOWS, QUICKBOOKS, POWERPOINT AND EXCEL. WELCOME, MIKE.

>> **MIKE DANIELS:** THANK YOU VERY MUCH AND THANK YOU FOR HAVING ME HERE. I REPRESENT THE CALIFORNIA SMALL BUSINESS DEVELOPMENT CENTER NETWORK. SO WE ARE ACTUALLY 6 DIFFERENT REGIONS, AND 3 REGIONS ARE HERE TODAY. OUR PURPOSE IS WE SEE ABOUT 50,000 CLIENTS EVERY YEAR – ALL BUSINESS CLIENTS. I WOULD SAY HALF OF THOSE ARE LOOKING FOR FUNDING AND OUR ROLE IS TO REALLY HELP THEM PREPACKAGE THEIR LOAN AND BECOME READY TO GET LENDING AND ONCE THEY GET THE LENDING, HELP THEM GET THROUGH THE PROCESS. I KNOW ONE OF THE AREAS WE WILL COVER IS DEFAULT RATE. HELPING CLIENTS ONCE THEY ACTUALLY RECEIVED FUNDING AND HOW TO MAKE SURE THEY CAN PAY IT BACK. TO DATE, LAST YEAR WE HELPED OUR CLIENTS ACCESS A LITTLE OVER A HUNDRED MILLION OF CAPITAL, A LOT OF THESE ARE SMALL LOANS, \$10,000/\$25,000/\$50,000. AND UNFORTUNATELY AS WE HAVE A LOT OF CLIENTS THAT ARE TURNED DOWN FROM THEIR PRIMARY BANKING SOURCE --THEY DON'T KNOW WHERE TO GO. SO THEY USUALLY COME TO US AND THIS PROGRAM IS SIGNIFICANT TO US BECAUSE IT GIVES US AN ARM FOR SMALL BUSINESS TO ACTUALLY RECEIVE FUNDING. SO THANK YOU FOR HAVING US.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU, MIKE. AND LASTLY MR. JEFFREY ADAMSKI FROM FIRST NORTHERN BANK. HE IS EXECUTIVE VICE PRESIDENT AND SENIOR LOAN OFFICER. JEFF HAS BEEN ACTIVELY INVOLVED IN THE FINANCIAL SERVICES INDUSTRY SINCE 1981. HE HAS BEEN EMPLOYED WITH FIRST NORTHERN SINCE 1993. IN HIS CURRENT POSITION, JEFF IS RESPONSIBLE FOR THE OVERSIGHT OF THE BANK'S SMALL BUSINESS, COMMERCIAL AND AGRICULTURAL LOAN TEAMS. HE REPORTS DIRECTLY TO THE CHIEF EXECUTIVE OFFICER AND SERVES AS A MEMBER OF THE BANK'S SENIOR MANAGEMENT TEAM, OFFICERS LOAN COMMITTEE AND ASSET/LIABILITY COMMITTEE. JEFF HAS AN EXTENSIVE CREDIT BACKGROUND COUPLED WITH STRONG BUSINESS DEVELOPMENT AND RELATIONSHIP MANAGEMENT SKILLS. HE IS VERY ACTIVE WITH THE BUSINESS SECTOR AND REGULARLY HOLDS COMMUNITY LEADERSHIP POSITIONS. JEFF'S COMMUNITY INVOLVEMENT INCLUDES: FOUNDING MEMBER AND DIRECTOR OF DAVIS SUNRISE ROTARY; BOARD MEMBER AND PAST CHAIR OF THE DAVIS CHAMBER OF COMMERCE; FOUNDING MEMBER OF DATA, A TECHNOLOGY ASSOCIATION; PAST MEMBER OF THE ECONOMIC & FINANCE COMMITTEE. WELCOME, AND THANK YOU FOR PARTICIPATING.

>> **JEFFREY ADAMSKI:** THANK YOU. I GUESS ONE OF THINGS I RECOGNIZE IS THAT I MIGHT JUST BE ONE OF THE FRONTLINE PERSON HERE, SO WE'VE GOT A GOOD DIVERSITY AS THAT GOES. FIRST NORTHERN BANK WAS ESTABLISHED IN 1910 IN A RURAL HEADQUARTERS IN DIXON SO WE KNOW SMALL BUSINESS. WE HAVE BEEN DOING SMALL BUSINESS LENDING FOR QUITE SOME TIME. I SAY ALL BANKS KIND OF DRIFTED A BIT PROBABLY OVER THE LAST 10-15 YEARS, AND SOME OF THE SMALL BUSINESSES HAVE BEEN I THINK HAVEN'T BEEN ADEQUATELY SERVED BY ALL BANKS. I THINK THE CALCAP PROGRAM WE BECAME ACTIVE IN IS THE CASH COLLATERAL PROGRAM, INITIALLY IT ALLOWED US A WAY TO SUPPORT SOME OF THOSE MIDSIZE OPPORTUNITIES. WE DON'T PARTICIPATE IN RESERVE ACCOUNTS THOUGH WE HAVE BEEN OFFERED THE OPPORTUNITY TO. REALLY OUR DEFAULT RATE IN THAT CATEGORY IS VERY VERY LOW, ONE OF OUR LOWEST OF OUR CATEGORIES. WE HAVE AN AUTOMATED SYSTEM WE USE THAT HELPS US

TO MAINTAIN THAT. BUT I AM HERE TO PROVIDE PERSPECTIVE OF A FRONTLINE LENDER. OUR AVERAGE LOAN SIZE IS ONLY \$250,000 AND THE MASS MAJORITY OF THE CLIENT, FROM A NUMBER STANDPOINT IS SMALL BUSINESS. SO PROVIDE THAT INPUT WE HAVE OUR ANNUAL REPORT, THE 2016 ANNUAL REPORT. ONE OF OUR TOP 10 COMPETITIVE ADVANTAGES LISTED THERE IS THAT WE ARE THE NUMBER ONE SMALL BUSINESS LENDING FOR 10 YEARS IN A ROLE IN THE SACRAMENTO REGION. SO WE DO KNOW SMALL BUSINESS AND WE DO IT WELL. WE DO USE VARIOUS SUPPORT PROGRAMS TO HELP US WITH THAT. I WOULD SAY THE CALCAP PROGRAM IS BY FAR THE BEST LOAN SUPPORT PROGRAM WE INTERACT WITH ON A REGULAR BASIS. MANY TIMES WE USE IT AND WHEN WE HAVE OPTIONS WE GO TO. THANK YOU.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU. SO PANEL MEMBERS, AS YOU LISTEN TO ALL OF THE INFORMATION PRESENTED HERE TODAY WE INVITE YOU CERTAINLY ASK QUESTIONS AND COMMENT WHEN YOU ARE SO MOVED OR CURIOUS ABOUT WHAT IS BEING SHARED. TO SET THE CONTEXT FOR TODAY'S SYMPOSIUM, CALCAP STAFF IDENTIFIED SOME KEY PROGRAM DATA TO ILLUMINATE THE SUCCESS AND CHALLENGES OF THE PROGRAMS.

FIRST TO SUMMARIZE THE DIFFERENT KINDS OF LENDERS THAT HAVE FOUND VALUE IN THE CALCAP PROGRAMS. THIS SLIDE COUNTS THE NUMBER OF LENDERS WE HAVE ACTIVELY PARTICIPATING

IN THE SMALL BUSINESS PROGRAM AND THE ARB PROGRAM. NOTABLY WE HAVE A LARGE NUMBER OF STATE-CHARTERED BANKS PARTICIPATING IN THE SMALL BUSINESS PROGRAMS AS COMPARED TO THE LARGE NUMBER OF FINANCE LENDERS ENROLLING LOANS IN THE TRUCK PROGRAM.

NEXT WE OFFER A SLIDE THAT LAYS OUT CALCAP SMALL BUSINESS PERFORMANCE DATA FOR 5 YEARS SINCE 2011. NOTABLY WE ENROLLED JUST OVER 1000 LOANS IN 2011 AND ALMOST DOUBLED THAT NUMBER IN 2016. THE TOTAL AMOUNTS HAVE INCREASED SIMILARLY. WE HAVE IDENTIFIED THE TOTAL AMOUNT OF CDCFA CONTRIBUTIONS SUPPORTING THOSE ENROLLED LOANS. PLEASE NOTE THAT WHILE THE LION'S SHARE OF THOSE CPCFA FUNDS ARE FROM THE FEDERAL SSBCI MONEY, THE CONTRIBUTIONS ALSO INCLUDE DEPOSITS FROM OUR STATE GENERAL FUND APPROPRIATION THAT WE RECEIVED IN 2010 AND CPCFA OWN SMALL BUSINESS ASSISTANCE FUND MONEY, CONTRIBUTIONS ASSOCIATED WITH BORROWERS LOCATED IN ECONOMICALLY DISTRESSED AREAS AS WELL AS THOSE FEW LOANS THAT DO NOT QUALIFY UNDER THE FEDERAL RULES.

NUMBER OF CLAIMS WAS HIGH IN 2011 POSSIBLY REFLECTION OF THE FACT THAT WE HAD NOT YET EMERGED FROM THE RECESSION. AFTER THAT, CLAIM RATE FELL BACK IN 2012. SINCE THEN IT HAS STEADILY RISEN ALONG WITH THE SIZE OF THE PROGRAM PORTFOLIO. FOR YOUR REFERENCE WE'VE CALCULATED THE DEFAULT RATE, COMPARING THE NUMBER OF CLAIM APPLICATIONS SUBMITTED TO CPCFA TO THE NUMBER OF LOANS ENROLLED BY YEAR. WE'VE ALSO PROVIDED THE TOTAL DOLLAR AMOUNT OF CLAIM REIMBURSEMENTS FOR THOSE YEARS.

SOME OTHER AGGREGATE DATA FOR THE SMALL BUSINESS PROGRAM IS SUMMARIZED HERE. FOR CALENDAR YEAR 2011 THOROUGH 2016 WE ENROLLED ALMOST 9000 LOANS, FOR A TOTAL OF \$371 MILLION. THE AVERAGE AMOUNT OF LOAN ENROLLED IS \$49,000. IT'S WELL REPORTED THAT OPPORTUNITY FUND IS OUR MOST ACTIVE LENDER IN THE TERM OF NUMBER OF LOANS ENROLLED. BECAUSE OPPORTUNITY FUND'S FOCUS BEING MICROLENDING, WE THOUGHT IT MIGHT BE INTERESTING TO SEE WHAT HAPPENS TO THE AVERAGE AMOUNT IF WE SET OPPORTUNITY FUND'S PORTFOLIO TO THE SIDE FOR A MOMENT AND WHEN WE DO THAT WE SEE THAT THE AVERAGE LOAN AMOUNT ENROLLED

IN CALCAP DOUBLES TO ABOUT A \$103,000. ADDITIONALLY IN THE 6 YEARS WE PULLED THIS DATA FROM, WE ENROLLED 63 LOANS THAT WERE OVER \$1 MILLION EACH. SO IT SHOWS THE WIDE DIVERSITY OF THE SIZE OF LOANS WE GET AND THAT LENDERS FIND CALCAP USEFUL FOR SUPPORTING. SO THAT IS ONE POLICY VALUE THAT THE AUTHORITY HOLDS HIGH TO ENSURE THIS PROGRAM REMAINS AVAILABLE AND USEFUL TO THE MANY KINDS OF LENDERS WILLING TO INVEST CAPITAL TO SMALL BUSINESS AND A WIDE VARIETY OF CAPITAL NEEDS BY THOSE BORROWERS.

LOOKING AT SIMILAR DATA FOR OUR CALCAP ARB PROGRAM, AFTER OUR START IN 2011 PROGRAM ENROLLMENT AND PARTICIPATION HAS BEEN AND REMAINED EXCEEDINGLY ENTHUSIASTIC. ALMOST 4000 LOANS ENROLLED IN 2016 ALONE AS ANNMARIE INDICATED. SIMILARLY THE CPCFA CONTRIBUTIONS HAVE INCREASED. YOU WILL NOTE HOWEVER THERE IS A DECREASE IN 2016, WHICH IS A REFLECTION OF AN EMERGENCY MEASURE THAT ARB/CPCFA THEY TOOK TO DECELERATE THE EXPENDITURES IN THE FACT OF INCREASING ENROLLMENTS. WE DECREASE THE CONTRIBUTION RATES AT THE BEGINNING OF 2016, WHICH IS REFLECTED IN THE DATA YOU SEE HERE. AS THE NUMBER OF THE PORTFOLIO MATURES THE NUMBER OF CLAIMS AND DEFAULT RATES IN THIS PROGRAM ARE INCREASING. TO THAT NOTE WE ARE ALSO INTERNALLY SEEING INCREASE IN CLAIMS FOR NEWER LOANS, IN THE FIRST 12 TO 18 MONTHS.

NEXT WE THOUGHT IT MIGHT JUST BE INTERESTING TO COMPARE THE KINDS OF LOANS BEING ENROLLED IN CALCAP BY INDUSTRIAL SECTORS VERSUS THE LENDING TO SMALL BUSINESSES IN CALIFORNIA GENERALLY AS REPORTED BY THE SMALL BUSINESS ADMINISTRATION. THESE NEXT TWO SLIDES REFLECT THAT COMPARISON. THE FIRST SLIDE IS THE SMALL BUSINESS LENDING GENERALLY IN CALIFORNIA TO SMALL BUSINESSES.

THIS SLIDE REFLECTS THE SAME TIME FRAME FOR THE CALCAP PORTFOLIO. IT'S INTERESTING TO NOTE THAT THE TRANSPORTATION AND WAREHOUSING SECTOR ALONE LEAPS OUT AS THE GREATEST BORROWING SECTOR FOR CALCAP. THIS IS THE SMALL BUSINESS PROGRAM, NOT THE TRUCK PROGRAM. BY COMPARISON, RELATIVELY FEWER SMALL BUSINESSES IN THE HEALTHCARE AND SOCIAL SERVICES INDUSTRIES ARE BEING SERVED THROUGH CALCAP, AS COMPARED TO GENERAL COMMERCIAL LENDING. SIMILARLY BUSINESSES IN THE PROFESSIONAL AND SCIENTIFIC TECHNICAL SECTOR SUCH AS ACCOUNTANTS, ATTORNEYS, TECHNICAL CONSULTANTS, ARE NOT AS ROBUSTLY SERVED THROUGH CALCAP LENDING AS THEY ARE THROUGH UNENHANCED LENDING. WE OFFER THIS INFORMATION SIMPLY AS A POINT OF COMPARISON AND FOR YOUR OWN EDIFICATION IN HOPE YOU FIND IT USEFUL.

SO NEXT WE TURN TO CALCAP FISCAL DATA. THIS SLIDE PRESENTS THE KEY FINANCIALS ASSOCIATED WITH OUR CALCAP PROGRAMS. WE HAVE INCLUDED COLLATERAL SUPPORT PROGRAM AS WELL. FOR EACH PROGRAM WE PROVIDED A TOTAL FUNDING AVAILABLE BY PROGRAM. THE SHARE OF THE PROGRAM FUNDING EXPENDED OR AVAILABLE FOR ADMINISTRATIVE COSTS AND THE NET FUNDING AVAILABLE FOR PROGRAM CONTRIBUTIONS. WE'VE INDICATED THE PROGRAM EXPENDITURES IN EACH PROGRAM AS OF MARCH 10TH, AND REMAINING PROGRAM TIME AVAILABLE FOR CPCFA CONTRIBUTIONS IN EACH PROGRAM.

MOST BREATHTAKING IS THE TOP LINE AND OUR STAFF ESTIMATES THAT THE END OF THE INITIAL FEDERAL ALLOCATION FOR CALCAP SMALL BUSINESS IS VERY NEAR. WE ISSUED A CALCAP PROGRAM NOTICE YESTERDAY TO ALERT PARTICIPATING FINANCIAL INSTITUTIONS OF THE PENDING LOANS CURRENTLY SUBMITTED AND UNDER REVIEWED FOR FINAL APPROVAL WE MAY HAVE HIT THE ZERO BALANCE. IT IS IMPOSSIBLE TO FORECAST PRECISELY SINCE IN THE CALCAP PROGRAMS UNLIKE COLLATERAL SUPPORT WE DO NOT OBLIGATE PROGRAM FUNDING FOR LOAN APPLICATIONS SUBMITTED

UNTIL THE FINAL APPROVAL. HOWEVER IN ADDITION TO THE EVER INCREASING NUMBER OF LOAN APPLICATIONS SUBMITTED IN THE FIRST QUARTER OF 2017 WE HAVE RECEIVED A SIGNIFICANT NUMBER OF LARGER LOAN ENROLLMENTS WHICH HAS PRESENTED THE POTENTIAL OF A SOMEWHAT UNEXPECTED INCREASE IN RATE OF EXPENDITURES.

I NOTE THAT AS ALSO OF APRIL 1ST, THE LENDER FEE AND BORROWER FEE SCHEDULE CHANGED BY A REASON OF A SUNSET DATE IN THE APPLICABLE STATUTE WHICH WILL HAVE THE EFFECT OF REQUIRING LENDERS TO ELECT ONLY 2% TO 3.5% AS OPPOSED TO 1% TO 3.5% SO THAT COULD PRESENT UPWARD PRESSURE ON THE CPCFA CORRESPONDING EXPENDITURES.

WE ISSUED THE PROGRAM NOTICE YESTERDAY TO BOTH ALERT THE LENDER COMMUNITY AS TO THE STATUS OF THE FEDERAL FUNDING FOR THE CALCAP SMALL BUSINESS PROGRAMS AND ALSO TO EXPLAIN HOW ONCE THE FEDERAL FUNDING IS EXHAUSTED WE WILL REVERT TO OUR STATE FUNDS AND RULES ASSOCIATED WITH THE STATE FUNDED PROGRAM TO APPROVE AND FUND THE CREDIT ENHANCEMENT FOR SUBSEQUENT LOAN ENROLLMENTS. AT THAT POINT OUR CPCFA CONTRIBUTION WILL BE EQUAL TO THE LENDER FEE ONLY AND THE CONTRIBUTIONS AND FEES FOR THOSE LOANS WILL BE DEPOSITED IN EACH LENDER'S CALCAP STATE LOSS RESERVE ACCOUNT.

THE SECOND ROW STATES THE FUND REMAINING CPCFA'S STATE FUND. OF THE INITIAL \$6 MILLION APPROPRIATION FROM THE STATE GENERAL FUND IN 2010 WE HAVE \$2.3 MILLION REMAINING. IT HAS BEEN STEADILY SUPPORTING THE SEVERELY AFFECTED COMMUNITY CONTRIBUTIONS AS WELL AS THE OCCASIONAL LOAN THAT IS NOT ELIGIBLE UNDER FEDERAL RULES. HOWEVER THE EXPENDITURE RATE WILL ACCELERATE ONCE IT BECOMES THE PRIMARY SOURCE OF FUNDING FOR ALL SMALL BUSINESS CONTRIBUTIONS.

WE HAVE INDICATED HERE THAT THE FUNDING MIGHT END THIS SUMMER, BUT PLEASE NOTE THIS IS TRULY A BACK OF THE ENVELOPE ESTIMATE DETERMINED ONLY BY THE NUMBER AND SIZE OF LOANS ENROLLED BY LENDERS AS WELL AS THE LENDER FEES ELECTED BY EACH LENDER FOR EACH LOAN. SO THE END DATE COULD BE LATER IF OUR PROGRAM EXPENDITURES SLOW UP.

WE HAVE INDICATED OUR PROGRAM FISCAL DATA FOR OUR COLLATERAL SUPPORT PROGRAM. WE HAVE ABOUT \$7.3 MILLION OF OUR INITIAL ALLOCATION REMAINING. THE LOANS ENROLLED AND CASHED DEPOSITS AWARDED ARE MUCH LARGER THAN THE CPCFA CONTRIBUTION FOR INDIVIDUAL LOANS IN OUR CALCAP PROGRAMS. BASED ON OUR HISTORIC PROGRAM DATA WE FORECAST THAT THE INITIAL ALLOCATION WILL LAST THROUGH THE END OF THE CALENDAR YEAR. HE HAVE BEGUN TO RECAPTURE INCREMENTAL SHARES, ACCORDING TO THE ANNUAL SCHEDULE AND RESERVING THOSE RECAPTURE FUNDS FOR FUTURE COLLATERAL SUPPORT LOANS AS THAT PROGRAM IS DESIGNED INITIALLY TO BE SELF-SUSTAINING IN THIS WAY. LASTLY, FOR OUR HEAVY-DUTY VEHICLE LOAN PROGRAM, OF THE \$104 MILLION TOTAL ALLOCATED TO US FROM ARB THUS FAR WE HAVE APPROXIMATELY \$10 MILLION IN PROGRAM FUNDS REMAINING. WHICH IF THE SPRING AND SUMMER PROVE TO BE AS ROBUST AS OF A SALE SEASON AS WE HAVE SEEN IN PREVIOUS YEARS AND THE INCREASING TRAJECTORY CONTINUES WE BELIEVE WILL LAST UNTIL OCTOBER OF 2017.

SO HAVING GIVING YOU OUR PROGRAM DATA TO REFLECT ON, WE NOW TURN TO OUR STAKEHOLDER PRESENTATIONS AND LOOK FORWARD TO 2 LENDERS PERSPECTIVES AND THEIR DATA FOR SUPPORTING RECOMMENDATIONS SUSTAINING THE CALCAP PROGRAMS. FIRST WE ARE HAPPY TO WELCOME

GWENDY BROWN, VICE PRESIDENT OF RESEARCH AND POLICY FROM OPPORTUNITY FUNDS. WENDY THANK YOU FOR JOINING US.

>> **GWENDY BROWN:** GOOD MORNING AND THANK YOU TO CPCFA FOR HOSTING US HERE TODAY AND ALSO TO ALL THE PANELISTS. OPPORTUNITY FUND HAS PARTNERED WITH BANKS WITH SBDCS AND OBVIOUSLY WITH ARB AS WELL AND SO WE ARE VERY THANKFUL TO HAVE YOU HERE TO SHARE YOUR PERSPECTIVE AND HEAR FROM US. BRIEFLY ABOUT OPPORTUNITY FUND WE ARE A NONPROFIT COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION OVER 20 YEARS OLD SERVING SMALL BUSINESSES THROUGH OUT THE STATE OF CALIFORNIA.

LAST YEAR WE WENT OVER \$60 MILLION AND SERVED OVER 1200 SMALL BUSINESSES. WE FOCUS SPECIFICALLY ON LOW INCOME AND MINORITY BUSINESS OWNERS. WE'VE SERVE BUSINESSES NEARLY OVER 70% OF THE COUNTIES THROUGHOUT CALIFORNIA SO WITH THE SUPPORT OF CPCFA CALCAP PROGRAM AS WELL AS THE ARB, AND WE CALL THE ARB PROGRAM THE HEAVY-DUTY PROGRAM.

WE AS WELL AS MANY LENDERS HERE HAVE REALLY BEEN ABLE TO ACHIEVE WHAT WE BELIEVE IS THE MISSION AND THE PURPOSE OF THE CALCAP PROGRAM AND ONE ADDITIONAL CONTEXT THAT I THINK MAY BE HELPFUL FOR OUR PANELISTS, WHICH IS AS SOME OF YOU ALLUDED TO MANY BANKS ARE NOT SERVING SMALL BUSINESSES TO THE EXTENT THEY USED TO. NOT ONLY ARE BUSINESSES NOT GETTING ACCESS TO CAPITAL THROUGH TRADITIONAL FINANCIAL INSTITUTIONS, WHAT WE ARE FINDING IS ONLY PLACE THEY CAN TURN TO FOF FINANCE, ASIDE FROM SOME OF THE CALCAP LENDERS REPRESENTED HERE TODAY IS TO HIGH COST UNREGULATED ALTERNATIVE LENDERS. RESEARCH SHOWS THE AVERAGE APR THESE LENDERS ARE CHARGING BUSINESSES THAT CAME TO US WAS 94%. SO AGAIN, REALLY UNDERLY THE IMPORTANCE OF THE TYPE OF LENDING WE ARE DOING ACROSS ALL TYPES OF COMMUNITIES. AT THIS POINT IS JUST NOT A MATTER OF THOSE BUSINESSES NOT GETTING ACCESS TO CAPITAL BUT ACTUALLY HAVING THEIR BUSINESSES DESTROYED THROUGH HIGH COST ALTERNATIVE LOANS.

BEFORE I BEGIN MY PRESENTATION OR A SPECIFIC PROPOSAL, I WANTED TO LAY OUT IN WHAT IS OPPORTUNITY FUND'S MIND REALLY SOME OF THE CONTEXT AND ASSUMPTIONS BEHIND OUR PROPOSAL. FIRST WE BELIEVE THAT ULTIMATELY THE PURPOSE OF THE CALCAP PROGRAM, BOTH THE SMALL BUSINESS AS WELL AS THE ARB PROGRAM, ARE TO INCENTIVIZED LENDERS TO MAKE LOANS THEY WOULD NOT MAKE OTHERWISE MAKE. WE BELIEVE THAT THE WAY TO DEFINE THE SUCCESS OF THIS PROGRAM, IS THAT REALLY THE A RATIO OF BUSINESS LOAN MADE OR JOBS CREATED – BOTH THE NUMBER OF BUSINESSES SERVED AS WELL AS THE ECONOMIC IMPACT THAT THOSE BUSINESSES ARE HAVING PER STATE DOLLAR USED. ULTIMATELY WE BELIEVE THAT IS THE WAY TO MEASURING SUCCESS, BUSINESSES SERVED AND JOBS CREATED. THEREFORE WE BELIEVE THAT THE SELF-SUFFICIENCY OF A PROGRAM IS A MEANS TO ACHIEVING THAT END. THE END IS REALLY THAT WE SERVING BUSINESSES THAT AREN'T BEING SERVED.

SUSTANABILITY IN AND OF ITSELF IS NOT THE GOAL RATHER THAN THE MEANS TO THAT END AND ULTIMATELY WE KNOW THAT WE ARE AT THE TIME WHERE WE HAVE CREATED SUSTAINABLE SUCCESSFUL PROGRAM TOGETHER AND IT'S TIME TO FIGURE OUT HOW TO CREATE THAT SUSTAINABILITY. HOWEVER SUSTAINABILITY IS A TOOL FOR GREATER PROGRAM IMPACTS.

FURTHER MORE WE BELIEVE THE POWER OF THE CALCAP PROGRAM IS IN THE RISK POOLING FUNCTION IN ITSELF UNLIKE THE COLLATERAL SUPPORT PROGRAM OR OTHER GUARANTEE TYPE PROGRAMS. THE

STATE CONTRIBUTION IS QUITE SMALL ON ANY INDIVIDUAL LOAN AND THEREFORE IT'S REALLY THROUGH THE POWER OF POOLING THAT LENDER IS ABLE TO POOL THAT RISK AND MAKE LOANS THEY WOULDN'T MAKE OTHERWISE BE ABLE TO MAKE. AND SO IT IS VERY IMPORTANT THAT AGAIN WE DON'T DEFINE SUCCESS IN COMPARISON WITH PROGRAMS THAT REALLY HAVE A VERY DISSIMILAR PREMISE OR DISSIMILAR STATE CONTRIBUTION PER LOAN.

WE ALSO BELIEVE THAT MATCH RATES ARE THE MOST EFFECTIVE WAYS TO INCENTIVIZE LENDERS TO SERVE DIFFERENT POPULATIONS. WHETHER THAT IS TO SERVE DIFFERENT INDUSTRIES, DIFFERENT REGIONS OF THE STATE AND AMONG OTHER THINGS. THAT THE MATCH RATES ARE THE MOST ELEGANT AND SIMPLE MECHANISM TO USE IN THAT WAY. BECAUSE AGAIN THEY INCENTIVIZE THE LOANS YOU WANT TO SEE, NOT MERELY LENDERS YOU HOPE WILL MAKE THE LOANS.

LASTLY WE BELIEVE THAT DISINCENTIVES FOR HIGHER DEDULTS ARE ALREADY BUILT INTO THE PROGRAM BECAUSE AS EACH INDIVIDUAL LENDER USES THEIR POOL TO FOR CLAIMS, THEY DRAW DOWN ON THAT POOL AND HAVE LESS FOR FUTURE LOANS. SO ULTIMATELY WE BELIEVE THAT IT IS ALREADY BUILT IN THERE AND WE ALSO BELIEVE THAT THE STRENGTH OF THE PROGRAM AS SEVERAL OTHERS HAVE INDICATED ALREADY IS HAVING A DIVERSITY OF TYPES OF LENDERS, HAVING BANKS, HAVING FINANCE COMPANIES, HAVING NONPROFIT CDFIS, WHO EACH SERVE DIFFERENT SEGMENTS OF THE SMALL BUSINESS MARKET AND THEREFORE HAVE VERY LEGITIMATE REASONS FOR HAVING DIFFERENT DEFAULT RATE BASED ON THEIR BUSINESS MODEL AND TYPE OF CUSTOMERS THEY SERVE. SO THIS LAYS OUT OUR PROPOSAL.

AS I WAS SAYING, THIS SLIDE PRESENTS AN OVERVIEW OF OPPORTUNITY FUND'S PROPOSAL THAT IS REALLY TRYING TO TOUCH ON SEVERAL ASPECTS OF INCREASING THE SUSTAINABILITY AND INTEGRITY OF THE CALCAP PROGRAM. SO FIRST IS A SPECIFIC PROPOSAL AROUND HOW TO RECAPTURE OR RECYCLING OF FUNDS COULD WORK. BASICALLY EACH LENDER CAN BUILD UP AND MAINTAIN RESERVE TO COVER 20% OF THEIR OUTSTANDING PORTFOLIO AT ANY TIME. AMOUNTS ABOVE THAT 20% THRESHOLD, STATE CONTRIBUTIONS CAN BE RECAPTURED AND RECYCLED FOR NEW LOANS. WE BELIEVE THIS IS AN APPROPRIATE MECHANISM BOTH FOR THE SMALL BUSINESS PROGRAM, SBCI PROGRAM AND HEAVY-DUTY PROGRAM. I WILL EXPOUND ON THAT FURTHER.

SECOND WE BELIEVE IN THAT ADDITIONAL MECHANISM THAT WOULD BE VERY IMPORTANT IS TO ALLOW LENDERS TO CONTINUE ENROLLING FUNDS AGAINST THEIR POOL IF AT ANY TIME THE STATE RUNS OUT OF FUNDS. CASE IN POINT WHERE WE MAY BE THIS SUMMER. WE WOULD HAVE THE ABILITY TO CONTINUE TO ENROLL LOANS AGAINST POOL, IT WOULD ALLOW THEM TO LAST LONGER. THIRD, AS RENEÉ ALLUDED A FEW MOMENTS AGO, RIGHT NOW, THE MATCH RATES RECENTLY RAISED SO THE MINIMUM CONTRIBUTION THE STATE NEEDS TO MAKE, AS WELL AS THE LENDER AND BORROWER, IS NOW 2%. WHICH HAD INCREASED FROM 1%. REDUCING IT BACK DOWN TO 1% WHERE IT WAS PREVIOUSLY SEEMS TO BE A SENSIBLE APPROACH TO MAKE THE FUNDS GO FURTHER.

AND LASTLY WE ALSO BELIEVE IT IS IMPORTANT TO CLARIFY LENDER EXIT. RIGHT NOW WE BELIEVE THERE IS NOT AS MUCH CLARITY AS THERE COULD BE AROUND LENDERS WHO CHOOSE TO EXIT THE PROGRAM TO RETURN FUNDS TO THEM THAT THEY'VE CONTRIBUTED, AND TO FREE UP FUNDS FOR THE STATE. AGAIN I WILL GO OVER THIS. NEXT SLIDE, PLEASE.

THERE WE GO. SO THE FIRST COMPONENT WHAT WE ARE DETERMINING 20% THRESHOLD RECAPTURE. AGAIN JUST TO GO IN TO THIS A BIT MORE IN DETAIL. THE WAY WE ENVISION THIS IS EITHER ON AN

ANNUAL OR MONTHLY BASIS, DEPENDING ON WHAT CPCFA DETERMINE IS MOST ADMINISTRATIVELY SIMPLE FOR THEM. EACH LENDER WOULD SUBMIT A LIST OF ENROLLED LOANS THAT ARE ACTIVE AND THE OUTSTANDING BALANCE ON THE LOANS. SO EACH LENDER WOULD BE ABLE TO HAVE 20% COVERAGE OF THAT AMOUNT. SO IF THE AMOUNT THEY HAVE IN THEIR LOAN LOSS RESERVE ACCOUNT IS GREATER THAN 20% THE STATE COULD THEN RECAPTURE SOME OF THOSE FUNDS TO BE RECYCLED. IF IT IS LESS THAN 20% NO RECAPTURE WOULD OCCUR.

AND SO YOU CAN SEE A CHART HERE SHOWING VISUALLY HOW IT COULD POTENTIALLY WORK FOR A LENDER WHO STARTS OFF AND YOU CAN SEE THAT TAKES A 2 YEARS FOR THEM TO GET ABOVE THAT 20%. SO LAYING OUT WHAT WE SEE ARE THE BENEFITS OF THIS PROPOSAL. FIRST IT WOULD, AS STATED, OPEN UP NEW FUNDS FOR NEW LOANS. SECOND IT ALLOWS LENDERS TO PLAN FOR A SPECIFIED LOSS RATE AND MAKES SURE REGARDLESS OF WHAT HAPPENS LENDERS KNOW THEY CAN COUNT ON A CERTAIN PERCENTAGE COVERAGE IN THEIR LOSS ACCOUNT. THIRD THIS IS BENEFICIAL FOR NEW LENDERS. WE'VE HEARD THERE IS A GOAL OF INCREASING THE NUMBER AND DIVERSITY OF LENDERS IN THE PROGRAM. THIS WOULD GIVES NEW LENDERS TIME TO BUILD UP A RESERVE BEFORE WE RECAPTURE WILL HAPPEN. LASTLY WE BELIEVE IT IS ADMIDMISTRATIVELY SIMPLE.

ONE OTHER POINT I LIKE TO MAKE ABOUT RECAPTURE HERE THAT IS IMPORTANT FOR LENDERS AND THOSE ON THE PANEL ALSO IS TO NOTE, ALL OF US HAVE LENDERS THAT PARTICIPATED IN THIS PROGRAM WENT IN WITH CERTAIN ASSUMPTIONS BASED ON THE IDEAS THAT THE FUNDS WILL BE SET ASIDE FOR OUR LOANS. RECAPTURE IS TURNING THAT ON ITS HEAD. WE ARE ULTIMATELY SAYING WE ARE TRYING TO CHANGE THE RULES OF THE GAME RETROACTIVITY, NOT JUST APPLYING IT TO NEW LOANS AS WE GO FORWARD, BECAUSE THAT WILL TAKE TOO LONG TO RECYCLE. TO APPLY IT AGAINST THE LOANS WE HAVE MADE WITH A CERTAIN SET OF ASSUMPTIONS. THEREFORE, THAT IS VERY IMPORTANT PIECE THAT THE LENDERS NEED TO HAVE CONFIDENCE IN THE WAY IT WORKS, WE THINK THAT IS 20% THRESHOLD GIVES US CONFIDENCE WE CAN ACT AGAINST ESSENTIALLY.

NEXT SLIDE, PLEASE. I THINK THIS ONE IS VERY SELF-EXPLANATORY. ALREADY SPOKEN TO THEM. BUT AGAIN, IF THE STATE RUNS OUT OF MATCHING FUNDS EITHER FOR A SHORT PERIOD OF TIME OR FOR A LONGER PERIOD OF TIME LENDERS CAN CONTINUE TO ENROLL NEW LOANS AGAINST THEIR EXISTING ACCOUNT. AND THE CPCFA CAN RECEIVE AN ADMINISTRATIVE FEE DIRECTLY PAID BY THE LENDER TO BASICALLY COVER COSTS OF THE LOAN ENROLLMENTS AND THE CLAIMS. WE BELIEVE THIS HAS A LOT OF BENEFITS THAT IT CAN INCREASE THE LENDER CONFIDENCE SO THAT REGARDLESS AN ABSENT FLOW OF FUTURE FUNDS, THESE FUNDS CAN BE PUT TO THE MAXIMUM BEST USE. THIS REALLY ENSURES THAT LENDERS ARE ALREADY PARTICIPATING IN THE PROGRAM CAN REALLY MAXIMIZE THOSE DOLLARS AND STRETCH THEM OVER THE MAXIMUM NUMBER OF LOANS AND BUSINESSES AS POSSIBLE. IT PROVIDES FUNDING FOR CPCFA TO ADMINISTER THE PROGRAM WHICH IS INCENTIVE AND THIRDLY IT INCENTIVIZES LENDERS TO BE PRUDENT WITH THOSE FUNDS BECAUSE WE KNOW AS WE ARE ENROLLING MORE LOANS AGAINST OUR FIXED PORTION OF FUNDS WE NEED TO BE INCREASINGLY PRUDENT.

AGAIN AS FAR AS REDUCING THE REQUIRED MATCH RATE FROM 2% BACK DOWN TO 1% WHERE IT EXISTED THIS WILL ALLOWED FUNDS TO GO FURTHER. IT IS ADMINISTRATIVELY SIMPLE AND PROVIDES GREATER FLEXIBILITY FOR LENDERS WHO ALREADY HAVE A NICE BALANCE TO ENROLL LESS AND REQUIRED LESS ENROLLMENT BY THE STATE AS WELL.

LASTLY WE DO BELIEVE THERE IS A NEED TO CLARIFY HOW LENDERS CAN EXIT THE PROGRAM AND CREATE STANDARDIZED PROCEDURE FOR RETURNING CONTRIBUTIONS IF A LENDER EXIT THE PROGRAM. WE DO

BELIEVE THERE SHOULD BE OPTION FOR LENDERS TO EXIT IF THEY STILL HAVE CLAIMS OUTSTANDING. ULTIMATELY WHAT WOULD HAPPEN IN THAT CASE LENDER WOULD GIVE UP THE RIGHT TO GET ACCESS TO THE STATE FUNDS AND TAKE BACK ANY OF THEIR CONTRIBUTIONS AND THE LENDER'S SHARE WOULD BE PROPORTIONAL TO THE RELATIVE CONTRIBUTIONS THAT THEY PUT IN RELATIVE TO THE STATE. WE THINK THERE IS INCREASE OF THE LENDER AND INVESTORS CONFIDENCE IN THE PROGRAM, WHICH IS PARAMOUNT TO MAKING SURE LENDER CONTINUE TO PARTICIPATE. SECONDLY THERE ARE SOME LENDERS WHO ARE NOT PARTICIPATING AS ACTIVELY. IF WE CAN MAKE IT EASIER FOR THEM TO EXIT AND RECYCLE THOSE FUNDS QUICKLY WILL CAN ALSO INCREASE SUSTAINABILITY.

THANK YOU, SO IN CONCLUSION WE BELIEVE THAT DUE TO LIMITED RESOURCES RENEÉ HAS LAID OUT TODAY, RECAPTURE IS NECESSARY. AND CAN BE STRUCTURED IN A WAY THAT WILL NOT UNDERMINE THE PROGRAM'S SUCCESS IF THE FOLLOWING CONDITIONS ARE MET. FIRST IF THOSE RECYCLED FUNDS ARE USED FOR SMALL BUSINESS LOAN PURPOSES AND HEAVY-DUTY TUCK PURPOSES GOING FORWARD. SECOND THAT THIS ROSK POOLING FUNCTION CONTINUES WITH 20% THRESHOLD RECAPTURE AND LASTLY THAT LENDERS CAN CONTINUE TO ENROLL NEW LOANS AGAINST THEIR BALANCE. WE ALSO BELIEVE THAT LENDER CONFIDENCE IS PARTICIPATION IS CRUCIAL EVER MORE SO, THEREFORE PROVISIONS FOR LENDERS EXIT SHOULD BE CLARIFIED AND ALSO BELIEVE THAT REGULATORY CHANGES DISCUSSED HERE TODAY SHOULD ALSO BE REENFORCED THROUGH LEGISLATION FOR GREATER LONG TERM CERTAINTY FOR LENDERS AND INVESTORS AND OTHER STAKEHOLDERS. THANK YOU ALL SO MUCH FOR YOUR TIME AND I AM HAPPY TO ANSWER ANY QUESTIONS THAT YOU MAY HAVE.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU, GWENDY. I'LL TURN IT TO THE PANEL. ANY QUESTIONS FOR GWENDY?

>> ANNMARIE RODGERS: I HAVE A QUESTION, GWENDY. SO IN ORDER FOR ARB TO RECAPTURE WE HAVE TO IMPLEMENT BORROWER AND LENDER FEE BECAUSE WE DON'T DO THAT CURRENTLY. IS THAT ALSO PART OF THE PROPOSAL FOR US TO RECAPTURE?

>> **GWENDY BROWN:** COULD YOU CLARIFY WHY THAT WOULD BE NECESSARY IN ORDER TO RECAPTURE?

>> **ANNMARIE RODGERS:** WELL CURRENTLY IT IS JUST OUR MONEY THAT IS IN THE LOAN LOSS RESERVE ACCOUNTS, SO IN ORDER FOR THAT TO BUILD FASTER AND IN ORDER FOR US TO RECAPTURE, WE WOULD NEED TO?

>> **GWENDY BROWN:** SO I THINK IT'S IMPORTANT TO RECOGNIZE THE DISTINCTION BETWEEN TWO THINGS. ABSOLUTELY WE ARE WILLING TO IMPLEMENT FEES THAT PERHAPS CAN REDUCE THE AMOUNT OF FUNDS THAT WERE NEEDED ON A LOAN BY LOAN BASIS TO FUND THEM HOWEVER THAT IN RECAPTURE COULD BE DONE SEPARATELY. SO YOU KNOW RECAPTURE IS BASICALLY TAKING FUNDS THAT ARE ALREADY THERE AND JUST USING THEM AGAIN ONE TIME. I BELIEVE AND OPPORTUNITY FUND BELIEVES THAT AS FAR AS THE HEAVY-DUTY PROGRAM GOES IT REALLY IS A BOTTOM LINE PROGRAM THAT IS SERVING MORE GOALS FOR CALIFORNIA THAN THE SMALL BUSINESS PROGRAM ALONE. FOR EXAMPLE OUR ARB LOANS ARE OVER 90% LOW INCOME INDIVIDUALS PRIMARILY BUSINESS OWNERS OF COLOR AND THEY ARE INCREASING THE AIR QUALITY OF OUR STATE. SO I THINK THAT THERE IS DOUBLE BOTTOM LINES, I THINK THE FACT THAT AS IT STANDS TODAY THAT IT IS A STATE SUPPORTED PROGRAM IS IMPORTANT FOR GOING FORWARD. WE ARE NOT ADVOCATING FOR PUTTING FEES INTO THAT PROGRAM. I AM CERTAINLY HAPPY TO CONTINUE THAT CONVERSATION BUT THAT'S NOT SOMETHING

WE WOULD ADVOCATE FOR. WE THINK RECAPTURE ALONE COULD DO A FAIR AMOUNT IN PROVIDING ADDITIONAL FUNDS.

>> **JEFFREY ADAMSKI:** THANK YOU. THAT WAS AN EXCELLENT PRESENTATION. I WOULD JUST REINFORCE YOUR OPINION THAT WE NEED CONSISTENCY AND ONE OF THE THINGS I WOULD LIKE TO SEE IS CONSISTENCY ABOUT HOW WE GO ABOUT RECAPTURING ACROSS THE CASH COLLATARAL PROGRAM, AND SO FORTH. ONE THING AS A BANKER IS THAT WE GET FRUSTRATED IS WHEN WE START WITH THE PROGRAM, TYPICALLY WE FIND OUT THAT WHEN THERE IS AN ISSUE AND WE ARE TRYING TO MAKE A CLAIM- OH WELL THIS PROGRAM HAS THIS PROCEDURE. SO WITH US, I WOULD LIKE TO SEE MORE CONSISTENCY ACROSS THE PROGRAMS AS FAR AS RECAPTURE. I DO THINK THE 20% THRESHOLD MAKES A LOT OF SENSE AND YOUR ABILITY TO ENROLL ADDITIONAL LOANS AGAINST THE POOL IF THE FUNDS AREN'T AVAILABLE. IT IS A VERY GOOD IDEA.

>> **GWENDY BROWN:** THANK YOU.

>> **TIM SCHAEFER:** THANK YOU, GWENDY. NOW YOU MUST FORGIVE ME. IF I ASK SOME VERY RUDIMENTARY QUESTIONS.

>> **GWENDY BROWN:** PLEASE DO.

>> **TIM SCHAEFER:** YOU MADE THE OBSERVATION EARLY IN THE OVERVIEW OF THE PROPOSAL AND THEN REINFORCE IT LATER, THAT THE CONTRIBUTION RATE REDUCTION FROM 2% TO 1% WOULD MAKE THE FUNDS GO FURTHER. THAT'S JUST SIMPLE ARITHMETIC BUT HOW WOULD ONE SITTING IN MY CHAIR TRANSLATE THAT TO TEMPORAL INTERPRETATION. HOW LONG? ULTIMATELY I AM GOING TO GET BACK IN A MINUTE AND ASK ABOUT LOAN LOSS EXPERIENCE AND HOW THE 20% SHOULD BE INTERACTING WITH LOAN LOSS EXPERIENCE. SO MAYBE YOU CAN TAKE THOSE TWO AND IN RIFT ONE TO THE OTHER. YOUR ORGANIZATION AND WHAT YOU OBSERVE AND OTHERS THAT MAY BE INVOLVE IN THE PROGRAM OR GENERALLY.

>> **GWENDY BROWN:** SURE. IN SOME WAYS I FEEL RENÉE MAY BE BETTER SUITED TO ANSWER IN A MACRO WAY HOW THE 1%, HOW MUCH FURTHER THAT COULD POTENTIALLY STRETCH. I THINK IN OPPORTUNITY FUNDS' INDIVIDUAL CASE, WE WOULD, GIVEN THE POOL WE HAVE. WE COULD GO BACK TO THE 1% CERTAINLY. WE HAVE BEEN ENROLLING AT THAT RATE PRIOR TO THE REQUIREMENTS INCREASING IT UP TO 2%. PLEASE LET ME KNOW IF I HAVE THIS CORRECT. IT'S BASICALLY, OKAY THERE'S A 20% BUT HOW DOES THAT INTERACT WITH LOSSES GIVEN THAT THERE'S DIFFERENT TYPES OF LENDERS WHO MIGHT HAVE DIFFERENT LOSSES. I MEAN ULTIMATELY SAYS IS THAT WE HAVE A STANDARD SET OF RULES ACROSS DIFFERENT TYPES OF LENDERS AND IT ALLOWS LENDERS TO BUILD AN ACCOUNT UP THAT AMOUNT. IF YOU ARE A LENDER WHO HAS 18% LOSSES OR 15% LOSSES EITHER BECAUSE OF THE LENDING OR BECAUSE OF ECONOMIC CONDITIONS IN THE MARKETS YOU ARE SERVING THOSE FUNDS ARE GOING TO GET DEPLETED VERY QUICKLY AND YOU ARE GOING TO NEED TO BUILD THAT UP THROUGH YOUR OWN CONTRIBUTIONS. IF YOU ARE AN ADVERSE RISK LENDER AND SERVING THE HIGHER END OF THE MARKET THAT MIGHT NOT BE THE CASE YOUR LOSSES MIGHT BE QUITE LOW.

OPPORTUNITY FUND'S LOSSES, EVEN THOUGH WE ARE SERVING A SEGMENT THAT IS TREMENDOUSLY UNDERSERVED, THAT BANKS WILL NOT SERVE. WE ARE SERVING LOW THIN NO CREDIT IN MANY CASES IT IS STILL QUITE LOW. WE ARE STILL UNDER 2% CHARGE OFFS. HOWEVER WE ARE STARTING TO SEE THINGS CHANGE, BETWEEN SORT OF OVERALL NATIONAL ECONOMIC CONDITIONS AND WORLDWIDE

ECONOMIC CONDITIONS. BETWEEN THE ADVANCE ALTERNATIVE LENDERS WHO ARE VARIANT IN THE WAY THEY ARE APPROACHING SMALL BUSINESSES. WE ANTICIPATE SEEING LOSSES INCREASE SO AGAIN EVEN IF OUR LOSSES ARE RIGHT NOW LOW, WE KNOW THEY WILL GO UP.

WE STILL BELIEVE HAVING THAT PARITY BETWEEN DIFFERENT TYPES OF LENDERS MAKE SENSE BECAUSE ULTIMATELY WE ARE TRYING TO INCENTIVIZE A VARIETY OF DIFFERENT LENDING TYPES THAT SERVE DIFFERENT SUBSETS OF THE MARKET. WE ARE NOT ONLY TRYING TO SERVE THE VERY NEAR BANKABLE, IN OUR OPINION, THAT ARE JUST ONE STEP REMOVED FROM BEING ABLE TO GET A LOAN FROM THIS GENTLEMAN. BUT PERHAPS A FEW STEPS MORE REMOVED FROM THAT, STILL PRIMARY BREADRUNNERS FOR THEIR FAMILIES AND REALLY HAVE AN ENTERPRISE THAT IS EMPLOYING THEMSELVES AND PERHAPS ONE OR TWO OTHER PEOPLE. THEY'RE NOT GOING TO GET A BANK LOAN IN ANY CASE. DOES THAT ANSWER YOUR QUESTION?

>> **TIM SCHAEFER:** YES, THANK YOU.

>> **MIKE DANIEL:** CAN I JUST PIGGYBACK A LITTLE BIT ON THAT? JUST A LITTLE FROM MY UNDERSTANDING, WOULD IT BE A DETRIMENT THAT THE CONTRIBUTION FROM THE LENDERS STAY AT 2% AND FROM THE STATE GOES TO 1%?

>> **GWENDY BROWN:** I MEAN THAT'S CERTAINLY ANOTHER WAY TO DO IT. I MEAN THERE'S A LOT OF DIFFERENT WAYS TO TWEAK AROUND WITH HELPING LENDERS GET TO AND STAY AT THE 20%. I THINK AT THIS POINT MANY LENDERS ARE, A GOOD PORTION OF LENDERS MAY BE AT THE PLACE SO THAT'S NOT REALLY NECESSARY. I SUPPOSE DOWN THE LINE OF WHAT THAT WOULD DO IS ENABLE LESS--THE STATE WOULD PUT IN LESS, BUT THEY WOULD ALSO RECAPTURE LESS BECAUSE THEY WOULD HAVE PUT IN LESS. I THINK IT COULD WORK. AGAIN I THINK THE GOOD NEWS THOSE FORMULAS ONCE THEY ARE AUTOMATED BY LENDERS THEY'RE NOT NECESSARILY AN ISSUE. I DO THINK HOWEVER IT WOULD CHANGE AND CERTAINLY FOR I DON'T WANT TO SAY THAT WE ARE IN SUPPORT OF THAT PER SAY BUT I DON'T THINK IT'S AN OFF THE TABLE TYPE SOLUTION. THANK YOU.

>> **KEVIN GOULD:** THANK YOU, GWENDY. JUST A QUICK COUPLE OF QUESTIONS. I WILL DO THESE OUT OF ORDER. ON THE LAST SLIDE, UNDER CONCLUSIONS, YOU MENTIONED REGULATORY CHANGES SHOULD BE REINFORCED THROUGH LEGISLATION. COULD YOU ELABORATE A LITTLE MORE ON WHAT YOU MEAN BY THAT?

>> **GWENDY BROWN:** ABSOLUTELY. OPPORTUNITY FUND IS CURRENTLY SPONSORING A BILL, SB 551. WHICH IN ITS INITIAL ITERATION IS INCLUDED OF ALL THE PROPOSALS AS WE LAID OUT TODAY. WE BELIEVE THIS IS IMPORTANT BECAUSE REGULATORY CHANGES AND REALLY THE LEADERSHIP OF CPCFA IS CHANGED THROUGH A POLITICAL PROCESS THAT HAPPENS EVERY COUPLE OF YEARS AND LENDERS WERE MAKING LOANS AND MAKING LENDING DECISIONS THAT WILL LAST FOR A LONGER PERIOD OF TIME THAN THAT. SO WE BELIEVE AT THIS JUNCTURE IT IS APPROPRIATE TO HAVE CERTAINTY THROUGH THE LEGISLATIVE PROCESS. RIGHT NOW THE CALCAP PROGRAM HAS SOME ASPECTS OF THEM THAT ARE CONTROLLED VIA LEGISLATION AND SOME ARE CONTROLLED VIA REGULATION. SO THERE ARE ALREADY ARE SOME RECAPTURE PROVISIONS FOR CERTAIN SPECIALTY PROGRAMS THAT ARE DONE VIA LEGISLATION AND WE THINK THERE SHOULD BE MORE GREATER CONSISTENCY ACROSS THE PROGRAMS IN THE SENSE THAT THERE IS LEGISLATIVE SORT OF GUIDANCE. IF THAT MAKES SENSE.

>> **KEVIN GOULD:** OKAY. THANK YOU. I WAS INTRIGUED BY A COMMENT THAT YOU MADE ABOUT ASSUMPTIONS BEING MADE IN THE RECAPTURE PURPOSALS CHANGING SOME OF THOSE ASSUMPTIONS ON A GO BACKWARD BASIS. COULD YOU TALK A LITTLE BIT MORE ABOUT THAT AND SOME COMPLICATIONS YOU MIGHT HAVE IN DOING THAT? IF THERE ARE ANY?

>> **GWENDY BROWN:** SURE. WELL I THINK WHEN WE FIRST HEARD ABOUT THE IDEA OF EVERGREENING THE PROGRAM AND RECAPTURE WE WEREN'T NECESSARILY SURE WHAT IT MEANT AND THE FIRST ITERATIONS WE SAW WERE NEW PROGRAMS WHICH HAD RECAPTURE MECHANISM BUILT IN. SUCH AS THE ADA PROGRAM AND THE SEISMIC SAFETY PROGRAM. SO THOSE RULES THERE ARE VERY CLEAR FROM THE BEGINNING IF YOU ENROLL LOANS THIS IS HOW RECAPTURE WILL OCCUR. WHAT WE ARE TALKING ABOUT TODAY ARE EXISTING PROGRAMS AND MY UNDERSTANDING OF THE INTENT OF WHAT WE ARE TALKING ABOUT IS NOT MERELY TO CHANGE THE RULES ON LOANS THAT ARE ENROLLED. SO SAY RECAPTURE IS IMPLEMENTED AS OF MAY 1st OR JUNE 1st OR SEPTEMBER 1st. IT IS NOT MERELY SAYING THAT RECAPTURE WILL OCCUR ON THOSE LOANS UNDER CERTAIN SPECIFIED SET OF CONDITIONS WHEN THAT TIME COMES BUT THAT RECAPTURE WILL OCCUR ON ALL LOANS THAT HAVE ALREADY BEEN LENT, HAVE ALREADY BEEN MADE. SO THAT'S WHAT IS IMPORTANT. AT THE TIME OPPORTUNITY FUND AND OTHER LENDERS MADE THOSE LOANS THERE WAS NO EXPECTATIONS OF RECAPTURE. ULTIMATELY IF WE WAIT AGAIN AND WE WAIT UNTIL FOR THESE NEW LOANS OCCUR FOR RECAPTURE, IT WOULD TAKE LITERALLY YEARS FOR IT TO HAVE ANY MEANINGFUL AMOUNT OF DOLLARS TO RECAPTURE AND RECYCLE. SO THEREFORE WE ARE SUPPORTIVE IF DONE CORRECTLY AND CHANGES THE RULES OF THE GAME AFTER THE FACT IF IT IS DONE RIGHT BUT I DO THINK IT IS AN IMPORTANT CONTEXT PARTICULARLY FOR THE LENDERS AND PANEL TO UNDERSTAND THAT IS A FUNDAMENTAL MEANINGFUL CHANGE FOR ALL OF US AS LENDERS. THAT'S WHY LENDERS CONFIDENCE IS SO IMPORTANT AS PART OF THIS.

>> **KEVIN GOULD:** THANK YOU.

>> **RENEÉ WEBSTER-HAWKINS:** ALRIGHT. WELL THANK YOU VERY MUCH, GWENDY.

>> **GWENDY BROWN:** THANK YOU, THANK YOU PANEL.

>> **RENEÉ WEBSTER-HAWKINS:** NEXT WE ARE GOING TO HAVE MR. MATT SCHRAP, VICE PRESIDENT OF GOVERNMENT PROGRAMS AT CROSSROADS EQUIPMENT LEASE AND FINANCE.

>> **MATT SCHRAP:** THANK YOU VERY MUCH, RENEÉ. MY SINCEREST GRATITUDE TO ALLOW US TO GIVE SOME PERSPECTIVE HERE ON A PROGRAM THAT IS NEAR AND DEAR TO OUR HEARTS BUT IMPORTANTLY NEAR AND DEAR TO THE HEARTS OF THOUSANDS OF FLEETS ACROSS CALIFORNIA. MY NAME IS MATT SCHRAP VICE PRESIDENT OF GOVERNMENT PROGRAMS FOR CROSSROADS EQUIPMENT LEASE AND FINANCE. WE HAVE BEEN AN ACTIVE LENDER IN THIS PROGRAM SINCE ITS INCEPTION. WE ACTUALLY WERE INSTRUMENTAL IN HELPING MODIFY THE PROGRAM TO ALLOW PARTICIPATION OF FINANCE COMPANIES GOING BACK TO 2009 AND 2010 AS WELL AS ALLOW THE ENROLLMENT OF TERMINAL RENTAL ADJUSTMENT CLAUSE LEASES IN TO THE PROGRAM. PRIOR TO THAT THEY WERE NOT ALLOWED.

ABOUT OUR COMPANY WE ARE A CALIFORNIA BASED COMPANY STARTED IN 2006. OUR SPECIALTY IS ONLY TRUCK LENDING. THAT'S ALL WE DO, ON-ROAD HEAVY-DUTY TRUCK LENDING IN CALIFORNIA AND NATIONWIDE. OBVIOUSLY SINCE WE ARE A CALIFORNIA BASED COMPANY OUR CENTRAL FOCUS HERE IS IN BUILDING OUR CALIFORNIA PORTFOLIO. HOWEVER AS A NATIONWIDE LENDER AND S.B.A. LENDER WE ENDEAVOR TO FIND THE MOST FINANCIALLY IMMEDIATE COMFORTABLE SOLUTION FOR OUR CLIENTS

REGARDLESS OF THEIR SIZE AND SCOPE. TO DATE I BELIEVE CROSSROADS HAS ENROLLED CLOSE TO IF NOT OVER 3,000 INDIVIDUAL LOANS INTO THIS PROGRAM, THE LARGEST LENDER ON THE ON-ROAD SIDE. THAT'S IS WHY WE ARE SITTING UP HERE IN FRONT OF YOU TODAY BECAUSE WE HAVE AN TREMENDOUS AMOUNT OF EXPERIENCE WITH THIS PARTICULAR INDUSTRY SEGMENT.

SO I APPRECIATE THE TIME AND I ALSO APPRECIATE YOUR GUYS WILLINGNESS TO UNDERSTAND THE DIFFERENCES THE ON-ROAD PROGRAM AND HOW IT FUNCTIONS WITH CALCAP AS WELL AS COMPARED TO THE SMALL BUSINESS PROGRAM WHICH HAS DIFFERENT COLLATERAL, DIFFERENT CUSTOMERS, DIFFERENT CREDIT PROFILES ACROSS THE BOARD. I AM TALKING ABOUT THE TRUCKING INDUSTRY HERE. SPECIFICALLY IN THIS PROGRAM FOLKS THAT HAVE FEWER THAN 10 VEHICLES WHICH IS MAJORITY OF FLEETS WHO ARE OUT THERE. IN FACT THE AMERICAN TRUCKING ASSOCIATION ESTIMATES THAT OVER 90% OF TRUCKS AND FLEETS OPERATING IN THE UNITED STATES HAVE 20 OR FEWER TRUCKS. IN CALIFORNIA WE ARE LOOKING AT TENS OF THOUSANDS OF INDIVIDUAL OWNER-OPERATORS WHO NEED FINANCIAL ASSISTANCE.

SO MOVING FORWARD TO THE NEXT SLIDE IF YOU DON'T MIND. SOME BACKGROUND AS I MENTIONED IN 2009 AND SINCE WE STARTED AS YOU CAN TELL FROM THE GREAT DATA CALCAP STAFF HAS PUT TOGETHER WE ARE LOOKING AT OVER 10 THOUSANDS INDIVIDUAL PIECES OF EQUIPMENT. THIS IS CLEAN DIESEL AND ALTERNATIVE FUEL EQUIPMENT, RETROFITS, INCLUDING AERODYNAMIC UPGRADES FOR 53 FOOT TRAILERS WHICH HELP INCREASE FUEL EFFICIENCY. ALL IN ALL REALLY LEADING TOWARDS IMPROVEMENT AND OVERALL AIR QUALITY IN CALIFORNIA. DRIVING US TOWARDS OUR MISSION IN CALIFORNIA ATTAINING AND MAINTAINING FEDERAL AIR QUALITY GUIDELINES DICTATED BY THE FEDERAL GOVERNMENT.

UNFORTUNATELY DESPITE THE SEVERAL RULES THAT ARE IN EFFECT FOR ON-ROAD HEAVY-DUTY TRUCKS IN CALIFORNIA OVER 14 THOUSANDS GVWR, OF THE ESTIMATED MILLION VEHICLES THAT OPERATE HERE ON AN ANNUAL BASIS 30% OF THEM ACCORDING TO THE ARB ARE OUT OF COMPLIANCE STILL. AS WE TALK ABOUT COMPLIANCE ASSISTANCE, SURPLUS EMISSIONS REDUCTIONS, THINGS THAT MIGHT POTENTIALLY TO BE TO MOST PEOPLE BE FOREIGN OBSCURE CONCEPTS. IN THE TRUCKING INDUSTRY WHEN YOU SPENT \$100,000 TO COMPLY WITH RULES WHEN YOUR NEIGHBOR NEXT DOOR HASN'T SPENT ANY MONEY IT IS VERY DIFFICULT JUSTIFY FUTURE PURCHASES. NOW IN THE TRUCKING INDUSTRY THEY LIKE TO SAY ONE WAY TO MAKE A SMALL FORTUNE IN THE TRUCKING INDUSTRY IS TO START WITH A LARGE FORTUNE. NEVERTHELESS IT IS AN INTEGRAL COMPONENT OF OUR ECONOMY AND TYPICALLY IS LOOKED AS THE BELLWEATHER CANARY IN THE COAL MINE IF YOU WILL AND HOW THE ECONOMIC HEALTH OF OUR STATE AND OUR NATION IS DOING. SO DESPITE THE FACT THAT THERE IS CLOSE TO A MILLION VEHICLES OPERATING HERE WE STILL LOOKING AT POTENTIALLY 300,000 OF THEM, 14,000 POUNDS, THAT ARE NOT MEETING THE STANDARDS.

NEXT SLIDE IF YOU DON'T MIND. NOW WHEN WE TALK ABOUT THIS PRORGAM IN PARTICULAR WE FLASH BACK TO 2008 WHEN INITIALLY THE AIR QUALITY IMPROVEMENT FUND WAS SET UP IN LEGISLATURE WITH THE IDEA WITH INJUNCTION OF MANY PROGRAMS THAT WERE CURRENTLY OPERATING TO SAY WE WANT TO HELP THOSE FOLKS OUT THERE WHO ARE UNABLE TO SECURE FINANCING ON THEIR OWN FOR CLEAN TRUCK PURCHASES. THAT WAS THE LEGISLATIVE INTENT SPECIFICALLY IN A.B. 1338 THAT SAYS HELP FLEETS THAT DEMONSTRATE FINANCIAL HARDSHIP. THAT'S WHAT THIS PROGRAM IS ABOUT. IT IS NOT ABOUT ECONOMIC DEVELOPMENT. ITS ABOUT HELPING SMALL BUSINESSES SPECIFICALLY SMALL TRUCKING FLEETS ATTAIN AFFORDABLE FINANCING SO THEY CAN PURCHASE HIGHLY SOPHISTICATED

NEW OR USED PIECES OF DIESEL OR ALTERNATIVE FUEL EQUIPMENT THAT REQUIRE REGULAR RATE INCINTERVAL AS WELL AS SEVERAL I GUESS TRUNKATED USE.

THE OLD SAYING IS THE BIG HEAVY OLD SCHOOL DIESEL ENGINE CAN GO A MILLION MILES BEFORE YOU WOULD HAVE TO REBUILD IT. GRANTED THIS IS THE SAME AS YOUR GRANDFATHER'S ENGINE YOU CAN WORK ON IN YOUR DRIVEWAY. YOU DIN'T NEED A LAPTOP TO DOWNLOAD DIAGNOSTIC INFORMATION ABOUT THE PIECE OF EQUIPMENT AS LONG AS YOU HAD SOME BAILING WIRING, RANCH AND DUCT TAPE AND YOU WOULD PROBABLY BE GOOD-TO-GO. SO AT THIS POINT IN TIME WHEN WE LOOK AT THIS HIGHLY SOPHISTICATED PIECE OF EQUIPMENT THEY ARE EXTREMELY EXPENSIVE.

WE'VE ALSO SEEN A USED TRUCK PRICE SPIKE UPWARD SO THAT A PIECE OF EQUIPMENT THAT WAS 2 TO 4 YEARS OLD UPWARDS IS PRICED TO \$80,000 OR \$90,000. THIS IS THE SAME INDUSTRY THAT WAS BUILT ON TRUCKS THAT WERE COMING OFF LONG HAULS THAT WENT INTO LOCAL JURISDICTION DRAYAGE USE THAT COST ABOUT \$10,000.

SO YOU CAN SEE THE ECONOMIC HAS DRASTICALLY SHIFTED. ONE REASON FOR THIS IS THE ON-ROAD TRUCK AND BUS RULE, DRAYAGE TRUCK RULE, THE TRANSPORT REFRIGERATION REGULATION, THE TRASH TRUCK RULE, THE OFF-ROAD RULE, THE L.S.I. RULE, A WHOLE HOST OF REGULATIONS AND NOT TO MENTION PERIODIC SMOKE INSPECTION PROGRAM, THE HEAVY-DUTY INSPECTION PROGRAM, IDLING LIMITS, ALL OF THESE THINGS CAUSE TRUCKING FLEETS TO HAVE TO SPEND MORE MONEY TO BEING COMPLIANT. WHEN YOU ARE SPENDING THAT MUCH MONEY IT'S DIFFICULT TO SOME INSTANCES IN THIS FLEET PROFILE ESPECIALLY YOUR MORE CONCERN WITH DRIVING YOUR TRUCK SPINNING THOSE WHEELS AND MAKING MONEY OPPOSE TO NECESSARILY MANAGING YOUR BUSINESS AS A DIRECT BUSINESS OWNER.

A LOT OF THESE GUYS ARE JUST SOLE PROPRIETORS. THEY NEVER WENT TO BUSINESS SCHOOL. THEY DON'T HAVE MBAS. THEY DON'T EVEN HAVE ACCOUNTANTS. IT'S A BOX OF RECEIPTS AND AT THE END OF THE YEAR THEY TRY TO FIGURE OUT HOW MUCH EXACTLY THEIR EXPENSES WERE. THIS IS THE REALITY WHAT WE ARE DEALING WITH.

FOR ME THESE PEOPLE ARE THE SALT OF THE EARTH. I'VE BEEN WORKING WITH THIS INDUSTRY FOR THE LAST ELEVEN YEARS AND FEEL THAT MY POSITION NOW HAS GIVEN ME THE STRENGTH TO HELP THESE FOLKS GET COMPLIANCE, KEEP THEIR DOORS OPEN, FEED THEIR FAMILIES, AND LIVE THE AMERICAN DREAM. AS ALLUDED TO MANY OF THE FOLKS WE ARE ENROLLING IN TO THIS PROGRAM ARE FOLKS OF COLOR. THEY'RE MINORITIES. IN FACT IN THE PROGRAM ITSELF, 80% OF THE LOANS HAVE BEEN ISSUED TO FOLKS IN THE DISADVANTAGED COMMUNITIES.

THE PROGRAM IS WORKING AND REALLY HELPING THE FOLKS THAT REALLY NEED HELP THE MOST. WHEN WE TALK ABOUT FINANCIAL HARDSHIP, AGAIN WE LEAN BACK ON THE IDEA OF WHERE THIS ORIGINAL INTENT OF THIS CONCEPT WAS. THESE ARE FOLKS THAT COULD NOT GET FINANCING IN THE FIRST PLACE. SO WE TOOK OUR ABILITY TO ENROLL LOANS IN TO THIS PROGRAM AT A CERTAIN CONTRIBUTION RATE WHICH HAS DECLINED SINCE WE'VE BEGUN THIS IN 2009. WE ARE CURRENTLY LOOKING AT A 4% CONTRIBUTION RATE. IT HAS COME DOWN FROM 20%. MOST OF THE ACTIVE LENDERS WITH \$1.5 MILLION IN RESERVE POOL FUNDS HAVE A 4% CONTRIBUTION RATE.

AS ALLUDED TO THERE ARE NO FEES IN THIS PROGRAM. SO WHEN WE TALK ABOUT WHAT WOULD HELP SUSTAIN IT, FROM THE PERSPECTIVE OF HELPING THOSE FOLKS STILL SECURE THE FINANCING THEY NEED

THAT IS AFFORDABLE, AS WELL AS INSURE THESE FOLKS ARE GOING TO GET IN TO COMPLIANT EQUIPMENT. THOSE WHO HAVE ALREADY PURCHASED MAY STILL NEED SOME HELP, AS WELL AS THOSE 20% TO 30% OUT THERE WHO ARE STILL REQUIRED TO UPGRADE UNDER THE RULES WITH NO GRANT OPPORTUNITY ETCETERA.

OUR THREE DIFFERENT CONCEPTS ESSENTIALLY START OFF WITH THE LARGER COALITION OF CALCAP LENDERS IT'S SOMETHING WE ALL SEE AS THE MOST SIMPLE CONSISTENT WAY TO MAINTAIN THIS PROGRAM, WHICH IS ESTABLISHING A 20% RESERVE THRESHOLD. GOING BEYOND THAT LOOKING AT THIS PROGRAM IN PARTICULAR FEES OR MANDATORY CONTRIBUTIONS. WE DON'T LIKE TO USE THAT WORD FEES IN THE INDUSTRY VERY MUCH. THOSE MANDATORY CONTRIBUTIONS WILL BE PASSED ON AT THE END OF THE DAY TO THE BORROWER WHICH IS GOING TO INCREASE THEIR COST. THIRDLY, WE FEEL THAT IF THERE IS NO ADDITIONAL STATE CONTRIBUTION, ALTHOUGH WE'RE LOOKING AT \$10 MILLION AS OF MARCH 21, ALTHOUGH NOT FINALIZED BY ARB, THERE'S \$10 MILLION TO \$15 MILLION ADDITIONAL THAT IS BEING PROPOSED ALLOCATED TOWARDS THIS PROGRAM. WHILE THEIR FUNDING PRIORITIES HAVE CHANGED, THEY STILL SEE A NEED FOR THIS PROGRAM, ESPECIALLY IN SUSTAINING PARTLY DUE TO THE FACT THAT THERE IS STILL ALMOST 30% OF THE PEOPLE THAT ARE OUT OF COMPLIANCE.

SO MOVING INTO THE CONCEPTS. IF YOU DON'T MIND, AND, AGAIN, FEEL FREE TO USE THAT QUOTE UP THERE IF YOU'VE GOT IT, A TRUCK BROUGHT IT. I LOVE TO SAY THAT. ONE THING IS AVOID RECAPTURE AT MATURITY AND SET AT 20% THRESHOLD. THIS IS GOING TO HELP BRING NEW LENDERS INTO THE PROGRAM KNOWING THERE IS SOMETHING THEY CAN SHOOT FOR WHILE ESTABLISHING A FLOOR FOR OTHERS FOR EXISTING LENDERS WHO HAVE REALLY HELPED BUILD THIS PROGRAM FOR THE LAST 7 YEARS TO SAY THERE IS GOING TO HAVE ADEQUATE LOAN LOSS RESERVE COVERAGE FOR RECAPTURE RECURRING. WHILE FOR US, WE LOOK AT THAT POOL THRESHOLD AS BEING THE CREDIT ENHANCEMENT. WITH OUR EFFECTIVE RESERVE THRESHOLD, MAINTAINED AT A CERTAIN PERCENTAGE, WE KNOW WE CAN COUNT ON THAT AND NOT HAVE TO WORRY ABOUT GOING TO A YEAR-TO-YEAR LOAN GUARANTEE.

IF YOU GO TO THE NEXT SLIDE, YOU'LL SEE IN THAT THING, IF WE TALK ABOUT GOING DIRECTLY TO RECAPTURE MATURITY, A LENDER IS GOING TO LOOK AT IT AS A LOAN GUARANTEE. THEY'RE NOT GOING TO LOOK AT IT AS A LOAN RESERVE. EVEN THOUGH IT HAS THE ABILITY TO ENROLL IN TO THE POOL THE UNCERTAINTY ABOUT WHAT LEVEL YOUR THRESHOLD IS GOING TO BE AT, AT THE TIME OF ORIGATION, YOU'RE GOING TO SAY I HAVE A 4% CONTRIBUTION ON IT THAT IS GOING TO BE GOOD FOR A 60 MONTHS PERIOD. SO, IN THE EXAMPLE, THAT IS UNDER THAT, TYPICALLY, IF YOU'RE IN A TIER 4 OR TIER 5 CREDIT AREA, THESE ARE NOT SUBPRIME BORROWERS, BUT FOR THE MOST PART, THESE ARE FOLKS WHO NEVER COMMERCIALY FINANCED A VEHICLE BEFORE. IF YOU NEVER COMMERCIALY FINANCED A VEHICLE BEFORE VERY FEW PEOPLE ARE GOING TO BE FALLING ALL OVER THEMSELVES TO ISSUE YOU A LOAN, ESPECIALLY YOUR BANK.

WE FIND THE EVALUATION IS DIFFICULT FOR SOME FINANCIAL INSTITUTIONS TO WRAP THEIR HEADS AROUND, ESPECIALLY BECAUSE OF RAPID DEPRECIATION IN THIS EQUIPMENT BECAUSE OF THE HIGHLY SOPHISTICATED EMISSIONS TECHNOLOGY. SO WHEN SOMEONE COMES TO ANY LENDER WITH A PARTICULAR CREDIT PROFILE, ONCE EXTENDED TO THEM THE APPROVAL BUT WITH STIPULATIONS. YOU HAVE TO COME UP WITH 20% DOWN IF YOU WANT TO TRY TO GET INTO THIS VEHICLE. MOST LENDERS WANT TO SEE SOME SKIN IN THE GAME.

WE ARE ABLE TO UTILIZE AND MOST LENDERS ARE ABLE TO UTILIZE THE LOAN LOSS RESERVE THRESHOLD AND SAY, OKAY PER THE EXAMPLE, IF I HAVE 17% OUTSTANDING LOAN LOSS RESERVE COVERAGE,

SOMEONE COMES TO ME AND SAYS, OR WE SAY TO THEM, MY CREDIT IS DICTATING AND YOU NEED A 20% DOWN PAYMENT. I CAN USE WHATEVER THAT LOAN LOSS COVERAGE IS AS IF IT WERE A DOWN PAYMENT, NOT NECESSARILY REDUCING THE CAPITAL OUTLAY, BUT REDUCING THE CREDIT THRESHOLD THAT IS NOW NECESSARY FOR HIM TO GET INTO THAT PIECE OF EQUIPMENT. SO INSTEAD OF SOMEONE COMING TO ME AND PUTTING 20% DOWN, NOW THEY'RE LOOKING AT 2% TO 5% DOWN. WHICH IS A MAJOR HURDLE FOR FOLKS GETTING INTO CLEAN EQUIPMENT WHETHER IT BE NEW OR USED IS THAT INITIAL CAPITAL OUTLAY. UNLESS YOU HAVE STELLAR CREDIT, IT'S VERY RARE TO GET 0% DOWN.

IN THIS INDUSTRY, UNFORTUNATELY, UNLESS SOME FOLKS HAVE SOME SKIN IN THE GAME, IT MAKES IT MUCH EASIER TO WALK AWAY FROM THE COLLATERAL WHICH AT THE END OF THE DAY JUST CREATES MORE ISSUES DOWN THE ROAD. IT'S SO VERY IMPORTANT TO UNDERSTAND THAT POOL THRESHOLD IS ACTING AS CREDIT ENHANCEMENT MERELY BECAUSE WE HAVE SUCH CHALLENGED CREDITS WHO ARE OUT THERE WHO ARE THE ONES REALLY BORROWING THIS MONEY. THIS IS TYPICALLY A SINGLE TRUCK GUY, HE HAS ONE TRUCK THAT'S ALL HE'S GOT. HE DOESN'T HAVE AN APARTMENT BUILDING TO HAVE AN ADA RETROFIT OR SEISMIC RETROFIT, ITS NOT A RESTAURANT, IT'S NOT A BAKERY OR FRANCHISE, THIS IS ONE MAN TYPICALLY, ONE WOMAN, AND ONE TRUCK.

IF YOU DON'T MIND GOING INTO THE NEXT SLIDE. AS ALLUDED TO BEFORE, WE ARE LOOKING AT ALL LENDERS, ACTIVE LENDERS, TODAY WITH THE 4% CONTRIBUTION. THAT'S NOT MUCH SO IF THE SAME GENTLEMAN CAME TO ME OR THE SAME LADY CAME TO ME AND SAID WE WANT TO GET A LOAN, IT SAYS YOU NEED TO COME UP WITH A 20% DOWN. NOW YOU'RE UP TO 15% TO 16% THAT YOU NEED TO COME DOWN WITH AND THAT IS TYPICALLY, IN OUR EXPERIENCE, THE MAIN HURDLE FOR FOLKS TO GET INTO THIS CLEAN EQUIPMENT IS THAT INITIAL CAPITAL OUTLET. SO THE CREDIT ENHANCEMENT IS ESSENTIALLY USED TO OFFSET THAT FOR THIS EQUIPMENT AT THE END OF THE DAY WHICH IS THE MOTIVATION OF THIS PROGRAM. AGAIN IT'S NOT ECONOMIC DEVELOPMENT. IT'S ABOUT GETTING DIRTY TRUCKS OFF THE ROAD AND GETTING CLEAN EQUIPMENT INTO THE FLEET -- TURNING OVER THE LEGACY SO WE CAN MEET THE FEDERAL AIR QUALITY ATTAINMENT GUIDELINES.

MOVING ON TO THE SECOND CONCEPT OF FEES/MANDATORY CONTRIBUTIONS. ALTHOUGH IT'S ATTRACTIVE TO LOOK AT AND SAY WE WANT TO CONTINUE THE PROGRAM'S SUSTAINABILITY WITH CHARGING MORE FEES. THE PROBLEM IS THAT BECAUSE OF THE WAY THIS INDUSTRY IS STRUCTURED THOSE FEES ARE ESSENTIALLY GOING TO BE PASSED ON TO THE END USER ONE WAY OR ANOTHER. THE MORE HURDLES YOU PUT IN FRONT OF THESE FOLKS, THE MORE DIFFICULT OF A TIME THEY'RE GOING TO HAVE ACHIEVING, YOU KNOW, ACHIEVING AFFORDABLE FINANCING. FOR US, WE THINK ANY TYPE OF INCLUSION OR MANDATORY CONTRIBUTION IS GOING TO TURN MORE PEOPLE AWAY AT THE DOOR AND HAVE THEM SEEKING OUT SOME OF THOSE SUBPRIME PREDATORY LENDERS JUST TO KEEP THE LIGHTS ON. THERE'S AN APR CAP EXISTS WITHIN CALCAP TODAY AND IT'S AT 20%. OURSELVES AND MANY OTHER OF OUR COLLEAGUE LENDERS AVOID GETTING TO THAT 20% IF POSSIBLE. I THINK THERE ARE FOLKS ISSUING LOANS WELL OUTSIDE OF THEIR NORMAL CREDIT PARAMETERS. BECAUSE GOING BACK TO THE MISSION OF THE PROGRAM, THIS WAS TO HELP FOLKS WHO WERE DEMONSTRATING FINANCIAL HARDSHIP. FOR US AND FOR MANY OTHER LENDERS, WE'RE NOT ENGAGING IN RISKY BEHAVIOR HERE. WHAT WE'RE DOING HERE IS USING OUR EXISTING CREDIT PARAMETERS AND HAVING TO POOL THAT AS THE ENHANCEMENT. SO ANY TIME YOU START SPRINKLING IN MORE FEES OR COSTS INTO THIS, THEY'RE JUST GOING TO BE PASSED ON TO THE BORROWER AT THE END OF THE DAY. THIS IS THE REALITY OF HOW THIS INDUSTRY WORKS.

THIRD AND FINAL, WE WOULD ALSO REQUEST THAT IF THERE WAS NOT AN ADDITIONAL STATE FUND BEING CONTRIBUTED TO THE LOAN LOSS RESERVE THAT LENDERS SHOULD BE ALLOW TO CONTINUE TO ENROLL AT RISK OF THEIR OWN POOL DEPLETION. WE THINK THERE'S A GREAT NEED OUT THERE AND JUST BECAUSE THERE ISN'T A STATE CONTRIBUTION, LENDERS WOULD STILL HAVE THE ABILITY TO GO AND FIND FOLKS WHO MIGHT OR WHO ARE GOING TO BE IN NEED OF GETTING THIS EQUIPMENT, GETTING INTO THIS CLEAN MORE EFFICIENT EQUIPMENT. TO HAVE THAT ABILITY AT THE END OF THE DAY IS WHAT HELPS SUSTAIN THE PROGRAM BUT ALSO GIVES US MORE PEACE OF MIND, I GUESS, FOR LACK OF A BETTER TERM, NOT GUARANTEED FUNDING.

SO RELATIVELY STRAIGHTFORWARD, I THINK THAT AT THE END OF THE DAY, YOU KNOW, FOR PURPOSES OF CONSISTENCY, HAVING A 20% RESERVE THRESHOLD FOR ALL PROGRAMS IS A NO-BRAINER. FROM OUR PERSPECTIVE ON-ROAD PROGRAM IS VASTLY DIFFERENT FROM ALL OF THE OTHER CALCAP PROGRAMS IN THE CPCFA PORTFOLIO. PRIMARILY, BECAUSE AGAIN THIS IS NOT AN ECONOMIC DEVELOPMENT PROGRAM, WE'RE LOOKING AT EXTREMELY DIFFERENT CREDIT PROFILES. WE ARE A FRONTLINE LENDER ALSO. WE ARE IN SEVERAL DEALERSHIPS THROUGHOUT CALIFORNIA. WE DO DIRECT LENDING IN THE VALLEY UP TO THE UPPER NORTHERN CALIFORNIA AND WE HAVE A DIVERSE SET OF CLIENTS AND EVERY SINGLE ONE OF THEM HAS ONE MISSION INVOLVED AND THAT IS TO BE IN COMPLIANCE WITH THE AIR RESOURCES BOARD'S RULES. AS FIRST AND FOREMOST, IF YOU'RE OPERATING IN CALIFORNIA, BECAUSE YOU CAN'T OPERATE HERE IF YOU DON'T MEET THE STANDARDS OR UNLESS YOU REPORT TO THE ARB FOR SOME TYPES OF EXEMPTIONS AND THE EXEMPTIONS ARE VERY THIN IN THEIR APPLICABILITY. THERE'S INCENTIVE FUNDINGS OUT THERE, BUT IT DOESN'T HELP THOSE FOLKS WHO ARE OUT OF COMPLIANCE. THIS PROGRAM CAN HELP PEOPLE GET OUT OF THAT DIRTY EQUIPMENT AND GET INTO THE CLEAN EQUIPMENT.

I ALWAYS LIKE TO SAY TO FOLKS, REMEMBER THE MISSION. FOR US, THE MISSION IS DRIVEN BY THE LEGISLATURE. HELP THOSE FOLKS WHO CANNOT HELP THEMSELVES. HELP THE INDUSTRY GET THOSE DIRTY TRUCKS OFF THE ROAD. GET THE CLEAN EQUIPMENT OUT THERE AND PROVIDE A MECHANISM FOR LENDERS TO AT LEAST MITIGATE THEIR RISK WHEN THEY'RE ENTERING IN TO THESE AGREEMENTS. WHEN THIS PROGRAM STARTED IN 2009, ONE EXERCISE IS WHAT WE DID IS WE CALLED EVERY SINGLE ON-ROAD LENDER AND LENDER THAT WAS ENGAGED IN CALCAP AND ASKED HOW MANY LOANS THEY'VE BEEN ENROLLING INTO THE ON-ROAD PROGRAM, THE ANSWER WAS ZERO. WE TOOK A STRONG EFFORT AND STARTED ENGAGING WITH OUR FELLOW LENDERS TO GET INVOLVED IN THIS PROGRAM AND TO START BUILDING THIS UP. THERE WAS A POINT WHERE ARB HAD COME TO LENDERS AND DID AN R.F.P. FOR SOMEONE TO MANAGE THIS PROGRAM. ONE OF ITS OTHER MONIKERS IF YOU KNOW IS PROVIDING LOAN ASSISTANCE FOR CALIFORNIA EQUIPMENT THE PLACE PROGRAM. I DO LOVE ACRONYM, SO I COULDN'T RESIST SHARING THAT ONE. BUT NEVERTHELESS THEY FOUND THAT IT WAS VERY DIFFICULT TO TRY AND ADMINISTER A LOAN GUARANTEE PROGRAM THROUGH A THIRD-PARTY CONTRACTOR AND THE PREFERRED WAY WAS TO GO THROUGH THE TREASURER'S OFFICE AND HAVE SET PROGRAMS THAT WERE ALREADY IN PLACE AND INFRASTRUCTURE THAT COULD BE USED. THE AGREEMENTS THAT WERE ENTERED INTO BY LENDERS BACKED BY 2009 HAD NOTHING TO DO WITH RECAPTURE. IF WE WERE TOLD IN 2009 THAT THESE FUNDS WOULD BE RECAPTURED IN THE NEAR FUTURE, WE WOULD HAVE APPROACHED THIS VERY, VERY DIFFERENTLY. AND RIGHT NOW, TO GO STRAIGHT TO THE RECAPTURE MATURITY IS CHANGING HORSE MIDSTREAM. WE WOULD HAVE NEVER MADE THESE CREDIT DECISIONS IF WE KNEW WE WOULD HAVE THE FLOOR PULLED OUT FROM UNDER US THROUGH SOME TYPE OF RECAPTURE. MORE OR LESS, THAT'S GENERALLY IT. I WOULD ENTERTAIN ANY QUESTIONS AND

WHATSOEVER AND HOPE THAT IT CAME THROUGH CLEARLY ENOUGH THAT, YOU KNOW, AGAIN, IF YOU'VE GOT IT, A TRUCK BROUGHT IT AND WE NEED THIS PROGRAM TO CONTINUE TO HELP AND TURN OVER EQUIPMENT, GET THAT DIRTY EQUIPMENT OFF THE ROAD AND HELP MAKE CALIFORNIA'S SMALL BUSINESSES IN THIS INDUSTRY BE SUCCESSFUL. THANK YOU.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU, MATT. TURN IT OVER TO OUR PANEL. ASK ANY QUESTIONS.

>> **DAVID HAITHCOCK:** I'LL ASK A QUICK ONE. JUST QUICK OFF, SPOT ON PRESENTATION. I MEAN IT'S NICE TO SEE SOMEONE PASSIONATE ABOUT WHAT THEY DO. YOU CAME OUT VERY CLEAR. WHAT IS THE TYPICAL LOAN AMOUNT FOR SOMETHING LIKE THIS AND WHAT IS YOUR AVERAGE DEFAULT?

>> **MATT SCHRAP:** YOU KNOW IT DEPENDS WITHIN THE CREDIT TIERS. TYPICALLY WE'RE LOOKING FROM ABOUT A 3% TO 5% DEFAULT DEPENDING ON CREDIT TIER. FLEET SIZE HAS A LOT TO DO WITH IT. AVERAGE LOAN AMOUNT IS ANYWHERE FROM ABOUT \$40,000 TO \$56,000, I WOULD SAY, THAT'S ONLY ON USED EQUIPMENT TYPICALLY. HOW WE STRUCTURE A USED PIECE OF EQUIPMENT FROM A NEW EQUIPMENT ARE MUCH DIFFERENT. IF YOU GET INTO A NEW PIECE OF EQUIPMENT, YOU'RE LOOKING AT FEDERALIZED TAX OF 4% RIGHT ON TOP LOCAL SALES TAX, ET CETERA, ET CETERA. VERY EXPENSIVE FOR FOLKS. SO IN THIS FLEET PROFILES RATHER GO USED, BUT THESE EQUIPMENT HAS GOTTEN VERY EXPENSIVE OVER THE YEARS AS WELL.

>> **ANNMARIE RODGERS:** FORGIVE ME, I SHOULD KNOW THE ANSWER TO THIS. DO YOU MAKE LOANS TO BUSINESSES OUTSIDE OF CALIFORNIA?

>> **MATT SCHRAP:** THE THRESHOLD FOR THE CALCAP PROGRAM IS ESSENTIALLY 51% OF YOUR ECONOMIC EFFECT. HOW IT'S STRUCTURED WITH THE ON-ROAD RULES, TO SAY 51% OF YOUR MILES ARE IN CALIFORNIA ANNUALLY WITH THE NEW VEHICLE, THEN THAT WOULD QUALIFY AS WELL. SO VERY, VERY RARE DO WE GET FOLKS WHO ARE BASED IN RENO, POSSIBLY IN LAS VEGAS WHERE THEY'RE DOING MOST OF THEIR MILES IN CALIFORNIA, THEN THERE IS THAT POSSIBILITY. YES.

>> **ANNMARIE RODGERS:** OKAY. SO I JUST WANT TO MAKE SURE. CLARIFY THE MILLIONS OF TRUCKS IS NATIONAL?

>> **MATT SCHRAP:** MILLIONS OF TRUCKS IS WHAT IS OPERATING IN CALIFORNIA ON AN ANNUAL BASIS, STATE AND OUT OF STATE.

>> **ANNMARIE RODGERS:** RIGHT SO 400,000 REGISTERED IN CALIFORNIA. I JUST WANTED TO MAKE THAT CLARIFICATION.

>> **MATT SCHRAP:** SO PER THOSE NUMBERS, I WOULD SAY HALF OF THEM ARE OUT OF COMPLIANCE, OR COMPARED TO AT LEAST 30% FROM THAT ANGLE. SO IF WE GO DOWN, MAYBE IT'S ONE HUNDRED THOUSAND VEHICLE INSTEAD OF THREE HUNDRED THOUSAND.

>> **TIM SCHAEFER:** THANK YOU, MATT. THANK YOU FOR THE PRESENTATION. I'M GOING TO ASK SOME QUESTIONS AND I SUSPECT I KNOW THE ANSWER TO BUT I WANT TO HEAR YOU OUT. I LIKE TO HEAR YOUR EXPANSION ON IT. I THINK YOU'VE MADE IT PRETTY CLEAR FROM THE DISCUSSION IN YOUR

PRESENTATION THAT THIS PROGRAM, BECAUSE OF ITS STATUTORY DNA, IT'S QUITE DIFFERENT FROM OTHER PROGRAMS. SO I'M GOING TO ASK YOU A SOFTBALL QUESTION THEN. SO IF YOU PULL FEES AND CONTRIBUTIONS FROM ALL CALCAP PROGRAMS AND TO A SINGLE LOSS PROGRAMS, YOU WOULD PROBABLY THINK THAT IS WHAT KIND OF AN IDEA?

>> **MATT SCHRAP:** BAD.

>> **TIM SCHAEFER:** OKAY. JUST CONFIRMING. YOU HAVE A LOT OF EXPERIENCE WITH THIS PROGRAM. WHAT THOUGHTS COULD YOU OFFER THE PANEL AND THE STAFF AT CPCFA ON WHAT THEY MIGHT DO GOING FORWARD TO ENCOURAGE OTHER LENDERS AND COMPETITORS TO GET INTO THE PROGRAM? YOU MENTIONED THIS TWICE IN YOUR PRESENTATION. WHAT ADVICE WOULD YOU GIVE? WHAT ADVICE WOULD YOU GIVE ME IF I WAS GOING TO BECOME A COMPETITOR?

>> **MATT SCHRAP:** I WOULD SAY THERE ARE PARAMETERS, CURRENTLY IN PLACE THAT WOULD ENTICE A LENDER TO COME IN. THAT WOULD BE A 20% CONTRIBUTION RATE. SO IF YOU COME IN RIGHT AWAY, YOU'RE GETTING A 20% CONTRIBUTION ON ANY ROLL ON ELIGIBLE LOAN THAT YOU ENROLL INTO THE PROGRAM. NOW, FROM AN OUTREACH PERSPECTIVE, I THINK THAT THERE WOULD BE AT FUNCTION, POTENTIALLY THROUGH ARB WHICH THEY DO A GOOD JOB OF TELLING END-USERS THAT THIS PROGRAM EXIST. BUT MAYBE THERE COULD BE A LITTLE BIT MORE ROBUST EFFORT IN OUTREACH SAYING TO ESTABLISH LENDERS IN CALIFORNIA - HEY, THERE'S A PROGRAM THAT CAN HELP GETTING SOME OF THESE TRUCKING FLEETS INTO THE COMPLIANT EQUIPMENT. WHY AREN'T YOU PARTICIPATING AND WHAT'S HOLDING YOU BACK FROM PARTICIPATING? PLEASE COME ON DOWN AND WE WOULD LOVE TO HAVE YOU. I THINK IT'S A FUNCTION OF OUTREACH MORE SO THAN PROGRAMATIC STRUCTURE.

>> **TIM SCHAEFER:** BY OUTREACH, YOU DON'T NECESSARILY MEAN -- I WANT TO BE CAREFUL I DON'T MAKE THE WORD "SALES" IN A PEJORATIVE TERM. BUT OUTREACH IS EDUCATION AND INFORMATION AS OPPOSED TO SELLING. ALL RIGHT. GIVEN THE SIZE OF, YOU HAVE INDICATED YOUR TYPICAL LOAN AMOUNT IS \$40,000 TO \$56,000. THAT WOULD SUGGEST TO ME, CORRECT ME IF I'M WRONG, THAT RESERVATION SYSTEM WOULD PROBABLY BE A LITTLE USE TO YOU. YOU MIGHT BE MORE INTERESTED IN THAT IF YOU WERE OPERATING ON BRAND NEW EQUIPMENT WITH HIGHER PRICE TAGS. IS THAT A FAIR ASSUMPTION FOR ME TO WALK AWAY WITH?

>> **MATT SCHRAP:** I BELIEVE IT IS. PRIMARILY, BECAUSE AGAIN THE PROFILE THAT WE'RE SERVING IS MOTIVATED TOWARDS THAT USED EQUIPMENT. AND GRANTED, BECAUSE OF THE TECHNICAL SOPHISTICATION OF SOME OF THESE EQUIPMENT COMING OFF THE LINE IS MORE EXPENSIVE. AND I WOULD THINK PROBABLY 60 TO 70 AS OF LATE WOULD BE A LITTLE BIT MORE APPROPRIATE. WE'RE GOING BACK TO 2009, THAT'S WHERE THAT AVERAGE NUMBER WOULD COME IN. THE OTHER THING ABOUT THE INDUSTRY IS THAT IT DOES EBB AND FLOW. AND THE FIRST QUARTER HERE OF 2017, THERE HAS BEEN VERY LITTLE NEW AND USED TRUCK SALES ACTIVITY. AND THAT'S JUST BEEN A FUNCTION OF FOLKS THAT HAVE BOUGHT A LOT OF EQUIPMENT LAST YEAR AND FOCUSED SOME OF THE RULES HERE IN CALIFORNIA HAVING A GAP BEFORE 100% COMPLIANCE IS NECESSARY AT THE END OF THE YEAR WHICH MAY DRIVE SOME ADDITIONAL PURCHASES. AND RESERVATION FROM THAT PERSPECTIVE, WE WOULD THINK THAT HAVING THE FUNDS AVAILABLE ON-DEMAND IS GOING TO BE MUCH MORE PREFERRED TO US UNLESS WE START GETTING INTO THOSE MUCH LARGER NUMBERS. WHICH A NEW TRUCK OUT THE DOOR TODAY WITH A SLEEPER BERTH CONFIGURATION COST YOU UPWARDS OF \$170,000.

>> **TIM SCHAEFER:** SO THAT BEGS MY LAST QUESTION HERE. AND MY LENDING DAYS ARE LONG GONE AND BEHIND ME. AND THIS IS PROBABLY A NAÏVE QUESTION COMING FROM ME FROM SOMEONE WITH 40 YEARS OF LENDING IN THE REARVIEW MIRROR. WHEN THE COLLATERAL ROLLS AND ITS MOVABLE, RECOVERIES ARE DIFFERENT KIND OF A FISH. AND RECOVERY PIECE OF EQUIPMENT. THIS CAN BE QUITE EXPENSIVE WHEN YOU'RE CONSIDERING IT'S SITTING IN WISCONSIN INSTEAD OF SOMEWHERE IN LA BREA. SO ARE YOU PREPARED TO SHARE WHAT YOUR RECOVERY RATES ARE? YOU'VE INDICATED 3% TO 5% RATE, WHAT IS YOUR RECOVERY RATE?

>> **MATT SCHRAP:** TO BE HONEST, I WOULDN'T BE COMFORTABLE JUST GIVING AN ANSWER OFF THE TOP OF MY HEAD. BECAUSE THAT'S SOMETHING I WASN'T NECESSARILY COMPLETELY PREPARED FOR. AND I DON'T WANT TO HAVE MY LENDING YEARS IN MY REAR-VIEW MIRROR QUITE AS OF YET. BUT HAVING SAID THAT, ONE THING THAT MOST LENDERS DO WITH ANY TYPE OF ROLLING ASPECT IS REQUIRED GPS. AND, SO, WE HAVE THE ABILITY TO TRACK THAT VEHICLE WHEREVER IT GOES. WE CAN SET UP GEOFENCING IF NECESSARY. TYPICALLY WE AREN'T WATCHING THESE GUYS LIKE BIG BROTHER. WE ONLY LOOK WHEN WE HAVE A PROBLEM AND WE'RE CONTRACTED WITH REPOSSESSION AGENCIES ALL OVER THE COUNTRY. AND, SO, NO MATTER WHAT, WE WILL FIND THAT TRUCK. GRANTED, MOTHERS OF NECESSITY OF INVENTION, I THINK THAT'S HOW YOU SAY IT. EXCUSE ME. NEVERTHELESS, WE'VE GONE THROUGH THE MOTIONS WITH SOME BORROWERS WHO HAVE GOTTEN PRETTY CREATIVE IN PULLING OUT AND FINDING THAT GPS. AND IT IS BURIED INSIDE THE DASH. IT IS NO SMALL TASK GETTING THAT THING OUT OF THERE. SO WE'VE BECOME VERY ADEPT IN MAKING SURE THEY DON'T HAVE THE ABILITY UNPLUGGED IT AND GO OFF TO MEXICO OR CANADA, BOISE, IDAHO, MONTANA WHEREEVER. WE HAVE A VERY GOOD RECOVERY RATE. I WOULD VENTURE TO SAY IT'S CLOSE TO IF NOT 100%.

>> **TIM SCHAEFER:** THANK YOU.

>> **RENEÉ WEBSTER-HAWKINS:** ANY OTHER QUESTIONS? WELL, THANK YOU, MATT. AND WE NOW HAVE EARNED A WELL-DESERVED BREAK. IT IS -- IT LOOKS LIKE IT IS 11:49. LET'S RETURN AT THE TOP OF THE HOUR AT NOON WHERE WE CAN RECONVENE. THANK YOU.

[BREAK]

>> **RENEÉ WEBSTER-HAWKINS:** WE WANT TO PROVIDE CPCFA STAFF DATA AND ANALYSIS IN SUPPORT OF TWO DIFFERENT APPROACHES TO RECAPTURE. AS WAS MENTIONED, SENATE BILL 551 AUTHORED BY SENATOR HUESO FOR CALCAP FOR SMALL BUSINESS PROGRAM AND WE KNOW THAT A NUMBER OF YOU PARTICIPATING TODAY SUPPORT THAT BILL. AND THE CURRENT LANGUAGE IN THE BILL SEEMS TO REFLECT WHAT BOTH OPPORTUNITY FUNDS AND CROSSROADS HAVE PROPOSED HERE TODAY. AND BASED ON THAT ASSUMPTION, WE HAVE TAKEN THE ASSUMPTIONS BUILT INTO THE PROPOSALS THAT YOU'VE HEARD ALREADY AND WE'VE APPLIED THAT TO OUR CURRENT LOAN PORTFOLIO IN BOTH THE SMALL BUSINESS AND ARB PROGRAMS RESPECTIVELY. WE'VE ALSO APPLIED A SLIGHTLY DIFFERENT WAY TO ESTABLISH A THRESHOLD TAKING TO HEART AND THE CONSIDERATION AND NEED FOR A THRESHOLD. AND WE WERE PROPOSING THE CONSIDERATION OF SOMETHING SLIGHTLY DIFFERENT.

SO THE FIRST IS WHAT WE'RE CALLING THE STAKEHOLDER 20% RECAPTURE SCENARIO. JUST TO BE CLEAR THAT WE'RE ALL ON THE SAME PAGE WHEN WE'RE USING CERTAIN TERMS OR REFERENCES, WE'VE INTERPRETED THE PROPOSAL TO MEAN THAT 20% OF THE OUTSTANDING PRINCIPAL BALANCE OF ENROLLED LOANS AT ANY GIVEN TIME, AND THIS IS ON A PER LENDER BASIS, THAT THE MINIMUM THRESHOLD THAT WOULD REMAIN IN THE LOAN LOSS RESERVE FUND FOLLOWING ANY KIND OF

RECAPTURE WOULD ALWAYS BE AT LEAST 20%. IN OTHER WORDS, THE EFFECTIVE RECAPTURE WOULD NEVER BRING THE THRESHOLD IN A LOAN LOSS RESERVE FUND DOWN BELOW 20% OF THE OUTSTANDING PRINCIPAL BALANCE OF ENROLLED LOAN. AND THEN BASED ON HAVING SET THAT THRESHOLD THE AMOUNT AVAILABLE FOR RECAPTURE FOR A GIVEN LENDER WOULD EQUAL THE TOTAL PUBLIC CONTRIBUTION FOR LOANS THAT HAVE MATURED OR THAT ARE OLDER THAN 5 YEARS FROM INITIAL ORIGINATION. IN FURTHER WE WOULD NOT COUNT IN THE TOTAL PUBLIC CONTRIBUTION-- ANY CONTRIBUTIONS RELATED TO LOANS, WHICH IN FACT, HAD DEFAULTED.

COMPARE THAT TO A STRAW PROPOSAL THAT STAFF HAS APPLIED TO THE SAME DATA SET AND WE'RE CALLING THIS THE CONTRIBUTION RATIO CALCULATION. AS YOU'VE HEARD TODAY, UNDER THE SMALL BUSINESS LENDING PROGRAMS, THERE IS A VARIABLE CONTRIBUTION PER LOAN INTO A LENDER'S LOAN FUND DEPENDING ON THE FEE THAT THE LENDER SELECTS FOR THAT LOAN AT THE POINT OF ORIGINATION. WE'LL BE EXPLAINING THIS IN A LITTLE MORE DETAIL. HOWEVER, WHAT THIS WILL DO WITH THIS RATIO CALCULATION WILL DO IS IT WOULD SET THE THRESHOLD RELATIVE TO THAT LENDER CHOICE MADE AT THE TIME OF EACH LOAN ENROLLMENT. SO THIS RATIO CALCULATION THE FORMULA LOOKS LIKE THIS. THE LOAN LOSS RESERVE BALANCE OVER THE OUTSTANDING PRINCIPAL BALANCE WILL ALWAYS BE GREATER THAN OR EQUAL TO THE TOTAL FEES AND CONTRIBUTIONS FOR EACH LENDER OVER THE TOTAL LOAN ENROLLED AMOUNT IN THAT PORTFOLIO. SEVERAL ASSUMPTIONS WERE MADE IN THE SAME AS WITH THE STAKEHOLDER TO 20% PROPOSAL WHICH CPCFA COULD RECAPTURED ALL FUNDS CONTRIBUTED FOR ALL LOANS WHICH HAVE EITHER MATURED OR EXCEEDED 60 MONTHS SINCE DISBURSEMENT AND AT WHICH DID NOT DEFAULT. TAKING THIS, OR APPLYING THIS FORMULA, WHAT IT DOES IS, IT HIGHLIGHTS THE FACT THAT THE DECISION MADE BY EACH LENDER DETERMINES THE LEVEL OF CPCFA CONTRIBUTION FOR EACH LOAN AND THE TOTAL AMOUNT TO BE DEPOSITED IN THE LENDER'S LOAN LOSS RESERVE FUND FOR EACH LOAN. AND TAKING THAT DECISION AT THE POINT OF ORIGINATION AS A REFLECTION OF THE LENDER'S ESTIMATION OF THE RISKS ASSOCIATED WITH EACH LOAN, THIS ALTERNATIVE CALCULATES THE AGGREGATE RISK AND CORRESPONDING INVESTMENT BY EACH LENDER IN THIS RISK SHARING PROGRAM. SO SPECIFICALLY THE THRESHOLD FOR EACH LENDER BECOMES THE TOTAL OF FEES AND CONTRIBUTIONS AS A PERCENTAGE OF THE TOTAL AMOUNT OF ENROLLED LOANS. GIVEN THE RANGE OF LENDER FEES, AND AGAIN THIS IS PERTAINING TO THE SMALL BUSINESS PROGRAM AND THE RANGE OF LENDERS CAN SELECT, THE TOTAL FEES FOR EACH LOAN CAN RANGE FROM 4% TO 17.5%. SO WHICH IS A PRETTY CONSIDERABLE DIFFERENCE FOR SOME LOANS. WHAT WE SEE FROM CPCFA PERSPECTIVE IS WHAT WE ARE SEEING AND APPROVING LOANS ON BEHALF OF LENDERS, ALWAYS SELECTING THE INITIAL FEE. SOME LENDERS ALWAYS SELECT THE HIGHEST. SOME LENDERS ALWAYS LIKE THE LOWEST. SOME LENDERS SELECT LOAN BY LOAN FOR WHATEVER CREDIT DECISION THAT LENDER IS MAKING. SO WE FEEL WE HAVE A LOT OF DIFFERENT BEHAVIORS AND WE LIKE TO ALLOW THAT FREEDOM TO EXIST. HOWEVER, WHAT THIS FORMULA WOULD DO IS IT WOULD SET THE THRESHOLD FOR EACH LENDER BASED ON THAT LENDER'S INDEPENDENT DECISION-MAKING REFLECTING THEIR ASSESSMENT OF THE RISK AT THE TIME THEY'RE ENROLLING LOANS.

SO APPLYING AND COMPARING THESE TWO THRESHOLDS. THIS SLIDE SHOWS HOW THE TWO APPROACHES WOULD WORK FOR FOUR SAMPLE LENDERS. AND THIS IS IN CALCAP SMALL BUSINESS PROGRAM. BASED ON OUR DATA COLLECTED FROM THESE LENDERS ENROLLMENTS, CLAIMS AND QUARTERLY REPORTS. OF NOTE, THE TOP LINE FOR THESE SAMPLE LENDERS REFLECT THEIR CURRENT LOAN LOSS RESERVE BALANCE. THE YELLOW ROW REFLECTS THE SHARE OF CONTRIBUTIONS FROM CPCFA INCLUDING OUR FEDERAL AND STATE MONIES THAT WE CONTRIBUTED BASED ON THE SMALL

BUSINESS CONTRIBUTION FORMULA. FOR THE AGED OUT LOANS WHICH MATURED OR ARE OVER 5 YEARS OLD AND WHICH HAVE DEFAULTED AND THEN THE GREEN ROW SHOWS AFTER APPLYING THE TWO DIFFERENT METHODOLOGIES, WHICH AMOUNTS WOULD ACTUALLY BE RECAPTURED FOR FUTURE PROGRAM USE UNDER THESE TWO DIFFERENT SCENARIOS. WE NOTE THIS DATA REFLECTS THE LIKELY RECAPTURE FROM THESE SAMPLE LENDERS IN ONLY THE FIRST OR INITIAL YEAR OF APPLYING A RECYCLING MECHANISM. WE SUSPECT THE FUTURE YEARS WILL NOT BE AS ROBUST SINCE THE CONTRIBUTION ASSOCIATED WITH THE OLDEST LOANS ENROLLED IN ANY TIME WILL BE SWEEPED INITIALLY IN THE FIRST ROUND AND THAT IN FUTURE YEARS ONLY ONE YEAR'S WORTH OF RECAPTURE WILL BE AVAILABLE FOR POTENTIAL COLLECTION. WE NOTE THAT NEITHER APPROACH ACCOUNT FOR LENDERS WHICH HAVE HIGHER CLAIM AMOUNTS, WHICH MAY HAVE DRAWN DOWN THEIR LOAN LOSS RESERVE ACCOUNTS MORE RAPIDLY. AND IN THAT VAIN, THAT METHODOLOGY WHICH IGNORES THAT ASPECT OF THAT ACTIVITY IN THE LOSS RESERVE ACCOUNT COULD SERVE AS AN INCENTIVE FOR LENDERS TO FILE CLAIMS EARLY BEFORE COMPLETING THEIR NORMAL LIQUIDATION AND COLLECTION EFFORTS. BUT WE URGE EACH OF YOU TO DRAW FROM THESE SAMPLE DATA SETS FOR WHAT'S NOTABLE FOR IMPORTANT TO YOU. TURNING TO THE CALCAP FOR ARB PROGRAM, WE HAVE PROVIDED THE SAME DATA SETS FOR THREE SAMPLE LENDERS PARTICIPATING IN THE ARB PROGRAM. HERE, THE REASON FOR THE VARIABLE PERCENTAGE UNDER THE RATIO CALCULATION IS NOT A REFLECTION OF THE LENDER'S SELECTION OF THE LENDER'S FEE AT THE TIME OF THE ENROLLMENT. BUT RATHER THE VARIATION OF CPCFA CONTRIBUTION AS IT'S CHANGED OVER THE YEARS. AS MATT INDICATED, THERE'S A GRADUATED CONTRIBUTION SCHEDULE AT THE INCEPTION OF THE PROGRAM THAT'S IDENTIFIED AS AN IMPORTANT PRIORITY TO INCENTIVIZE NEW LENDER PARTICIPATION IN THE PROGRAM. AND THEREFORE, THERE WAS A TWO STEP CONTRIBUTION SCHEDULE THAT FOR NEW LENDERS UP TO A CERTAIN PORTFOLIO AMOUNT, THEIR CONTRIBUTION WOULD BE 20% OF THE ENROLLED LOANS. WHEN THEY REACHED THE MAGIC NUMBER, THE CONTRIBUTIONS WOULD DROP OVER THE 7 YEARS OF THE PROGRAM, THAT LOWER CONTRIBUTION HAS VARIED. AT ONE POINT IT WAS 14% AND THEN IT DROPPED TO 10 AND NOW WE'RE ADDING WHERE IT'S A SLOW OVERALL PROGRAM EXPENDITURES, WE HAVE A 3 TIER PROGRAM CONTRIBUTION SCHEDULE WHERE 14%, 10%, AND 4%. AND, SO, WHAT THIS VARIABLE RATE HERE IS, THE RATIO CALCULATION REFLECTS IS THAT FOR EACH OF THESE LENDERS, THAT THRESHOLD IS THE AVERAGE OF THE CONTRIBUTION THAT WE'VE PROVIDED FOR THE LOANS OVER THEIR ENTIRE PORTFOLIO LOANS THEY HAVE ENROLLED REGARDLESS OF THE CONTRIBUTION WAS AT THE TIME.

SO WITH THAT, WE LIKE TO TURN TO PARTICIPANT COMMENTS. SEVEN PEOPLE HAVE INDICATED THEY WOULD LIKE TO PROVIDE SOME COMMENTS SO GIVEN THE TIME, EACH OF YOU CAN TAKE 3 MINUTES. AND WE CAN STILL GET OUT OF HERE IN TIME AS SCHEDULED BY 1 O'CLOCK. SO WE'RE GOING TO START WITH MR. SHERVIN RASHTI. JUST SO YOU KNOW FOLLOWING SHERVIN, WE'LL HAVE CLAUDIA VEEK AND GABRIEL VILLAREAL. WHAT I ASK IS EACH PERSON ADDRESSES US, IF YOU CAN IDENTIFY YOUR ORGANIZATIONAL AFFILIATION. AND WE WILL HAVE A RESPECTFUL COLOR CODED SYSTEM WHEN YOU ARE NEAR THE END OF YOUR COMMENTS. YELLOW IS WHEN YOU HAVE A MINUTE LEFT AND RED WHEN WE KINDLY ASK YOU TO WRAP UP YOUR THOUGHTS.

>> **SHERVIN RASHTI:** THERE'S NO GREEN? WELL, THANK YOU FOR HAVING US AND THANK YOU FOR JOINING US ON THE PANEL. MY NAME IS SHERVIN RASHTI COO AT MAXIM CAPITAL COMMERCIAL. WE'RE A SUBPRIME SPECIALTY FINANCE COMPANY THAT HAS A PORTFOLIO THAT'S VERY MUCH INVOLVED WITH TRUCK FINANCING. AND WE PARTICIPATE HEAVILY IN THE ARB HEAVY OVER THE ROAD TRUCK PROGRAM. ONE OF THE FACTORS THAT WE REALLY LIKE TO ADDRESS IS OBVIOUSLY THE RECAPTURE INITIATIVE AND

JUST WANT TO DO VOICE OUR CONCERN WITH THE PROPOSED CHANGES WITH RESPECT TO INDIVIDUAL RECAPTURE AS OPPOSED TO SOME OF THE OTHER PROPOSALS THAT HAVE COME ABOUT, NAMELY THE 20% THRESHOLD. WHEN WE WENT ABOUT UNDERWRITING THESE LOANS, WE DID IT WITH THE MINDSET THAT THESE ARE DONE WITH THE OFFSET OF HAVING THE LOSS MITIGATION AS A CALCAP RESERVE PROGRAM ON HAND. BASED ON INITIALLY WHAT SERVED AS 20% AND THEN DISCUSSED EARLIER ALL THE WAY DOWN TO THE 4%. WITH THAT KIND OF INITIATIVE IN MIND AND HAVING THE RESERVES AVAILABLE, THAT HAS GIVEN US THE ABILITY TO UNDERWRITE TO THOSE WITHOUT REALLY ANY THOUGHTS TO HAVING THAT RECAPTURE OR CHANGE OR MODIFIED IN ANY WAYS. SO IT REALLY HAS GIVEN US THE ABILITY TO LEND TO A BROADER SCOPE OF BORROWERS WHICH I BELIEVE IS THE SPIRIT OF THE WHOLE INITIATIVE TO BEGIN WITH AND THE ABILITY TO DO SO WITH SUCH WORKING WITH OTHER DEALERSHIPS, WE WORK WITH THE DIFFERENT BORROWERS AND WORK WITH DIFFERENT LENDING INSTITUTIONS, SYNDICATES, ET CETERA. SO A LOT OF ADDITIONAL PROPOSED ITEMS HAVE TAKEN PLACE IN THE FRAMEWORK OF HAVING THIS RESERVE IN PLACE. SO I JUST WANTED TO VOICE OUR CONCERNS WITH MAKING THAT RETROACTIVE TYPE CHANGE AND HOW IT CAN REALLY IMPACT US AS LENDERS AND OUR ABILITY TO REALLY CONTINUE FORWARD AND DOING WHAT THIS WHOLE ARB PROGRAM WAS SET OUT TO DO – PUT CLEAN TRUCKS OUT ON THE ROAD. SO THANK YOU.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU, SHERVIN. ALL RIGHT. MS. CLAUDIA VIEK.

>> **CLAUDIA VIEK:** THANK YOU. I WANTED TO BE LAST. THANK YOU TODAY PANEL FOR GIVING THE EXCELLENT PRESENTATIONS. CAMEO IS A STATEWIDE NETWORK OF MICROBUSINESS AND MICROLENDERS AND WE HAVE 122 NON-PROFIT MEMBERS THAT SERVED ABOUT 45 THOUSAND SMALL BUSINESSES, LARGELY IN LOW AND MODERATE IN THE COMMUNITY. ABOUT 33 OF OUR MEMBERS ARE LENDERS – MOST ARE CDFI AND IN FACT MR. DANIELS HERE FROM SBDC. AND NUMBER OF OUR MEMBERS ARE IN THE AUDIENCE TODAY. I WANT TO THANK RENEÉ AND ALL OF YOU FOR THIS PROGRAM TODAY. WE ARE CAMEO WHICH IS A VERY STRONG PROMOTER OF CALCAP. AND WE'LL CONTINUE TO PROMOTE IT AMONG OUR LENDERS, BECAUSE WE FEEL IT IS FULFILLING A MISSION WHICH WAS ESTABLISHED DURING OBAMA'S JOB ACT WHICH WAS PROVIDING ACTIVE CAPITAL IN UNDERSERVED REGIONS. MANY OF YOU ALREADY SERVED THOSE REGIONS AND ARE HELPING TO REVITALIZE OUR ECONOMY IN MANY AREAS WHICH HAVE NOT YET RECOVERED. SO FIRST I WANT TO SAY—I WANT TO TALK TO TWO POINTS. ONE, THE RECAPTURE OF THE CALCAP REVOLVED TO THE ORIGINAL USE TO BENEFIT SMALL AND MICRO-BUSINESSES, AND THAT WE BELIEVE IN ESTABLISHING THE 20% THRESHOLD FOR RECAPTURE SINCE THAT'S GOING TO BE, IN FACT, GOING TO HAPPEN WE WOULD LIKE TO SUPPORT. BUT THE TWO OTHER PRESENTERS ALREADY SAID. WE WANT LENDERS TO BE ABLE TO COUNT ON THESE RESERVES AND TO BUILD UP A HEALTHY RESERVE. AND ALSO WE REALLY NEED TO THINK ABOUT THE SUSTAINING THESE FUNDS IN THE UPS AND DOWNS OF OUR ECONOMY WHERE WE SAW NOT REALLY LONG AGO WE REALLY SAW HIGH DEFAULTS AND I WANT TO REASSURE YOU TOO, IN CASE YOU'RE NOT THAT FAMILIAR WITH THE NON-PROFIT CDFI, DEFAULT RATES ARE VERY LOW – LESS THAN 5%. MY SECOND POINT IS ITS OUTSIDE OF THE BOX, BUT I WANTED TO TAKE THIS OPPORTUNITY TO URGE YOU AGAIN, TO FULFILL THE ORIGINAL MISSION OF CALCAP AND THE JOBS ACT REVITALIZATION TO SPEND A SMALL PORTION OF UNSPENT FUNDS TO OFFER GRANT TECHNICAL ASSISTANCE TO YOUR LENDERS IN GOOD STANDING. TECHNICAL ASSISTANCE TO BORROWERS IS THE PATHWAY TO CAPITAL. AND I KNOW MIKE DANIEL SAID SO ELOQUENTLY, 100 TO 1 LEVERAGE WITH THE TECHNICAL ASSISTANCE PROVIDED BY SPCD. YOU CAN'T FIND THAT ANYWHERE ELSE. TECHNICAL ASSISTANCE WHICH IS COACHING ACCESS TO CAPITAL AND KNOWING YOUR FINANCIAL PROJECTIONS CREATES A STRONGER BORROWER THAT IS

GOING TO PAY BACK THAT LOAN AND IS GOING TO BE A BETTER CUSTOMER IN THE FUTURE. FOR THAT REASON, EVEN THOUGH IT DOESN'T EXIST RIGHT NOW, IT HAS BEEN DONE BY THE IBANK WHICH ALSO HAS THE JOBS ACT PROVIDED SOME FUNDING FOR THE JUMP-START PROGRAM FOR VERY SMALL MICROLOANS. AND I WOULD LIKE TO URGE CALCAP TO CONSIDER THIS OPTION AS ANOTHER WAY OF GENERATING BETTER BORROWERS AND LOANS. THANKS.

>> **RENEÉ WEBSTER-HAWKINS:** GREAT. THANK YOU. GABRIEL VILLAREAL?

>> **GABRIEL VILLAREAL:** THANK YOU DIRECTOR FOR THE OPPORTUNITY TO SPEAK AND THANK YOU TO EVERYBODY AND PANEL HERE FOR BEING HERE TODAY. MY NAME IS GABRIEL VILLAREAL WITH OPPORTUNITY FUNDS. YOU HEARD EARLIER OUR VP POLICY SPEAKER GWENDY BROWN. JUST WANTED TO DO A QUICK REFLECTION ABOUT THE RECAPTURE PROPOSAL WE JUST HEARD. FIRST, WE THINK THE PURPOSE OF OUR PROPOSAL THE 20% THRESHOLD RECAPTURE REALLY SERVES TWO PURPOSES. ONE, IT'S TO SERVE AS A CREDIT ENHANCEMENT TO THOSE WITHOUT ACCESS TO CAPITAL, YOUR SMALL BUSINESSES, YOUR SMALL TRUCKERS, THOSE AREN'T REALLY, REALLY BEING SERVED BY LARGER BANKS AND ADDITIONALLY, IT'S THE PURPOSE OF THE PROGRAM THAT THEY SERVE AS A, AS AN INSURANCE FUND. IN CASE THERE'S AN ECONOMIC SCENARIO THAT WE SAW BACK IN 2008 WHERE IT ORIGINATION DECLINED AND CHARGE-OFFS INCREASED. THE 20% THRESHOLDS ACCOMPLISHES BOTH OF THOSE THINGS. FIRST, IT ALLOWS US TO BE GUARANTEED A PARTICULAR -- ALLOW US TO GUARANTEE A LOSS PORTFOLIO COVERAGE. IF WE WERE TO EXPERIENCE A LOSS UP TO 20% AGAIN THESE NUMBERS WERE BASED OFF THE LOSSES WE SAW BACK IN 2008 IN THE FINANCIAL CRISIS, WE CAN SAY WITH CONFIDENCE THAT YES AS AN ORGANIZATION, WE WILL BE ABLE TO ABSORB THAT AND RECOUP THAT AND LEND TO SMALL BUSINESSES DURING THOSE TIMES WHEN THEY REALLY NEED THE CAPITAL MOST. I THINK IT'S BEEN MADE PRETTY CLEAR IN THIS SYMPOSIUM THAT THERE ARE FUNDING PRESSURES AND WE UNDERSTAND THAT AS CDFI FUNDS ARE BECOMING DRAWN, AS ARB FUNDS ARE BEING DRAWN, AND WE REALLY APPRECIATE THE PROGRAM. WE'VE BEEN ABLE TO DO A LOT WITH IT AND WE REALLY WOULD LIKE TO SEE IT CONTINUE. HOWEVER, WE WOULD LIKE TO SEE IT CONTINUE IN A WAY THAT WE, AS A LENDER, AS A CDFI WOULD LIKE TO SERVE THE TARGET POPULATION OF LOW-INCOME AND MINORITIES AND SMALL BUSINESS OWNERS. NOW THIS IS STILL KIND OF DIGESTING AND REFLECTING ON THE RECAPTURE PROCESS THAT WE JUST HEARD ABOUT. THIS IS A FIRST TIME WE SEEN THIS PROPOSAL FROM CPCFA THAT WE DO VERY MUCH THANK THEM FOR THE DILIGENCE AND THOUGHT THAT WENT IN TO IT. WE'RE LOOKING FORWARD TO WORKING TOGETHER ON ALL FUTURE CALCAP PROPOSALS. BUT WE STILL THINK THAT 20% THRESHOLD RECAPTURE IS APPROPRIATE GOING FORWARD AS THIS IS BASED ON ECONOMIC STRESS SCENARIOS THAT WE HAVE TO OPERATE UNDER DURING THE RECESSION. SO THANK YOU.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU, GABRIEL. ALL RIGHT. NEXT MR. MATT SCHRAP. THEN GWENDY BROWN AND MARK NEMANIC.

>> **MATT SCHRAP:** THANK YOU, RENEÉ. AS I'VE BEEN TESTIFYING IN FRONT OF MANY BOARDS AND COMMISSIONS, A LOT OF PEOPLE KNOW I AM NO STRANGER TO MICROPHONES. I APOLOGIZE FOR BEATING THIS HORSE SORT OF SPEAK. BUT I DID WANT TO BRING UP ONE SPECIFIC THING IN REGARDS TO MS. RODGERS ABOUT THE NUMBER OF VEHICLES OPERATING IN CALIFORNIA. ALTHOUGH WE TALK ABOUT IT ON AN ANNUAL BASIS, THERE IS A MILLION VEHICLES OPERATING HERE AND MORE THAN HALF OF THEM DO COME OUT OF STATE. THAT PUTS AN ENORMOUS PRESSURE ON CALIFORNIA-BASED BUSINESSES TO COMPETE. IF YOU'RE LOOKING AT THE SWIFTS AND THE KNIGHTS OF THE WORLD, THE

JB HUNTS, THE SCHNEIDERS, THESE MASSIVE TRUCKING COMPANIES WHO ARE BASED IN OTHER STATES BECAUSE THEY HAVE THE ABILITY TO DO SO, NOT TO MENTION FEDEX AND UPS AND OTHER COMPANIES THAT REGISTERS THEM OUT OF THE STATE AND BRING THEM IN CALIFORNIA AND PUT THESE CALIFORNIA BUSINESSES IN A DISADVANTAGED STATE. RIGHT NOW, THE AIR RESOURCES BOARD PROMULGATING OR POTENTIAL OF JUST BEGINNING YESTERDAY, POTENTIALLY LOOKING IN TO ELECTRIFYING ALL LOCAL TRUCKS THAT'S COMING BACK TO THE SAME PLACE EVERY NIGHT, DRAYAGE TRUCK, DELIVERY VAN, FULL ELECTRIC PLATFORMS WHICH CAN COST ANYWHERE FROM \$350,000 TO \$500,000 PER VEHICLE. YOU HAVE THIS AND ADDITIONAL INSPECTION, MAINTENANCE REQUIREMENT WHICH IS GOING TO INCREASE THE INITIAL COST FOR MAINTAINING THEIR EQUIPMENT. GRANTED, SOMETIMES PEOPLE NEED A LITTLE BIT OF A HELP UP AND HANDOUT TO MAKE SURE THEY'RE MAINTAINING THIS HIGHLY SOPHISTICATED EQUIPMENT THROUGH REGULATORY MEASURE IS NOT ALWAYS PREFERRED, BUT ONE WAY IS TO DEFINITELY FORCE THE HORSE TO DRINK THE WATER AS OPPOSED TO JUST LEAVE THEM THERE. SO KEEP THAT IN MIND ALONG WITH THE POTENTIAL ANOTHER RULE AND THE PORTS OF LOS ANGELES AND LONG BEACH WHICH REQUIRES ULTRA LOW NOX ENGINE WHICH AVERAGE CURRENTLY THE PLATFORM WITH THIS ULTRA LOW NOX STANDARD, YOU'RE LOOKING AT \$80,000 TO \$100,000 ABOVE AND BEYOND TO WHAT IS AN EXISTING TRUCK COST IS TODAY OUT THE DOOR. AND THIS EQUIPMENT IS ONLY AVAILABLE ON NEW VEHICLES. SO WE LOOK AT ALL THESE MOUNTING COSTS. WE GO BACK TO THE ISSUE OF THESE END USERS HAVE THE ABILITY TO AFFORD AND GET INTO THE COMPLIANCE BEFORE THAT CLEAN EQUIPMENT. AND HAVING THE 20% RESERVE THRESHOLD FOR LENDERS CAN LEAN ON, KNOWING IT'S THERE AND THE FLOOR IS NOT GOING TO BE TAKEN OUT FROM UNDER THEM. THEY'RE GOING TO CONTINUE TO ISSUE THESE LOANS AND CONTINUE TO GIVE LOWER COST OPTIONS AND AFFORDABLE FINANCING TO THESE PEOPLE WHO NEED IT THE MOST. REALLY, WHO THE PROGRAM, THE ON-ROAD PROGRAM PLACE THE ARB OR WHATEVER WE WANTED CALL IT WAS ORIGINALLY CREATED FOR. SO THANK YOU AGAIN VERY MUCH FOR YOUR TIME.

>>**RENEÉ WEBSTER-HAWKINS:** THANK YOU. ALL RIGHT. GWENDY?

>> **GWENDY BROWN:** THANK YOU, AGAIN, THE PANELIST AND THIS GWENDY BROWN AGAIN WITH OPPORTUNITY FUND. THANK YOU FOR THE TWO PROPOSALS THAT MY COLLEAGUES MENTIONED. THIS IS THE FIRST TIME WE'RE SEEING THEM AND TRYING TO REFLECT ON THE FLY COMPARING THE TWO PROGRAMS. AND ULTIMATELY IN MY QUICK ANALYSIS, OPPORTUNITY FUND REMAINS SUPPORT FOR THE 20% THRESHOLD SCENARIO, BECAUSE AGAIN, GIVES US CONFIDENCE IN THE PROPORTIONS IN THE COVERAGE WE HAVE AND, AT THE SAME TIME, IT ALLOWS US TO BUILD UP BEYOND OUR CONTRIBUTION RATE. AND MY UNDERSTANDING OF THE CONTRIBUTION RATE PROPOSAL THAT BASICALLY RECAPTURES SET SO THAT YOU CAN NEVER GET BELOW WHAT THE TOTAL CONTRIBUTIONS WERE. BUT IT ALLOWS REWARDING THE LENDERS WHO HAVE GOOD UNDERWRITING, AND WHO HAVE GOOD COLLECTION PRACTICES, BECAUSE IT ALLOWS US TO BASICALLY KEEP AND BUILDUP ANYTHING THAT'S ON TOP OF THOSE CONTRIBUTION. SO IN YEARS AND MONTHS WHEN WE'RE ABLE TO SQUEEZE A LITTLE BIT MORE AND REALLY MAKE THOSE LOANS WORK, WE SAVE THOSE UP FOR A RAINY DAY. SO WITHOUT THAT 20% RECAPTURE THRESHOLD, USING THE PURE CONTRIBUTION RATIO, IT REALLY TAKES AWAY THAT INCENTIVE TO ALLOW AND SAVE UP ACORNS FOR A RAINY DAY IF YOU WILL. AND, AGAIN, WE APPRECIATE THE CONVERSATION AND WE HOPE THIS WILL CONTINUE. THANK YOU.

>>**RENEÉ WEBSTER-HAWKINS:** THANK YOU. AND MARK NEMANIC?

>> **MARK NEMANIC:** GOOD AFTERNOON. MY NAME IS MARK NEMANIC. AND I WORK WITH A GROUP CALLED 3CORE AND WE'RE IN CHICO, CALIFORNIA. WE'RE SMALL THREE COUNTIES CDFI AND WE'VE BEEN IN BUSINESS SINCE 1985. AND WE'RE SPECIFICALLY A BUSINESS LENDER. WE'VE BEEN A CALCAP LENDER SINCE 2007. PRIOR TO 2007, ALL THE MONEY WE HAD IS PUBLIC MONEY. SINCE 2007, WE'VE BEEN ABLE TO RAISE \$7 MILLION IN PRIVATE MONEY AND EXCLUSIVELY ALL OUR MONEY IS BASED ON PRIVATE FUNDS. WE COULDN'T DO THAT WITHOUT HAVING LOAN LOSS RESERVES. BECAUSE PRIOR TO 2007, OUR BALANCE WASN'T DEEP ENOUGH TO RISE PRIVATELY. ONE BRAVE BANK, WELLS FARGO STEPPED UP AND DID THE FIRST INVESTMENT FOR US. AND SINCE 2007, CALCAP HAS HELPED US TO BUILD THE DEPTH OF OUR BALANCE SHEET TO RAISE MONEY PRIVATELY. RIGHT NOW, CALCAP MAKES UP ABOUT 51% OF OUR TOTAL RESERVE ON OUR BALANCE SHEET. OUR HISTORICAL LOSSES ARE 1.5% AND WE'RE VERY MUCH RELATIONAL LENDER. SO WE DON'T DO A LOT OF VOLUME. WE HAVE A VERY CAPPED AUDIENCE AND TERRITORY. AND, SO, WE DO SMALLER VOLUMES, BUT WE'RE MUCH MORE SIDE-BY-SIDE WITH OUR CLIENTS. AS A 501 (C)(3) NON-PROFIT. WE ALSO RAISE MONEY PRIVATELY AND CHARITABLY AND REINVEST THAT MONEY INTO TECHNICAL ASSISTANCE WITH OUR BORROWERS. THAT'S WHY OUR LOAN LOSS EXPERIENCE ARE VERY LOW BECAUSE WE'RE VERY HIGH TOUCH AND VERY FOCUSED ON MAKING SURE WE'RE GIVING THEM A LOT OF HELP ALONG THE WAY. NOW FOR US, THE MOST CRITICAL THING IN TERMS OF INCENTIVES IS THE MORE UNRESTRICTED RESERVES THAT WE HAVE IN OUR BALANCE SHEET, THE MORE WE CAN RAISE FROM PERSPECTIVE INVESTORS BOTH INDIVIDUALS AND INSTITUTIONS. AND, SO, I'M ENCOURAGED WITH THE 20% RULE, BECAUSE WHAT IT DOES IS IT ESSENTIALLY CREATES PREDICTABILITY AND THAT'S VERY IMPORTANT. AND I THINK THAT IN OUR CASE, SINCE WE HAVE NOT MADE ANY CLAIMS IN THE LAST 10 YEARS, THERE SHOULD BE SOME INCENTIVE IN TERMS OF IF THERE IS A RECAPTURE, THERE WOULD BE A CONSIDERATION FOR SOME OF THAT TO BE BROUGHT BACK TO THE LENDER AS A CARROT SO WE CAN BUILD CONTINUING OUR UNRESTRICTED LOAN LOSS RESERVE. AND I WOULD ENCOURAGE THE PANEL TO CONSIDER THOSE THINGS AND I WOULD LIKE THE STAFF TO LOOK AT THOSE AS WELL. BECAUSE AS A SMALL CDFI, IN FACT, NORTH OF SACRAMENTO, THERE'S ONLY 6 OF US OUT OF 88 CDFI IN CALIFORNIA. THOSE KIND OF TWEAKS WOULD BE VERY HELPFUL FOR US AS A LENDER. THANK YOU.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU. NOW WE JUAN CARLOS HERNANDEZ FROM ACCION.

>> **JUAN CARLOS HERNANDEZ:** GOOD AFTERNOON, EVERYONE. THANK YOU SO MUCH FOR HAVING US. MY NAME IS JUAN CARLOS HERNANDEZ AND CHIEF CREDIT OFFICER OF ACCION AND WE'RE BASED OUT OF SAN DIEGO. CURRENTLY, WE'RE ACTUALLY SERVING FOUR COUNTIES WHICH IS RIVERSIDE, SAN BERNARDINO, IMPERIAL VALLEY AS WELL AS SAN DIEGO COUNTY. AND WE'VE BEEN AROUND SINCE 1994 AND THE CALCAP PROGRAM FOR US REALLY DICTATES OR HELPS US TO CONTINUE OUR MISSION ON BASED LENDING.

OUR PORTFOLIO REALLY SHOWS ABOUT 75% OF THE LOW TO MODERATE INCOME FAMILIES THAT WE ARE ACTUALLY HELPING. TWO OF THESE STATISTICS THAT WERE NOT INCLUDED TODAY THAT REALLY SHOWS THE SUCCESS OF CALCAP IS NUMBER OF JOBS THAT HAVE BEEN CREATED AS RESULT OF JOBS WE PUT OUT IN THE FIELD AND AS WELL AS NUMBER OF JOBS THAT HAVE BEEN MAINTAINED. SPECIFICALLY IN OUR REGION AND MARKET, CONSIDERING WHO WE TARGET, THE FAMILIES THAT WE TARGET, THIS IS PRIMARILY EITHER THEIR PRIMARY SOURCE OF INCOME OR A SECONDARY SOURCE OF INCOME TO MAKE ENDS MEET. SO TO US, I WOULD LOVE TO SAY, YOU KNOW, WE WOULD LIKE TO SEE NOT ANY CHANGES IN THE CALCAP PROGRAM. OBVIOUSLY, THAT WOULD BE A SELFISH SITUATION. BUT HOWEVER, WE WOULD NEED THE 20% FOR OUR PORTFOLIO, BECAUSE AGAIN, AS EVERYONE HAS MENTIONED, THIS

ALLOWS US TO CONTINUE TO PLAN FOR A FUTURE AND TO BE ABLE TO KIND OF DETERMINE AS TO HOW MUCH OF THIS WE CAN CONTINUE TO KEEP TO CONTINUE TO SERVICE THIS LOW TO MODERATE INCOME FAMILIES. AND TO US, THEY'RE REALLY FAMILIES. ONE OF THE THINGS THAT HAS REALLY HELPED US TREMENDOUSLY IS THE TECHNICAL ASSISTANCE PROGRAM. THIS IS AN EDUCATION THAT WE CONTINUE TO OFFER ALL OF THE PEOPLE AND MARKET WE SERVICE. BECAUSE IT IS IMPORTANT. AND AS MATT WAS TALKING ABOUT, WE ACTUALLY SEE MORE THAN HALF OF OUR CLIENTS WHO REALLY SHOW, AND THEY DON'T KNOW WHAT A BALANCE SHEET IS AND THEY DON'T KNOW WHAT A PROFIT AND LOSS STATEMENT IS. AND SO IT'S REALLY IMPORTANT FOR US TO ACCESS THE CAPITAL TO PROVIDE THE ADDITIONAL EDUCATION FOR THEM. AND, AGAIN, THE FACT THAT WE CAN COUNT ON THIS LOAN LOSS RESERVE PROGRAM REALLY HELPS US TO MAKE DECISIONS, AT LEAST IN MY ROLE AS CHIEF CREDIT OFFICER, IT HELPS ME TO MAKE A DECISION FOR A BORROWER WHO IS IN THE MIDDLE OF THE FENCE, WHICH AS A BANKER IS VERY DIFFICULT. AND FOR ME, IT WAS VERY DIFFICULT TO MAKE THE TRANSITION FROM A COMMERCIAL LENDER IN FEDERAL BANK TO JOIN A NON-PROFIT MISSION BASED LENDER AND MAKE THOSE DECISIONS. AND YOU KNOW, THE DIFFICULTY OF GOING FROM A VERY CONSERVATIVE TO MORE OF A MISSION BASED IS REALLY DIFFICULT. BUT IT IS SUSTAINABLE. AND I THINK THIS 20% PROGRAM THAT EVERYONE IS REALLY IS IN SUPPORT REALLY PROVIDES US THAT ADDITIONAL, I GUESS, TOOL TO CONTINUE TO SERVICE OUR COMMUNITY. THANK YOU SO MUCH.

>> **RENEÉ WEBSTER-HAWKINS:** ALL RIGHT. WE ARE WELL ON TIME. WITH THAT, I'D LIKE TO ALLOW OUR PANEL MEMBERS AN OPPORTUNITY TO DIGEST WHAT THEY HAVE HEARD TODAY AND OFFER ANY OBSERVATIONS FOR RECOMMENDATIONS.

>> **JEFF ADAMSKI:** I'LL JUST PIPE IN. THE THING I'VE HEARD IS, FIRST OF ALL, WE HAVE SOME FANTASTIC PARTICIPANTS IN THE PROGRAM. THOUGH THEY'RE NOT BANK LENDERS, THEY'RE LENDERS AND THEY DO NEED THAT STABILITY AND TO PLAN THEIR FUTURE, THEY ARE DOING SOPHISTICATED PLANNING IN THE CONVERSATIONS WHICH I HAD DURING THE BREAK. SO THE 20% SOUNDS LIKE A REASONABLE GOAL TO ME. I WAS JUST WONDERING IF THERE'S SOME WAY THAT WE COULD GRANDFATHER IN THOSE INDIVIDUALS. AND PERHAPS NEW MEMBERS HAVE THE REVISED GUIDELINES THAT YOU WILL PARTICIPATE GOING FORWARD. SO SUCH AS NORTHERN BANK IF WE CAME IN, WE MAY NOT HAVE THAT, BUT WE CAN MAKE PLANS ACCORDINGLY. DECIDE IF WE WANT TO PARTICIPATE IN THE PROGRAM. IT DOESN'T SOUND LIKE TO ME THERE'S A PARTICIPATION ISSUE. I MEAN, WE'RE RUNNING OUT OF FUNDS. WE JUST NEED TO TURN THIS THOSE FUNDS AROUND QUICKER. FROM OF THE MEASURES YOU'VE PROPOSED AND FROM OTHERS WILL DO THAT. IT'S BEEN ENLIGHTENING FOR ME AND GREAT TO PARTICIPATE. SO THANK YOU.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU.

>> **ANMARIE RODGERS:** I JUST WOULD LIKE TO SAY, I MEAN, WE ACTUALLY REALIZE THE IMPORTANCE OF THE TRUCK LOAN ASSISTANCE PROGRAM. IT'S A SUCCESS STORY. WE TOUT IT ALL THE TIME. ARB IS VERY MUCH SUPPORTIVE OF CONTINUING THIS PROGRAM. WE HAVE MADE ADJUSTMENTS WHEN NECESSARY. WE HAVE FOUND ADDITIONAL FUNDS WHERE THE DEMAND HAD INCREASED WHEN WE DIDN'T PROVIDE ENOUGH FUNDS INITIALLY. SO WE ARE VERY VERY SUPPORTIVE OF THE PROGRAM BUT WE DO NEED TO FIGURE OUT WAYS TO RECYCLE THE FUNDS BECAUSE WE DO HAVE COMPETING PRIORITIES. AND THAT'S WHAT WE'RE TRYING TO GET. SO WE WANT SOMETHING THAT WORKS FOR THE LENDERS AND FOR THE BORROWERS, FOR CPCFA AND FOR ARB. AND WE STILL HAVE SOME WORK TO DO. MAYBE WE LIKE TO DIG DOWN A LITTLE BIT MORE AND LOOK AT LENDERS AND DEFAULT RATES

AND JUST PUT EVERYTHING OUT ON THE TABLE. BUT WE'VE HEARD YOU LOUD AND CLEAR TODAY. AND I STILL THINK WE NEED TO DO A LITTLE MORE WORK.

>> **KEVIN GOULD:** I WANT TO THANK EVERYBODY FOR PARTICIPATING, INCLUDING THOSE WHO OFFERED THE PROPOSAL AND THOSE WHO PROVIDED PUBLIC COMMENT. I UNDERSTAND THAT THE 20% RECAPTURE SCENARIO MAY INCLUDE A RETROACTIVE APPLICATION AND I'M CURIOUS WHERE WHETHER THE RATIO CONTRIBUTION CALCULATION WOULD INCLUDE A RETROACTIVE OR PROSPECTIVE IN NATURE.

>> **RENEÉ WEBSTER-HAWKINS:** FOR THE WORKING STRAW PROPOSAL, WE OFFERED TODAY, WE APPLIED THE SAME ASSUMPTION FROM THIS 20% STAKEHOLDER PROPOSAL WHICH IS THE RETROACTIVITY TO MOSTLY COMPARING APPLES TO APPLES. ONLY DIFFERENCE WOULD BE HOW THAT THRESHOLD IS CALCULATED.

>> **KEVIN GOULD:** ONE OTHER THING. THIS IS GOING TO THE FIRST PART OF THE PRESENTATION WHERE IT WAS DOCUMENTED AS TO THE NUMBER OF PARTICIPATING FINANCIAL INSTITUTIONS, IS THAT A SNAPSHOT OF THOSE CURRENTLY PARTICIPATING?

>> **RENEÉ WEBSTER-HAWKINS:** THAT IS AN ACCOUNT OF HOW MANY LENDERS CURRENTLY HAVE LOAN LOSS RESERVE FUNDS. THERE ARE A FEW LENDERS IN EACH PROGRAM WHO DON'T PARTICIPATE AS ACTIVELY OR MAYBE IT'S BEEN A FEW MONTHS, OR MAYBE EVEN LONGER SINCE THEY HAVE ENROLLED IN A LOAN. BUT BY AND LARGE THEY'RE ACTIVE LENDERS.

>> **KEVIN GOULD:** THANK YOU. AND I WOULD PICK UP ON THE COMMENT DAVID MADE EARLIER WHICH IS THE INDUSTRY HAS BEEN UNDER EXTRAORDINARY PRESSURE IN CONSOLIDATION AND CONTINUES TO BE AN ONGOING EVENT. I'D BE INTERESTED A GO FORWARD BASIS IF YOU CAN HELP US UNDERSTAND ON THE PERCENTAGE OF THOSE LENDERS AS A CONSEQUENCE OF THOSE THAT MIGHT BE DOING BUSINESS IN CALIFORNIA? BECAUSE I KNOW WE WORK VERY CLOSELY AND HISTORICALLY AS AN ASSOCIATION TO RAISE AWARENESS ABOUT THE PROGRAM AND THE BENEFITS OF IT IN A VARIETY OF DIFFERENT FORMS, WHETHER IT'S CALCAP, WHETHER IT'S COLLATERAL SUPPORT, OR SMALL BUSINESS GUARANTEED PROGRAM OR EVEN THE MOST RECENT SEISMIC SAFETY PROGRAM.

>> **MIKE DANIEL:** I JUST WANTED TO SAY COUPLE OF THINGS. ONE, COME OF THE STORIES THAT THE LENDERS ARE TELLING US CAPTURING THOSE WOULD GO A LONG WAY AS WELL WHEN YOU TALK ABOUT SEMETRICS FOR JOBS CREATED JOBS MAINTENED. THOSE ARE SUCH GOOD STORIES AND THE OTHER PIECE TO, RESERVE POOL. BEING ABLE TO RESERVE SOME IN THE FUNDS. FOR THE LENDERS IN GOOD STANDING. CREATE A SYSTEM WHERE THEY HAVE MORE ACCESS TO FUNDING THAN OTHERS.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU.

>> **TIM SCHAEFER:** THANK YOU, RENEÉ, THANK YOU TO YOUR STAFF FOR PUTTING THIS TOGETHER. AND I JUST WANT TO ECHO THE COMMENTS YOU JUST HEARD, THIS DOVETAILS NICE WE WILL MY OWN INSTINCT ON IT, AND THAT IS WHEN A LENDER IS MANAGING, IT SEEMS TO ME THAT WHEN A LENDER IS MANAGING HIS OR HER EXPOSURE EFFECTIVELY TO GOOD UNDERWRITING STANDARDS, AND THE ACCESS TO THE LOAN LOSS RESERVE IS FOR WHAT ARE TRULY THE OUTLIERS ON THE SHOULDERS OF THE DISTRIBUTION CURVE, THAT'S PRECISELY WHAT THE PROGRAM SHOULD BE DOING. I DON'T MEAN TO SOUND HARSH WITH THE STATEMENT, BUT PROVIDING SUBSIDIES TO LENDERS FOR CARELESS OR LAXED WITH THE UNDERWRITING STANDARDS.

THE TRUCK PROGRAM I AGREE IS DIFFERENT, SO I WOULD ENCOURAGE YOU TO THINK ABOUT DESPITE THE INDUSTRY APPEAL OF THE 20% WHETHER OR NOT THERE IS SOME KIND OF A HYBRID APPROACH THAT WOULD BE AVAILABLE FOR LENDERS EITHER WHO ARE LONGER PARTICIPANTS OR WHO HAVE MANAGED THEIR LOSS OF EXPOSURE DIFFERENTLY WITH MORE STOUT UNDERWRITING STANDARDS. SECONDLY, I HAVE ALREADY COVERED, I'M INTRIGUED PERSONALLY WITH THE IDEA OF ENCOURAGING YOU AND YOUR STAFF TO THINK ABOUT HOW CPCFA COULD, ONCE THE FEDERAL MONEY AND THE \$6 MILLION STATE RUN OUT TO HAVE THE CLEARING HOUSE THE PROGRAM THAT WOULD BE INCREDIBLY USEFUL FOR THIS COMMUNITY. DAVID AND I TALKED OFFLINE A MOMENT AGO ABOUT THE IMPORTANCE OF LOCAL LENDERS, WHETHER THEY BE MISSION BASED, BANK BASED LENDER OR CREDIT UNION LENDING INTO THE CALIFORNIA COMMUNITY, OTHER COMMUNITIES LENDING INTO CALIFORNIA WILL BE SOMETHING WILL BE NEAR AND DEAR TO MY HEART, AND MY BOSS'S.

AND, FINALLY, I WOULD ENCOURAGE YOU TO THINK ABOUT WAYS IN WHICH COLLECTIVELY INSIDE THE BUILDING WE COULD GET BETTER AT OUTREACH. WE JUST HEARD KEVIN TALKED ABOUT THAT. DAVID AND I TALKED ABOUT IT OVER THE LAST COUPLE OF YEARS, BECAUSE WHAT IS DISAPPOINTING IS THAT WE SOMETIMES WE OFFER THESE KINDS OF REALLY GOOD PROGRAMS, THEN WE CAN'T FIGURE OUT HOW TO GET THEM TO THE FINISH LINE. AND I'M JUST WONDERING OUT LOUD WHETHER OR NOT THAT IS BECAUSE IN GOVERNMENT, I'M ALLOWED TO SAY THIS BECAUSE I'M A NEWCOMER TO GOVERNMENT WHETHER IN GOVERNMENT WE'RE TALKING TO THE WRONG PEOPLE. SHOULD WE BE DEVELOPING A TARGET CONTACT LIST OF CHIEF CREDIT OFFICERS INSTEAD OF REGIONAL MANAGERS? SHOULD WE BE TALKING TO SENIOR LOAN OFFICERS INSTEAD OF FOLKS WHO ARE LARGELY ENGAGED IN THE DEPOSITING SIDE OF THE HOUSE? I THINK TO THE EXTENT WE CAN HEAR FEEDBACK FROM THE PEOPLE WE'VE HEARD TODAY AND PEOPLE SITTING HERE ON THE PANEL TO HELP US BETTER UNDERSTAND TO GET TO THAT. THEN WE WILL PROBABLY GET TO A BETTER SOLUTION, WHETHER IT'S 20% OR THE ALTERNATIVE APPROACH OR SOME HYBRID OF THE TWO. I KNOW WHAT MY PERSONAL INSTINCT IS, IT'S PROBABLY YOU'LL END UP WITH A HYBRID. BUT I'LL LEAVE IT WITH YOU AND YOUR GOOD STAFF TO FIGURE IT OUT. THANK YOU TO THE STAFF AND THANK YOU ALL FOR SHARING YOUR EXPERIENCE WITH US.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU.

>> **DAVID HAITHCOCK:** IT'S EASY TO FOLLOW TIM BECAUSE I CAN SAY EXACTLY WHAT HE JUST SAID, OR KEVIN OR EVERYONE ELSE ON THE PANEL. I UNDERSTOOD A LITTLE BIT ABOUT THE CALCAP PROGRAM. A PERIPHERAL UNDERSTANDING OF IT. NOT A LOT OF THE DETAIL. AND NOT AS MUCH AS KEVIN OR JEFF WOULD HAVE IN IT. AND WHEN YOU START GETTING INTO, LIKE, I DON'T KNOW WHY I DON'T HAVE MORE INSTITUTIONS PARTICIPATING IN IT. THAT MADE IT PART OF OUR FAULT, BECAUSE I DON'T PROMOTE IT ENOUGH. AND PART OF THE OUTREACH AND WHAT'S GATHERED IS WE NEED TO GET MORE PEOPLE INVOLVED. I KNOW A LOT OF THE INSTITUTIONS IN SOUTHERN CALIFORNIA WOULD WITH CDCS AND MISSIONBASED. MY MIND STARTS THINKING ABOUT WAYS TO PROMOTE AND TAKE WHAT WE'VE TAKEN IN AND SEE WHAT WE CAN DO WITH IT GOING FORWARD. SO THANK YOU FOR ALLOWING ME TO BE PART OF THIS.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU. THANK YOU PANEL MEMBERS. WE ARE AT THE WRAP-UP SLIDE. ALL RIGHT. SO WE COME TO THE CONCLUSION OF THIS GREAT EVENT. CRITICAL DECISION POINT IS WHAT DROVE THIS EVENT. AND I THINK HAVING THIS CROSS-SECTION OF EXPERTS AND STAKEHOLDERS COME TOGETHER AND REALLY ROLL UP OUR SLEEVES AND TALK ABOUT WHAT MAKES THE PROGRAM SPECIAL IN THE ARRAY OF OTHER LENDING TOOLS OR OTHER RESOURCES FOR SMALL BUSINESSES IS A

REALLY MOMENTOUS OCCASION THAT WE'VE HAD. AND GOING FORWARD, IT WOULD BE WONDERFUL TO DO THIS MORE REGULARLY. NOT ONLY IN CRISIS MOMENT, BUT CERTAINLY TO FOLLOW-UP WITH -- THE GOOD IDEAS THAT CAME OUT TODAY MAY NOT BE NEAR TERM IDEAS AS COMPARED TO THE DECISIONS WE NEED TO MAKE FOR THE FUNDING FLOW. BUT CERTAINLY, WE NEED TO STAY ACTIVELY DISCUSSED AND NOT PUT ON A PARKING LOT. SO THAT'S ONE OF MY INITIAL TAKEAWAYS FROM TODAY. I REALLY APPRECIATE EVERYONE'S ACTIVE AND THOUGHTFUL PARTICIPATION IN THIS DISCUSSION. WE KNOW THAT THAT'S CRITICAL. WE KNOW IT'S NOT EASY. AND, YET, WE HAVE GATHERED THIS OPPORTUNITY TO TAKE SOME LEADERSHIP OVER THE PROGRAM AND ENSURE THAT IT'S SUSTAINABLE TO ENSURE IT'S AVAILABLE TO SMALL BUSINESSES, TO ENSURE THAT LENDERS HAVE THE CERTAINTY THAT THEY LIKE FROM THESE KINDS OF CREDIT ENHANCEMENT PROGRAMS. SO, WITH THAT, I DO WANT TO REMIND EVERYBODY, INCLUDING THOSE THAT PARTICIPATED VIA WEBINAR, YOU HAVE AN OPPORTUNITY TO PROVIDE WRITTEN COMMENTS TO US ON ANY TOPICS RELATED TO THE SCOPING DOCUMENT. AND WE WOULD LIKE THOSE NO LATER THAN A WEEK FROM TODAY AT MAY 3RD AT 5:00 P.M. IT CAN BE E-MAILED TO THE CALCAP INBOX WHICH IS REFLECTED ON THE CURRENT SLIDE OR BY HARDCOPY IF IT'S BY HARDCOPY, YOU CAN HAVE IT POST MARKED NO LATER THAN MAY 3RD AT 5:00 P.M. AND WE'RE GOING TO HAVE THE COMPILATION OF OUR SMALL BUSINESS PROGRAM AND ARB PROGRAM AND HAVE FURTHER DISCUSSION TO DEVELOP THOSE DRAFT REGULATIONS. BECAUSE OF THE FUNDING SCENARIOS, UNDER BOTH PROGRAMS, WE ARE FEELING THE NEED TO BE, NOT ONLY RESPONSIVE TO THE NEED TO KEEP THE PROGRAM SUSTAINABLE, BUT PROVIDE EVERYBODY IN THIS ROOM SOME CERTAINTY ABOUT THE DIRECTION THAT WE'RE GOING. WE ARE AIMING AS A STAFF TO HAVE REGULATIONS PUBLISHED FOR CONSIDERATION, DRAFT REGULATIONS NO LATER THAN JULY 15, 2017. AND IT'LL BE BETWEEN NOW AND THEN THAT WE CAN REALLY HAVE FURTHER DISCUSSION IS WITH ALL OF YOU AND SEE WHERE WE CAN COME OUT FOR THE BEST STRIKE IN THE RIGHT BALANCE FOR ALL THE DYNAMICS WE TALKED ABOUT HERE TODAY. SO WITH THAT, AT 1:05 WE CONCLUDE OUR SYMPOSIUM. THANK YOU VERY MUCH.

[APPLAUSE]