County of Humboldt
Headwaters Revolving Loan Fund
Lender Agreement

This Lender Agreement (Agreement), made as of this 8th day of April, 2014, by and between the Arcata Economic Development Corporation, a non-profit economic development organization ("Lender"), and the County of Humboldt, ("County"), a political subdivision of the State of California (collectively, the "Parties"), for participation in the Headwaters Fund Revolving Loan Fund Program ("Program").

WHEREAS, County contracted with Lender on the 8th day of April, 2014 to become a lender for the Program administered by the County in order to provide loans to eligible borrowers in the Lender's region; and

NOW, THEREFORE, in consideration of the mutual representations, covenants and agreements contained herein and other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

I. AWARD and DISBURSEMENT

1.1 The County hereby awards to Lender and agrees to make available to Lender from the Program, during the term of this Agreement, unless sooner terminated in accordance with its provisions, an amount not to exceed the principal sum of three million five hundred thousand dollars ($3,500,000). The total sum of these funds may not be available if other requests for loan funds are approved by the County prior to the full disbursement of the three million five hundred thousand dollars ($3,500,000).

1.2 Lender agrees to use all monies received from the County and its proceeds solely in accordance with this Agreement, the Revolving Loan Fund Lender Manual ("Lender Manual"), the Master Participation Agreement, and the Participation Certificate to be executed in connection with each Loan made by Lender, as each may be amended from time to time and copies of which are incorporated herein and attached as Exhibits A, B, and C, respectively.

1.3 Lender shall establish and maintain a separate ledger and segregated account for all monies received by Lender from the County. Lender agrees Program monies received from County shall not be commingled with any other monies of Lender nor shall any such monies be commingled with monies of any other corporation, firm, association, entity, or individual, except that, notwithstanding the foregoing, where the County only partially funds a given loan, Lender may deposit Program monies into an account in the name of Lender for two purposes: (1) to combine the Program monies with monies from other Loan participants in order to issue a borrower a single check for the loan and (2) to deposit payments received from the borrower that must be allocated to various loan participants, including the County. In regards to these two limited purposes, Program monies may not remain in an account in the name of Lender for more than 48 hours.

1.4 Lender agrees it will not and may not make a loan commitment to a project or prospective borrower without first receiving the written concurrence of County as to the proposed use of Program monies from the County for that specific project or prospective borrower. All requests from Lender to draw down Program monies must be made in writing and specify the date by which Lender desires to receive the funds from County, which date shall be a minimum of ten (10) business days from the date County actually receives, in its office, the drawdown request from Lender. Upon receiving written concurrence from the County to fund a specific project or prospective borrower, Lender may draw down under this award only such funds as are necessary to cover a thirty (30) day period in implementing the activities provided for by this Agreement. The date of such draw down shall constitute the date the funds are advanced by County under this Agreement for purposes of computing the thirty (30) day period. Any funds drawn down by Lender which have not, within the thirty (30) day period, been loaned out to a Borrower and/or which are not accruing interest payable by Borrower, shall be returned immediately to County by Lender along with a written explanation by Lender as to the cause for the failure by Lender to comply with the lending of monies within the thirty (30) day time limitation set forth in this Agreement.

1.5 Funds shall only be released by County to Lender on a loan-by-loan basis, up to the total amount of the award, upon the execution of the Fund Participation Certificate and satisfaction of any other terms or conditions precedent to disbursement by County of all or any portion of this award are satisfied. In the event any portion of the award is not drawn down by Lender prior to the expiration or termination of this Agreement, according to its terms, then Lender shall no longer, as of the date of expiration or termination of the Agreement, have any right to request any further drawdown of funds from County.

1.6 Lender shall not be authorized to issue a line of credit to any Borrower without the express written consent of the County. Neither Section 11.5 of this Agreement nor any similar provision in the Revolving Loan Fund Manual and the Master Participation Agreement shall have any applicability to this section.

II. LENDER'S REPRESENTATIONS AND COVENANTS

2.1 Lender hereby represents and covenants the following:

(a) Lender has been duly incorporated and validly exists as a corporation in good standing under the laws of the State of California or is a Joint Powers Authority (JPA); is not in violation of any provision of its Articles of Incorporation or its Bylaws; has power to own the collateral, to operate and to enter into and perform its obligations under this Agreement and the Master Participation Agreement; and, by proper corporate action has duly authorized the execution and delivery of this Agreement. Lender shall maintain the appropriate licenses or certificates necessary to fulfill its contractual obligations to the County throughout the life of this Agreement.

(b) This Agreement constitutes a valid and legally binding obligation of the Lender, enforceable in accordance with its terms.

(c) Lender presently has available the necessary funds to participate in Program loans (i.e., provide a portion of the loan from non-County sources as defined in Section 7 of the Lender Manual) to leverage this Disbursement, according to Section 7 of the

Lender Manual.

(d) Lender will notify County of any change of its Articles of Incorporation or By Laws.

(e) If Lender dissolves as a corporation or a JPA or if all or substantially all of Lender's assets are placed in control of a receiver or trustee, all assets held by Lender in trust for County shall be immediately transferred by Lender to County. In the event California's non-profit corporation law shall control the disposition of Lender's assets, these assets shall not include any funds held, including any interest or principal paid to Lender pursuant to Fund loans, by Lender pursuant to this Agreement, the Master Participation Agreement or any applicable Participation Certificate. All such assets shall be immediately transferred by Lender to County.

(f) Lender warrants that its directors, officers and employees possess the degree of learning and skill ordinarily possessed by reputable professionals practicing in similar localities in the same profession and under similar circumstances. Lender agrees that its directors, officers and employees will perform their duties under this Agreement with such care, skill and diligence as professionals engaged in the same profession ordinarily exercise under like circumstances.

(g) There is currently no legal or administrative action, suit or proceeding before any court or any governmental body or authority pending or threatened against Lender.

(h) Since the date Lender submitted to County its request for County to purchase a participating interest in the Loan, Lender has acquired no knowledge of any fact which would materially adversely affect the ability of Lender to render performance of the obligations under this Agreement.

(i) Lender warrants that neither the corporation or JPA, nor its directors, officers or employees, presently have an interest and shall not acquire any interest, direct or indirect, which would conflict in any manner with the performance of services under this Agreement. Lender further agrees to comply with the Fund conflict of interest policies as set forth in Section 8 of the Lender Manual.

III. LENDER'S RESPONSIBILITIES IN LENDING

3.1 County Approval of Loan Documents. Lender shall provide the County with written copies of all forms to be used for lending purposes, including, but not limited to, application forms, notes, loan agreements and security instruments. The County may disapprove any such forms used by Lender for any reason upon 10 days written notice. Such disapproved forms shall not be used for loans involving the County's funds

3.2 County Approval of Forms and Procedures. Lender must obtain the County's prior written approval before making any substantive changes to its forms or its lending program. Lender shall immediately transmit all forms that have changed, whether or not the change is substantive, to County. Lender further agrees to utilize program funds and to operate in conformance with the Lender Manual.

3.3 Approval of Proposed Use of Funds. Contractor agrees it will not and may not make a loan commitment to a project or prospective borrower without first receiving the written concurrence of County as to the proposed use of monies from the Fund.

3.4 Geographic Lending Restriction. Lender shall only lend Program monies to eligible Borrowers within the geographical boundaries of the County of Humboldt.

3.5 Determination of Borrower Eligibility. Lender will be responsible for review of the loan applications and verification of the information submitted from potential borrowers and shall determine whether the Borrower and proposed project are eligible pursuant to the loan guidelines set forth in Section 4 of the Lender Manual. Lender agrees not to make any loans to an ineligible borrower or for an ineligible project.

3.6 Default Loan Rate. The Lender shall immediately notify the County in writing when the principal amount of Lender's actual program loans in default exceeds ten percent (10%) of Lender's aggregate principal amount of loans outstanding. Upon such notice, the County may declare an event of Agreement Default pursuant to Section 5 herein. For purposes of this Agreement, an Agreement Default shall be a loan with any scheduled or required payments that are over ninety (90) days or more past due.

3.7 Loan Guidelines. Lender agrees to make loans to Borrower only in compliance with the Master Participation Agreement, the Lender Manual, the Participation Certificate, and the terms of this Agreement, which include the following loan guidelines:

(a) The size of the combined loan from the County and Contractor will be no less than $25,000, no more than $200,000 (with exceptions) for start-up firms, as defined in the Lender Manual Section 9, and no more than $800,000 for all other borrowers;

(b) For loan origination fees to borrowers, Contractor will charge the lesser of 2% of the loan amount or the lowest fee structure charged under Contractor's other loan programs;

(c) For interest rates to borrowers, Contractor will charge borrowers the same rates charged under Contractor's other loan programs, within the range of 5-12% interest, unless express written permission from County to exceed this parameter is granted;

(d) For loan servicing fees, Contractor will charge borrowers the same rates charged under Contractor's other loan programs;

(e) For collateral discounting, Contractor will use the more conservative (i.e. lower loan-to-value ratio) of Contractor's policy or the following loan-to-value ratios – real estate (90%), equipment (50%), inventory and accounts receivable (20%), furniture/fixture (10%).

3.8 Delinquent, Default or Charged-off Loans. For delinquent, default or charged-off loans, Lender agrees to execute all necessary recovery procedures for County funds pursuant to this Agreement, the Master Participation Agreement and the Lender Manual. Lender agrees to be responsible for paying for such portion of the recovery efforts as stipulated in the Participation

Certificate. Any recovered funds shall be paid out in proportion to the monies lent, without exception.

3.9 Nondiscriminatory Employment: Lender shall comply with Title VII of the Civil Rights Act of 1964 and no person shall, on the grounds of race, religion or religious creed, color, age (over 40), sex (including gender identity and expression, pregnancy, childbirth and related medical conditions), sexual orientation (including heterosexuality, homosexuality and bisexuality), national origin, ancestry, marital status, medical condition (including cancer and genetic characteristics), mental or physical disability (including HIV status and AIDS), military service, or any other classification protected by federal, state, or local laws and ordinances be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this Agreement.

3.10 Workers Compensation and Employer Liability Insurance. Lender represents and warrants it is aware of the provisions of the California Labor Code Section 3700, which requires every employer to be insured against liability for workers' compensation and employer's liability or to undertake self-insurance in accordance with the provisions of that Code, and it will comply with provisions of that Code before commencing with and during the performance of the work of this contract.

3.11 Americans With Disabilities Act Compliance: Lender agrees to comply with all local, state and federal laws and regulations, including but not limited to the Americans With Disabilities Act. Lender further agrees to comply with any applicable federal, state or local licensing standards, any applicable accrediting standards, and any other applicable standards or criteria established locally or by the state or federal governments.

3.12 Prevailing Wage Laws. Lender shall ensure that in the event any borrower whose project includes work to be performed which is deemed to be a public work as defined in California Labor Code Section 1720.0 for the purpose of requiring the payment of prevailing wages and the employment of apprentices as set forth in Sections 1770 and following of the Labor Code, as may be amended from time to time, the borrower or an agent of borrower shall, within five (5) days of the award of any construction contract for any portion of the work, file the award or extract thereof with the Department of Industrial Relations, Division of Apprenticeship Standards, as required by Section 1773.5 of the Labor Code. Lender shall advise any borrower or prospective borrower of the potential applicability of the foregoing provisions of the California Labor Code and shall require compliance with the Labor Code as a condition to any loan made under the Program. Lender shall require any borrower whose project involves construction, or might otherwise be subject to the requirements of this Section, to include in any construction contracts relating to the project, additional provisions requiring compliance with the California Labor Code.

3.13 Compliance with Governmental Laws and Regulations. Lender shall comply in all respects with all laws, regulations, rules and ordinances, whether city, county, federal or state as are applicable to the obligations of Lender.

3.14 Media Release: Lender will notify County prior to issuing all notices to third parties and any and all other publicity concerning the transaction contemplated by this Agreement. County reserves the right to require prominent mention of the Headwaters Fund program(s) in all such notices and publicity.

IV. ADMINISTRATIVE FEES AND PAYMENT TRANSFERS

4.1 Lender shall be entitled to receive as payment for services rendered in connection with this Agreement the sums as set forth in Section 16 of the Master Participation Agreement attached hereto as Exhibit B and the Participation Agreement, as shown in the form attached as Exhibit C, to be executed by the County and Lender for each Loan funded under the Program.

4.2 Lender will provide County with a complete written record on a quarterly basis for each loan transaction including the portion of the borrower loan payment for interest, portion of the borrower loan payment for principal, Lender fee, and amount returned to the County.

4.3 Lender shall remit principal and interest payments to the County in accordance with the Lender Manual, the Master Participation Agreement and the Participation Agreement attached hereto as Exhibits A, B and C.

V. AGREEMENT DEFAULT

5.1 Upon occurrence of an event of Agreement Default, as hereinafter defined, the County may:

(a) Take whatever action at law or in equity may appear or become necessary or desirable to collect the amounts due and thereafter to become due or to enforce the performance or observation of the obligations, agreements and covenants of the Lender;

(b) Withhold further funding of undisbursed amounts from Lender;

(c) Require immediate repayment of any undisbursed or misapplied loan funds and loan repayments, including an assignment of all loan documents; and

(d) Immediately terminate Lender's ability to make the loan, collect loan payments, service its loans, or otherwise continue to participate in the Program.

5.2 An event of Agreement Default shall be defined to include:

(a) Failure, inability or unwillingness of Lender, in the sole opinion of County, to carry out or comply with any of the terms, provisions, covenants, conditions or obligations of this Agreement, the Lender Manual, the Master Participation Agreement, or any Participation Certificate;

(b) Failure of Lender to timely pay all amounts due County;

(c) The occurrence of (1) the Lender's becoming insolvent, or ceasing, being unable, or admitting in writing or otherwise its inability to pay its debts as they become due, or making a general assignment for the benefit of, or entering into any arrangement with, its creditors; (2) proceedings for the appointment of a receiver, trustee, or liquidator of Lender, or of a substantial part of its assets, being authorized or instituted by or against it; (3) institution by Lender of any proceedings under the Bankruptcy Act, as such now exists or under any amendments, reenactments, or replacements thereof that may hereinafter be enacted, or under any other act relating to the subject of insolvency or bankruptcy, whether in such proceeding Lender seeks to be adjudicated a bankrupt, or to be discharged of its debts or to effect a plan of liquidation, composition or reorganization; (4) filing of any involuntary proceeding against Lender under any such bankruptcy laws; (5) Lender becoming adjudicated a bankrupt in any court of competent jurisdiction; or (6) attachment, execution or other judicial seizure of substantially all of Lender's assets, or a writ of attachment is executed on property of Lender.

(d) Submission or making of any report, statement, warranty or representation by Lender to County which is false, incomplete or incorrect in any material respect.

(e) Failure of Lender to remedy any material adverse change in its financial or other condition arising since the date hereof, which condition was an inducement to the County to make this Agreement.

5.3 Upon the occurrence of an event of Agreement Default, the County shall notify the Lender in writing of such default, specifying the corrective actions necessary to cure the default. Lender shall have thirty (30) days from the date of service of the default notice to cure the default or defaults, provided, however, County shall have the right to exercise the suspension provisions set forth in Section 6 of this Agreement during thirty (30) day period. In the event Lender fails, in the sole opinion of County, to cure the default within the thirty (30) day period, County may terminate this Agreement without further notice to Lender.

VI. AGREEMENT EXPIRATION, SUSPENSION OR TERMINATION

6.1 The term of this Agreement shall be from the date first mentioned above and shall expire on June 30, 2019. The obligations to service, monitor, and report to County pursuant to the terms of this Agreement, the Master Participation Agreement, Lender Manual or any Participation Certificate shall survive the expiration or early termination of this Agreement.

6.2 Upon expiration of this Agreement, Lender will, unless otherwise instructed by the County, continue normal loan servicing of existing Program loans under the terms specified in this Agreement, the Lender Manual, and any Participation Certificate executed by the County and Lender.

6.3 This Agreement may be terminated as specified in this Section. If this Agreement is terminated before its stated expiration, Lender will, unless otherwise instructed by the County, continue loan servicing of existing loans under the terms of this Agreement, the Lender Manual, and any Participation Certificate executed by the County and Lender.

(a) Immediate Termination: Notwithstanding and in addition to any other remedies provided by this Agreement, the County may terminate this Agreement immediately upon 24 hours written notice in the event any of the conditions of Section 5.2(c) come to pass.

(b) Termination for Cause: County may terminate this Agreement with Contractor for cause with or without prior suspension of Contractor as provided in this Section. Termination for Cause shall mean the continued failure by Contractor for more than thirty (30) days after receiving the notice provided for in Section 5.3, in the sole discretion of County, to cure the default specified in the notice and fully perform each and every term, provision, covenant, condition and obligation contained in this Agreement, the Lender Manual, the Master Participation Agreement, and any Participation Certificate executed by the County and Contractor.

(i) In such event, County may require the Contractor to continue loan servicing of existing loans under the terms of this Agreement, the Lender Manual, the Master Participation Agreement, and any Participation Certificate, and this Agreement.

(ii) In such event, County will have the right and option, but not the obligation to purchase from Lender the Lender Investment in all loans with Program funds as set forth in the Participation Certificate for Lender's then-outstanding investment in the applicable Participation Loan, plus then accrued interest thereon at the participation Rate of Interest to the date of repurchase.

(c) Termination for Convenience: Contractor or County has the right to request termination of this Agreement for convenience at any time upon thirty (30) days notice. In such event, County may require the Contractor to continue loan servicing of existing loans under the terms of this Agreement, the Lender Manual, the Master Participation Agreement, and any Participation Certificate.

6.3 Suspension: County may, but shall not be obligated, after notifying the Lender of a default but throughout the thirty (30) day period set forth in Section 5.3, to immediately suspend ability of Lender to draw down funds under the Program pursuant to Section 1.4 of this Agreement, when County determines, in its sole discretion, Lender has failed to comply with any term, covenant or provision of this Agreement, the Master Participation Agreement, the Lender Manual, or any applicable Participation Certificate. County may require Lender during the period of any suspension to continue loan servicing of existing loans under the terms of this Agreement, the Lender Manual, and any Participation Certificate. In the event Lender fails, in the sole opinion of County, to cure the default within the thirty (30) day period, County may terminate this Agreement without further notice to Lender.

VII. RELATIONSHIP OF PARTIES

7.1 Lender shall perform all work and services as described herein as an independent Lender. No person performing any of the work or services described herein shall be considered an officer, agent, servant or employee of the County nor shall any such person be entitled to any benefits available or granted to employees of the County. Lender shall be solely responsible for the acts or omissions of its officers, agents, employees, and subcontractors. Nothing herein shall be construed as creating a partnership or joint venture between the County and Lender.

VIII. INSURANCES

8.1 This Agreement shall not be executed by the County, and the Lender is not entitled to any rights, unless certificates of insurance or other sufficient proof that the following provisions have been complied with, are filed with the Clerk of the Humboldt County Board of Supervisors.

8.2 Without limiting Lender's indemnification provided herein, Lender shall, and shall require any of its subcontractors to, take out and maintain, throughout the period of this Agreement, the following policies of insurance placed with insurers with a current A.M. Bests rating of no less than A:VII or its equivalent against injury/death to persons or damage to property which may arise from or in connection with the activities hereunder of Lender, its agents, employees or subcontactors:

(a) Comprehensive or Commercial General Liability Insurance at least as broad as Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001), in an amount of $1,000,000 per occurrence. If work involves explosive, underground or collapse risks, XCU must be included. If a general aggregate limit is used, either the general aggregate limit shall apply separately to this project or the general aggregate shall be twice the required occurrence limit. Said policy shall contain, or be endorsed with, the following provisions:

(1) The County, its officers, employees and agents, are covered as additional insured for liability arising out of the operations performed by or on behalf of Lender. The coverage shall contain no special limitations on the scope of protection afforded to the County, its officers, agents, and employees.

(2) The policy shall not be canceled or materially reduced in coverage without thirty (30) days prior written notice to the County by certified mail.

(3) The inclusion of more than one insured shall not operate to impair the rights of one insured against another insured, and the coverage afforded shall apply as though separate policies had been issued to each insured, but the inclusion of more than one insured shall not operate to increase the limits of the insurer's liability.

(4) For claims related to this Program, the Lender's insurance is primary coverage to the County, and any insurance or self-insurance programs maintained by the County are excess to Lender's insurance and will not be called upon to contribute with it.

(5) Any failure to comply with reporting or other provisions of the parties, including breach of warranties, shall not affect coverage provided to the County, its officers, employees, and agents.

(b) Professional liability insurance/errors and omission coverage in an amount no less than $1,000,000 combined single limit (CSL). If insurance is written on a claims-made basis, Lender agrees to maintain such insurance in effect for at least three (3) years following completion of performance under this Agreement.

8.3 Lender shall furnish the County with certificates and original endorsements affecting the required coverage prior to execution of this Agreement by the County. The endorsements shall be on forms as approved by the Humboldt County's Risk Manager or County Counsel. Any deductible or self-insured retention over $100,000 shall be disclosed to and approved by the County. If Lender does not keep all required policies in full force and effect, the County may, in addition to other remedies under this Agreement, take out the necessary insurance, and Lender agrees to pay the cost of said insurance. All insurance coverage shall be with insurance carriers licensed and admitted to do business in California. All insurance coverage shall be with insurance carriers acceptable to the County.

IX. CONFIDENTIALITY

9.1 Lender agrees that neither it nor any of its agents or employees will knowingly divulge or disclose any confidential financial information or business plan submitted to, or developed by, Lender on behalf of Borrower, except to the extent that the disclosure is deemed by the Lender to be necessary for evaluation of any application submitted to the Lender or is required by applicable law. Lender agrees to comply with all laws regarding confidentiality and shall advise and require all subcontractors to comply with the laws of confidentiality.

X. HOLD HARMLESS AND INDEMNIFICATION

10.1 Lender shall indemnify and hold County harmless against and from any and all claims arising from the conduct, management, or performance of the Lender's obligations, including, without limitations, any and all claims arising from any condition, or arising from:

(a) Any breach or default on the part of Lender in performance of any covenant or agreement on its part to be performed pursuant to the terms of this Agreement and the Exhibits attached hereto;

(b) Any act of negligence of Lender, including professional negligence, or any of its agents, servants, employees, subcontractors, or licensees; or

(c) Any accident, injury, or damage howsoever caused to any person, firm, or corporation.

Such indemnity shall include any and all costs, reasonable counsel fees, expenses and liabilities incurred in or about any such claim, action, or proceeding brought thereon, and if any action or proceeding be brought against County, its employees, agents, or directors by reason of any such claim, Lender, on notice from County, shall defend against such action or proceeding by counsel satisfactory to County, unless such action or proceeding is defended by counsel for any carrier of public liability insurance provided herein. This indemnification shall not be affected by a claim the County, its employees, agents, or directors contributed in part to the loss of damage indemnified against.

10.2 Acceptance of insurance required by this Agreement does not relieve Lender from liability under this indemnification clause. This indemnification clause shall apply to all damages or claims for damages suffered by Lender regardless if any insurance is applicable or not.

XI. MISCELLANEOUS

11.1 Except for report preparation, auditing, legal review, and accounting, Lender shall not subcontract any portion of the work required by the Agreement without prior written approval of the County.

11.2 Each party hereto will pay its own attorney fees incurred in connection with the negotiation and execution of this Agreement.

11.3 Notwithstanding any other provision of law, if any lawsuit or proceeding is brought by either party hereto to enforce the terms of this Agreement, each party in such proceeding hereby agrees to pay its own court costs and reasonable attorney fees incurred in bringing and defending such action.

11.4 Venue for any action relating to this Agreement will be in an appropriate Court in Humboldt County, California and this Agreement and any interpretation thereto shall be governed by the laws of the State of California

11.5 Unless stated otherwise in this Agreement, when the consent or approval of either party is sought, such consent or approval will be deemed given unless notice of written disapproval is given no later than fifteen (15) business days after receipt of written request therefore, unless the parties agree to an extension of this deadline.

11.6 This Agreement and the terms and provisions hereof will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

11.7 This Agreement, the Master Participation Agreement, the Lender Manual, and the Participation Certificate, when executed by all parties, together constitute the entire agreement between the parties hereto with respect to its subject matter, supercedes all prior and contemporaneous agreements between the parties with respect to the subject matter and may not be modified, amended or otherwise changed in any manner except by a writing executed by the party to be charged. In the event of any conflict in the terms of the Master Participation Agreement, the Lender Manual, Lender Agreement, and the Participation Certificate, the terms of the Master Participation Agreement shall control.

11.9 It is understood that any and all documents, information, and reports prepared by and/or submitted by Lender shall become the property of the County. Lender may retain copies for its own records. In the event of termination of this Agreement, for any reason whatsoever, Lender shall promptly turn over all information, writings and documents to the County without exception or reservation.

11.10 Except as otherwise provided in this Agreement, any notice or consent required or permitted to be given hereunder must be in writing and may be served personally or by mail; if served by mail, it shall be registered or certified mail with evidence of post office mailing and return receipt requested. If served by mail, it shall be addressed as follows:

If to Lender: Arcata Economic Development Corporation
Attn: Executive Director
100 Ericson Court, Suite 100A
Arcata, CA 95521

If to Participant: County of Humboldt
County Administrative Officer
Attn: Headwaters Fund
825 5th St.
Eureka, CA 95501

Any written notice shall be deemed received at the time of personal delivery, or if given by mail, then five (5) days after the mailing thereof. Either party may, by written notice to the other party as provided herein, specify a different address or additional addresses for notice purposes.

11.11 The waiver by either party of any breach or violation of any requirement of this Agreement shall not be deemed to be a waiver of any such breach in the future, or of the breach of any other provision of this Agreement.

11.12 This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in business and real estate matters. In addition, each party has been represented by experienced and knowledgeable legal counsel. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purposes of the parties and this Agreement. Hence, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits thereto.

11.13 Nothing contained in this Agreement is intended to confer any benefit or to create any claim in favor of any person or entity who is not a party to this Agreement.

11.14 Lender certifies by their signatures below that Lender or Lender's agents, representatives, employees, contractors and subcontractors are not a Nuclear Weapons Contractor, in that Lender is not knowingly or intentionally engaged in the research, development, production, or testing of nuclear warheads, nuclear weapons systems, or nuclear weapons components as defined by the Nuclear Free Humboldt County Ordinance. Lender agrees to notify County immediately if it or Lender's agents, representatives, employees, contractors and subcontractors become a nuclear weapons Lender, as defined above. County may immediately terminate this agreement if it determines that the foregoing certification is false or if Lender or Lender's agents, representatives, employees, contactors and subcontractors become a nuclear weapons Lender.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first herein above written:

(SEAL)

COUNTY OF HUMBOLDT

ATTEST:
CLERK OF THE BOARD

BY: ______________________
CHAIR, BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT
STATE OF CALIFORNIA

APPROVED AS TO FORM:

COUNTY COUNSEL

BY: ______________________
DAVINA SMITH, DEPUTY

LENDER

BY: ______________________

TITLE: President
(Corporate Officer)

APPROVED FOR INSURANCE REQUIREMENTS

____
KELLY VIZGAUDIS, RISK ANALYST

LENDER

BY: Ross Welch

TITLE: EXECUTIVE DIRECTOR
(Corporate Officer)

ACORD

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 07/15/13

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER 707-822-7251 707-826-9021
Anderson Robinson Starkey
Insurance Agency Inc.
P O Box 1105
Arcata, CA 95518-1105

CONTACT NAME: Cindy Michel
PHONE (A/C, No, Ext): 707-822-7251 FAX (A/C, No): 707-826-9021
E-MAIL ADDRESS: cmich@ars-insurance.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Nonprofits Insurance Alliance	
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
Arcata Economic Development
Corp, Ross Welch
100 Ericson Court Suite 100-A
Arcata, CA 95521

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC	X		2013-01580-NPO	06/09/13	06/09/14	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 500,000
							MED EXP (Any one person)	$ 20,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 2,000,000
							PRODUCTS - COMP/OP AGG	$ 2,000,000
								$
	AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident)	$
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
	UMBRELLA LIAB OCCUR EXCESS LIAB CLAIMS-MADE DED RETENTION $						EACH OCCURRENCE	$
							AGGREGATE	$
								$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					WC STATU-TORY LIMITS OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Certificate holder is named as the Additional Insured in regards to the contract between the insured and the County of Humboldt per form CG2011 1/96 for use of LIbrary meeting room.

RECEIVED 7/17/13

CERTIFICATE HOLDER

COUNTYH

County of Humboldt, Its
Officers, Agents and Employees
520 E Street
Eureka, CA 95501

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
Cindy Michel

EXHIBIT A

HEADWATERS REVOLVING LOAN FUND MANUAL

COUNTY OF HUMBOLDT
The Home of the Redwoods

The Headwaters Fund

INVESTING IN OUR COMMUNITY

Revolving Loan Fund Lender Manual

TABLE OF CONTENTS

1. **Introduction and Summary**

a) This Manual guides Lenders in administering the Headwaters Fund Revolving Loan Fund.

b) As part of the Loan Fund, the "Lender" (a qualified, Headwaters approved financial lending institution) markets, underwrites, and services loans for the purpose of job creation and economic development in Humboldt County. Loan Fund loans are designed to provide gap financing in conjunction with commercial lenders or alone. Lenders apply for and are assigned a Loan Pool (the maximum total disbursement for loans) from which they draw to make loans. Funds from the Loan Pool are disbursed on a loan-by-loan basis as needed, and borrower payments are returned promptly to the Headwaters Fund. Lenders must approve and structure loans according to the criteria outlined in this document, the Master Participation Agreement (see Section 1c), and the Participation Certificate (see Section 1c). The Lenders must match 1:1 the amount the Headwaters Fund provides for the loan; additional portions of the total loan may or may not come from commercial lenders. If the Lender is unable to provide matching funds for the loan, it may be required to seek final approval for the loan from the Headwaters Fund. The Headwaters Fund will compensate Lenders for costs related to lending as specified in the Lender Agreement, Master Participation Agreement, and Participation Certificate (see Section 1c for description of these documents). The initial term of the relationship between the Loan Fund and the Lender is expected to be about 1-3 years (subject to negotiation) with renewal terms possible.

c) This Manual (or "Lender Manual") along with the Lender Agreement, Master Participation Agreement, and Participation Certificate are the legal documents governing the Lender's relationship, duties, compensation, and rights as part of the Headwaters Revolving Loan Fund Program.

  i) The Lender Agreement outlines disbursements to Lenders from the County, the Lender's lending responsibilities, terms and consequences for an Agreement Default, suspension and termination of the Lender Agreement, and other legal provisions.

  ii) The Master Participation Agreement chiefly outlines the mechanism (i.e. sale of an interest of a Lender loan to the County) for the Lender to match County funds to make loans as well as loan administration requirements, especially for troubled loans.

  iii) The Participation Certificate must be completed by Lender and County for each Headwaters Loan. The Certificate primarily specifies loan terms, compensation to Lender to cover underwriting and administration costs, and collateral recovery arrangements.

2. **Definitions**

a) "Lender" means a qualified lender approved by the Headwaters Fund to administer Headwaters Fund money.

b) "HWF" means the Headwaters Fund program of the County of Humboldt.

c) "HFB" means the Headwaters Fund Board.

d) "County" means the County of Humboldt.

e) "Board of Supervisors" means the Board of Supervisors of the County of Humboldt.

f) "RLF" means the Headwaters Fund Revolving Loan Fund Program.

g) "HWF/Lender Portion" refers to the amount of a loan provided by either HWF or Lender funds. Commercial bank, borrower injection, and other sources of funds are not included in this amount.

h) "Lender participation" refers to loan funds not from HWF provided by Lender as part of an HWF loan. For example, if there is 40% Lender participation in a loan with an HWF/Lender Portion of $100,000, the Lender provides $40,000 for the loan from non-HWF sources; HWF provides $60,000 for the loan.

i) "Delinquent loan" is a loan where scheduled or required payments are up to 90 days past the original due date.

j) "Default loan" is a loan where scheduled or required payments are over 90 days past the original due date.

k) "Loan loss rate" or "loss rate" for the Lender's Headwaters Fund Loan portfolio means the total unrecoverable amount of Lender's outstanding Headwaters loans as a percentage of Lender's total Headwaters loan portfolio's outstanding principal amount.

l) A loan "write-off" means the amount of an outstanding loan expected to be unrecoverable.

m) "Lender Agreement" is the separate document between the Lender and the County of Humboldt outlining disbursements to Lenders from the County, the Lender's lending responsibilities, terms and consequences for an Agreement Default, suspension and termination of the Lender Agreement, and other legal provisions.

n) "Master Participation Agreement" is the separate document chiefly outlining the mechanism (i.e. sale of an interest of a Lender loan to the County) for the Lender to match County funds to make loans as well as loan administration requirements, especially for troubled loans.

o) "Participation Certificate" is the separate document specifying loan terms, compensation to Lender to cover underwriting and administration costs, and collateral recovery arrangements. The Participation Certificate must be completed by Lender and County for each Headwaters Loan.

3. Loan Screening and Administration Process

a) Marketing of Loan Products: The Lender will effectively market HWF loan products to qualified organizations by targeting appropriate customer segments, advertising, distributing marketing and application materials, and responding to potential applicant inquiries. At its discretion, HWF staff will work with Lenders to design and implement marketing programs.

b) Loan Application: Applicants apply to the Lender directly for loans. The Lender will assist loan applicants in completing the necessary application materials. The Lender can use its own application forms and procedures, as long as it collects the information required for reports to HWF staff (outlined in Section 14 'Reporting & Monitoring').

c) Loan Evaluation

   i) The Lender will perform a sufficiently detailed and comprehensive analysis of each application to make a reasonable, informed, and responsible loan evaluation decision consistent with industry standards.

   ii) The Lender will have its Loan Committee review and recommend for approval all HWF loans. Loan Committee members must have sufficient knowledge and experience in finance, banking, accounting and law to evaluate HWF loans.

   iii) The Lender will prepare all necessary loan documents and supporting information including Loan Committee recommendations on the appropriateness of each loan.

iv) Other interviews, screening, financial evaluation and analysis are conducted per Lender's usual policies.

v) Loan eligibility and uses must fit Section 4 'Loan Guidelines' below.

d) HWF Input & Approval

i) HWF representative on Lender loan committee: HWF staff and/or HFB have the option to send one representative to sit on the Lender's Loan Committee, subject to that representative signing and complying with any conflict of interest policies of Lender. This representative would have all the duties and authority of normal Lender Loan Committee members.

ii) Exceptions to loan guidelines (specifically outlined in Section 4 'Loan Guidelines') must be submitted to and approved by HWF staff and/or HFB in writing.

iii) Under the RLF, Lender cannot be required to approve a particular loan, but HWF staff and/or HFB may decline to fund/participate in an approved loan under conditions outlined in Section 7 'Lender Participation'.

iv) If HWF approval is required for a loan, Lender must provide HWF staff with appropriate documents (see Section 7g).

v) HWF staff will review all loans to ensure that proposed uses are consistent with HWF policies.

e) Loan Closing & Disbursement

i) The Lender must execute all necessary loan documents.

ii) The Lender must adhere to its customary policies and any agreements of HWF.

f) Appeals Process

i) The Lender must have an HWF staff approved appeals process.

g) Loan Servicing & Monitoring

i) The Lender must monitor project for compliance with loan documents and requirements.

ii) Notice of Payment due dates must be sent to borrowers at least 15 days prior to due date.

iii) The Lender must monitor loans according to its policies and as needed to fulfill HWF reporting & monitoring requirements (outlined in Section 14 'Reporting & Monitoring' and Section 6 'Troubled Loan Guidelines' sections).

iv) Payments from borrowers must be transferred to HWF according to policies in Section 10 "Financial Management and Payment".

v) Troubled loan guidelines are outlined in Section 6.

4. Loan Guidelines

a) The Lender must abide by these guidelines. As long as RLF guidelines are met, the Lender may set loan parameters according to Lender's established policies and judgment. Exceptions to guidelines are specifically noted below and require final approval in writing from HWF staff and/or HFB. In considering exceptional cases, HWF staff may request from the Lender the 'loan report' documents/information outlined in Section 7g.

b) Eligible Organizations

i) Businesses (including start-ups) and non-profit organizations located in Humboldt County. Organization may be located outside of the County if the Extraordinary Project criteria in section 17 are met.

c) Ineligible Organizations

i) Speculative organizations (firms deriving profit from fluctuations in price rather than through the normal course of trade), lending organizations (e.g. banks), political lobbying organizations, pyramid sales organizations, and organizations involved in illegal activities.

ii) Lender

d) All projects must not be commercially bankable on their own.

i) Lender must verify reasonable documentation of need or gap (e.g. bank rejection letter). To provide useful information for Lender and HWF, a bank rejection letter should also include an explanation for the gap (i.e. reason for denial).

e) Eligible Project Uses of Loan Proceeds:

i) Real estate: purchase (land and building), construction, and rehabilitation

ii) Working capital

iii) Equipment and machinery

iv) Inventory

v) Leases

vi) Business buy-outs and startup costs

vii) Product development

viii) Debt refinancing, but only on an exceptions basis; typically refinancing must fulfill all of the following conditions:

a) The existing debt must not presently be on reasonable terms. The main test for reasonableness is whether existing cash flow is adequate to cover existing debt;

b) The refinancing must provide a substantial benefit to the organization;

c) There must be at least a 20% improvement to the firm's cash flow compared to the previous debt structure. The comparison does not have to be based on similar methods of amortization;

d) The refinancing must not be made to provide additional funds to distribute to owners/investors. Debt due a principal of the applicant business cannot be refinanced regardless of the principal's ownership percentage; and

e) HWF funds may not be used to put Lender or other investor funds in a more attractive/safer position.

f) Documentation to be provided:

(1) Lender certification in writing and transcript of borrower's account showing that debt to be refinanced is and has been reasonably current for at least the last 36 months. Reasonably current means that borrower has made loan payments on time or with three or fewer late payments; and

(2) When a major part of the loan proceeds is for debt payment, the Lender must fully explain how and why the debt accumulated and justify the need for refinancing.

ix) Other uses for loan proceeds (e.g. intellectual property, letters of credit, loan guarantees) are eligible on an exceptions basis only

f) Social Criteria for Loan Proceeds

i) Job creation/retention: proceeds must lead to job creation or retention. Projects must meet or exceed the job-to-loan ratio of 1 full-time job created/retained per every $35,000 loaned (i.e. the total HWF/Lender Portion). Subject to HWF staff and/or HFB approval on an exceptions basis only, the Lender can make exceptions to this job creation/retention requirement if Lender deems the organization will generate a sufficiently high total economic value to the County (see "Total Economic Value" Appendix 2); and

ii) Fit with the broad vision outlined in the County's Comprehensive Economic Development Strategy (currently named Prosperity!), namely: creation/retention of jobs, contribution to the economic vitality of the region, and enhancement of industry clusters or supporting industries.

g) Ineligible Uses of Loan Proceeds

i) Payments for debt or to investors (except as specified in Section 4.e.viii);

ii) Tax payments;

iii) Exclusively private residential projects (mixed commercial/residential projects may be considered); and

iv) Activities and economic benefits located outside of Humboldt County. Assistance may be withdrawn if the activity is later moved outside of Humboldt County.

h) Allowed Financing Instruments

i) Loans;

ii) A line of credit (LOC) except that an LOC may only be made with the written consent of the HWF Board; and

iii) Loans with Royalty Participation

a) Lender negotiates with Borrower to receive a percentage of sales for a future period or above a specified threshold (typically used to compensate for higher risk deals); typically requires audited sales figures.

b) Lender may not conduct Royalty Participation deals until expressively approved in writing to do so by HWF staff.

c) If HWF staff deems that a Lender does not have the needed expertise in executing loans with royalty participation, staff may require appropriate Lender personnel to undergo suitable training before being able to execute loans with royalty participation.

i) Loan Terms and Conditions: Refer to Figure 1 below and Lender Agreement for loan guidelines:

Figure 1: Terms & Conditions Guidelines for Loan Products

Term/Condition	Guidelines	Notes
Required Investment from Borrower	• At least 10% of project cost, with exceptions, in cash or comparably valued equity	• Valuation and use of non-cash equity should occur according to Lender's policies
Payment Schedule	• Lender discretion	• Options include interest-only payment period, deferred payment period, variable payment schedule, & balloon payments
Private Sector Lender Participation (Leverage)	• Portfolio-wide ratio: At least \$1 from private lender(s) and/or the borrower for every \$1 of HWF/Lender Portion.	• This ratio is computed over a 12-month period starting after the Lender makes its first HWF loan.
HWF/Lender Portion Size	• Minimum: \$25,000 • Maximum (established firms): \$800,000 (with exceptions as allowed by the Extraordinary Project criteria in section 17.) • Maximum (start-up firms[1]): \$200,000 (with exceptions)	• Total loan size = HWF/Lender Portion + Private lender portion • Min/max contribution of HWF depends on Lender participation percentage
Interest Rate	• See Lender Agreement Section 3.7	
Term Length	• Lender discretion	
Loan Fee	• Set by Lender (see Lender Agreement Section 3.7)	
Prepayment Penalty	• None	
Collateral Requirement	• Fully secured (collateral discounted according to Lender policies), junior position to other debt possible; exceptions also possible	• Possible exception: Debt with Royalty Participation

5. Loan Servicing

a) Lender shall maintain a loan file that includes: Note, Participation Certificate, Loan Agreement/Contract, Loan Application Package, Insurance (if applicable), Loan Committee Report, Disbursements, Guaranties (if applicable), and other needed documents.

b) Lender should maintain a "Tickler" system organized by month (when payments are due) and track borrower due dates for insurance payments, taxes, financial statement updates,

[1] See Section 9a for start-up firm definition

guarantor financial statements (if applicable), and Uniform Commercial Code renewal dates (if applicable).

c) Lender should maintain a delinquent and lost loans file - A list of all loans deemed un-collectable or delinquent. Delinquent loan information will include recommendations for action.

6. Troubled Loan Guidelines

Workouts, extensions, collections, write-offs, delinquency, and foreclosures will be determined according to Lender discretion and policies, but should at a minimum include the following procedures:

a) As stated in the Master Participation Agreement Section 3, Lender will confer with HWF staff prior to initiation of loan acceleration or collections proceedings. If Lender participation is less than 50%, Lender must obtain written consent of HWF staff before initiating such proceedings;

b) As stated in the Master Participation Agreement Section 13, Lender must promptly notify HWF staff if there are material changes in the value of the collateral securing the loan;

c) Lender may restructure a loan no more than 3 times. If Lender wishes to restructure a loan more than 3 times, Lender must obtain permission from HWF staff and/or HFB, and HWF staff and Lender must agree upon a plan to address the troubled loan;

d) Lender must notify HWF staff of delinquent and default loans within 10 business days following Lender knowledge of delinquency and default (see Section 14 for further reporting requirements);

e) In the event that loan payments are more the 20 days late, Servicer will call the Borrower and ascertain why the payment is late and get a commitment for payment. The Servicer will maintain a log of all verbal and written communication about the past due payments. Penalty fees can be assessed in compliance with loan documents and state laws;

f) If payment has not been received 30 days after the due date, Lender will follow up with a letter stating the amounts past due and explaining that the borrower is in default. If appropriate, Lender will make a site visit;

g) All payments past due 30 days or more will be reported by Lender to HWF staff in a monthly report (see Appendix for reporting requirements);

h) By the 60th day of a late payment, Lender shall:

    i) Develop an agreed upon payment plan to get the borrower current.

    ii) Double check that all collateral documentation is in place and in order and that all insurances required are in place.

    iii) Report to HWF staff detailing the nature of the problem and make recommendations; and

    iv) Develop a strategy for further action, including:

        a) Loan re-structuring;

        b) Strategy to liquidate the collateral;

        c) Notice of default and the intention to foreclose;

        d) Further forbearance of action based upon certainty of repayment and confidence of operations; and

        e) Sending the loan to the collection agency.

i) Foreclosure Policies

    i) In most instances a straight foreclosure will be viewed as the last option. There are, however, instances when foreclosure is the best option and the only remedy to a deteriorating situation. Lender will consult with HWF staff before initiating foreclosure proceedings;

ii) All foreclosure proceedings and actions should be done in such a way as to provide maximum protection for HWF funds (see Master Participation Agreement Section 3D); and

iii) Collateral liquidations must attempt to cover the cost of the outstanding loan principal, any accrued interest owed to the lenders, and the transaction costs of liquidation (i.e. legal, marketing, Staff time). See Participation Certificate for further details.

7. Lender Loan Participation & HWF Approval

In all cases, HWF staff will review and approve a loan recommended for HWF funding by Lender to determine if the loan is for an appropriate use as defined in this Lender Manual. Further HWF staff review and approval may be required as defined in this section.

a) Case 1: 50% Lender participation

   i) The Lender must provide 50% of the HWF/Lender Portion from its own, non-HWF sources. This participation is designed to increase leverage of HWF funds and provide risk sharing between HWF and Lender. There are two exceptions to this 50% requirement:

      a) Lender's other fund sources explicitly prohibit using funds for a purpose eligible for HWF funds.

      b) Lender lacks sufficient cash to contribute 50% of HWF/Lender Portion.

   ii) Responsibility and authority for loan underwriting/approval rests with the Lender (subject to terms in this Manual).

b) Case 2: 30 to 49% Lender participation for loans with HWF/Lender Portion under $100,000

   i) If Lender cannot provide 50% participation for the two exceptions/reasons stated in Case 1, can provide 30-49% of the HWF/Lender Portion from non-HWF sources, and the HWF/Lender Portion is less than $100,000, the Lender has the responsibility and authority for loan underwriting/approval (subject to terms in this Manual).

   ii) Lender must provide HWF staff with reasons (and brief documentation) for less than 50% participation.

c) Case 3: 30 to 49% Lender participation for loans with HWF/Lender Potion of $100,000 or more.

   i) If Lender cannot provide 50% participation for the two exceptions/reasons stated in Case 1, can provide 30-49% of the HWF/Lender Portion from non-HWF sources, and the HWF/Lender Portion is more than $100,000, the Lender may still make the deal but requires approval from HWF.

   ii) Using its normal processes, the Lender will underwrite and recommend approval (if appropriate) to HWF staff. HWF staff and/or HFB will have final authority to approve or decline loans.

   iii) Lender must provide HWF staff with reasons (and brief documentation) for less than 50% participation.

d) Case 4: Less than 30% Lender participation

   i) If Lender can only provide less than 30% participation for HWF/Lender Portion for the two exceptions/reasons stated in Case 1, the Lender may still make the deal but requires approval from HWF staff and/or HFB.

   ii) Using its normal processes, the Lender will underwrite and recommend approval (if appropriate) to HWF staff. HWF staff and/or HFB will have final authority to approve or decline loans.

iii) Lender must provide HWF staff with reasons (and brief documentation) for less than 30% participation.

e) HWF staff and HFB may not require Lender to approve a particular loan, but may decline to fund/participate in an approved loan under Cases 3 and 4 above, and in all cases if loan is not for an approved use.

f) When Lender requires final approval for a loan from HWF staff and/or HFB (i.e. Cases 3 and 4 above and exceptions to loan guidelines), Lender will submit loan request to HWF staff. HWF staff will respond to Lender request within 10 working days of receipt of request, unless prior arrangement on turnaround time is agreed upon between Lender and HWF staff.

g) Loan Report

i) When Lender requires final approval for a loan from HWF staff and/or HFB (i.e. Cases 3 and 4 above and exceptions to loan guidelines), Lender should review, underwrite, and recommend approval to HWF staff. Lender should provide at least the following information to HWF staff for review:

a) Borrower's name and contact information;
b) Principal/owner's name and contact information;
c) Summary of organization;
d) Summary of the project (e.g. use of funds, budget);
e) Eligibility for HWF funds (e.g. legal structure, job creation/retention/economic impact);
f) Loan terms (amount, interest, term length, equity investment, conditions, etc.);
g) Proposed collateral (descriptions, valuation formula, appraisal (if applicable), final value);
h) Cash flow analysis and coverage (adjusted existing cash flow, projected cash flow). Lender should provide detailed information needed to analyze and adjust cash flow (e.g. depreciation, principal payments, coverage ratio);
i) Guarantors (name, income, net worth);
j) Outline and analysis of financial condition of the organization (spread of historical financial statements, capabilities of management, personal financial statements (if applicable), credit reports (business and personal, if applicable));
k) Participation structure (amount of private lender, HWF, and Lender participation);
l) Explanation for Lender's inability to fully participate in loan (if Lender participation is less than 50%); and
m) Lender recommendation for making the loan listing reasons and any concerns.

8. Conflict of Interest Policy

a) HWF staff must approve the Lender's Conflict of Interest policy. This policy must preclude the involvement of any individual, with interests (personal or financial) in a loan, from exercising influence in any aspect of the loan process. If the Lender does not have a suitable policy, HWF staff will work with the Lender to create one. The Lender's Conflict of Interest Policy must include the following:

i) Lender will, for each proposed loan, inform HWF staff in writing and furnish such additional information as HWF staff may require, as to whether and to what extent Lender or its principal officers or employees, including immediate family, hold any legal or financial interest or influence in the Borrower, or the Borrower or any of its principal officers or employees, including immediate family, holds any legal or financial interest or influence in Lender. In the event that HWF staff determines that a conflict of interest exists, the loan may not be made without HWF staff approval.

ii) Officers or employees of Lender or members of any credit committees of Lender shall be barred from participation in any way on any decision regarding projects which that officer, employee or member has a direct or indirect personal financial interest.

9. Portfolio Management Guidelines

a) The goal of portfolio management is to have a diverse portfolio to minimize overall risk and ensure broad impact. Diversification categories and the diversification of the portfolio will be considered at least annually by HWF staff (see reporting requirement section). Effort should be made to achieve a diversity in investments in the following areas:

i) Mix of loan and investment products: senior loans, subordinated loans, and royalty participation (if approved by HWF staff);

ii) Mix of development stage of businesses invested in. The following definitions outline development stages:

a) Seed/Start-up Stage: firm is in business less than one year but products or services have not been sold commercially.

b) First Stage: sales initiated for a short time (less than six months); company is not showing a profit yet.

c) Second Stage: company has been producing goods and services for more than two years and has growing accounts receivables and inventory. Firm is clearly making progress and may or may not yet be showing a profit.

d) Growth Stage: established company with increasing sales volume over several years with profits at break-even or positive. Firm is continuing to expand.

e) Mature Stage: well established company with stable sales and intermittent to consistent profits. Firm is anticipating little growth opportunity.

f) Declining stage: established company with declining sales and profits, serving shrinking markets.

iii) Mix of borrowers: non-profits, businesses, real estate, agricultural businesses, etc.;

iv) Mix of loan terms: loans with short, medium, and longer term maturities to encourage fund liquidity;

v) Mix of loan uses: business (working capital, equipment, etc.), real estate, etc.; and

vi) Mix of risk ratings: loans with varying degrees of risk ranked by a Lender's risk rating system approved by HWF staff.

b) Loans maximum per borrower group: a particular borrower group may not hold more than $800,000 in total loans from RLF, with exceptions as allowed by the Extraordinary Project criteria in section 17. A borrower group is a group financially related to each other such as subsidiaries, joint ventures, partnerships, jointly owned corporations, or individual(s) with ownership interest in another borrower.

c) Loan payment default and loss rate: The Lender should maintain a reasonable loan payment default and loss rate (which will vary according to lending conditions, economic factors, etc.). An excessively high default rate may be grounds for review, greater HWF staff oversight of the Lender, and/or contract termination (see "Lender Agreement" Sections 5 and 6).

10. Financial Management and Payment

a) Through an RFP process, financial institutions will apply to become HWF Lenders.

b) Loan Pool

i) A Lender Loan Pool will be established for each Lender. This Lender Loan Pool will be the maximum amount of funds available (less Loan and Liquidity Reserves as described below) to a Lender for making loans. The Lender Loan Pool is expected to be a self-sustaining revolving loan fund, providing ongoing capital for loans and revenue to cover costs of loan operations.

ii) Board of Supervisors will determine the size of the Loan Pool based on their discretion and the financial institution's request. The Loan Pool will be held and managed by County of Humboldt. The maximum Loan Pool size is $3,500,000.

iii) Subject to the terms of the Lender Agreement, Master Participation Agreement and Participation Certificate, loan payments from borrowers, foreclosure proceeds, and other income generated from loans to borrowers will be returned to their original Lender Loan Pool.

iv) Capital/Liquidity Reserve

a) A Capital Reserve Account of the Revolving Loan Fund will be established in order to retain sufficient earnings from the Revolving Loan Fund to absorb any losses incurred on loans made out of the Fund. Funds will be retained from interest earnings totaling 8% of the outstanding balance of loans from the Revolving Loan Fund Pool and set aside in this account. Loan losses will be charged to the Capital Reserve Account. The Capital Reserve Account is separate from funds allocated to the Revolving Loan Fund. Losses charged to the Capital Reserve account will be reimbursed to the account from future interest earnings on loans outstanding. HWF staff and/or HFB will review the history of losses at least annually and have the right to adjust the anticipated loan loss percentage, currently set at the industry average of 8% of outstanding loan balances.

v) Funds will be disbursed in periodic installments as the applicant commits to make loans to eligible borrowers, up to the original amount of the Lender Loan Pool.

vi) In setting the Lender Loan Pool size, the following criteria will be considered:

a) The relative demand for funds from other eligible applicants;

b) Whether the applicant serves a geographic area or segment of potential borrowers not served by others; and

c) The number of types of eligible projects under RLF guidelines in the applicant's area.

c) Remuneration to Lender

i) The "Master Participation Agreement" and "Participation Certificate" outline payment structure for Lender in administering HWF loans.

d) Collateral collection for lost loans

i) As described in the Participation Certificate, if an HWF/Lender loan is accelerated and charged-off, net proceeds of collateral received by the Lender will be shared pro rata based on the Lender and County's original percentage of a HWF/Lender loan. For example, on a loan with 50% Lender participation, 50% of the proceeds from collateral recovery will be given to County by Lender.

e) Accounting records

i) Lenders must adhere to standard accounting principles and procedures and utilize adequate internal controls.

ii) Lenders must maintain adequate accounting records and source documentation to substantiate the reporting requirements and guidelines of the HWF. Lenders must retain all records pertinent to expenditures, transactions, and loans for the RLF for a period of 5 years after the termination of the loans funded by HWF. In the event of litigation, claims, audits, negotiations or other actions that involve any of the Lender's records, Lender must retain such records until final action resolving all issues occurs, or the expiration of the five-year period, whichever occurs later.

11. Terms and Conditions of HWF/Lender Relationship

a) Lender Applicant Eligibility: In order to approve an application to become a Lender, HWF staff must determine that the applicant, either independently or with the assistance of an advisory board or committee or by contract with appropriate agencies, organizations or individuals:

i) is capable of providing financial assistance to businesses in order to create and protect jobs;

ii) is able to prudently and effectively administer a direct loan fund;

iii) is able to coordinate with other business assistance, employment training and social assistance programs;

iv) has a strategy for the creation and retention of jobs;

v) has an effective business marketing plan;

vi) has enough expert assistance available to it to underwrite, document, service and collect loans and assist its clients; and

vii) can provide funds from other sources to satisfy Lender participation requirements in HWF loans.

b) See Lender Agreement, Master Participation Agreement, and Participation Certificate for further terms of the Lender's contract with HWF.

12. Technical Assistance

a) Process

i) Initial contact & screening

a) At the outset of the loan application process, Lender first determines if a loan applicant has a project with a realistic chance for loan approval. If the Lender believes that technical assistance (TA) is warranted for these eligible applicants, Lender can refer applicants to the TA Provider mutually agreed upon by HWF staff and Lender.

b) TA Provider (e.g. the North Coast Small Business Development Center) should have experience in business plan development, general business counseling, collaborating with local economic development lenders, assisting applicants with applying for and receiving economic development loans, and accessing business assistance specialists.

c) Due to lender liability and other issues, the TA Provider should not be part of the Lender's organization.

ii) Technical assistance assessment

a) TA Provider will assess the technical assistance needs of the applicant and collaborate with the applicant to develop a TA plan. The Lender may also give input into the plan. The plan should consider the needs of the borrower and Lender, the capacity of TA Provider, and the funds available for payment of TA.

iii) Pre-loan approval counseling

a) TA Provider will provide necessary counseling according to its assessment.

iv) Encouraging and enforcing the use of technical assistance

a) The Lender, in consultation with TA Provider, may contractually require the borrower to utilize technical assistance for some period during the life of the loan. If assistance is required, the technical assistance plan should be refined to specify frequency, duration, and general content of consultations. Borrowers reneging on technical assistance agreements during the loan period may face higher interest rates, fees, or even foreclosure, at the Lender's discretion.

b) The Lender may also choose other methods of encouraging and financing TA usage including discounts on loan fees and interest rates, higher interest rates to fund TA, cash deposits from borrowers (refundable after TA), and rebates on loan fees after TA.

v) Post-loan approval counseling

a) Borrower will meet with TA Provider staff or specialists as needed or required by technical assistance plan.

vi) Evaluation of technical assistance

a) Lender and/or HWF staff will regularly evaluate the TA process.

b) Eligible forms of technical assistance

i) Pre-loan approval

a) Business plan preparation;

b) Loan application advice; and

c) General business consulting – accounting, marketing, planning, human resources, operations, finance, legal, etc.

ii) Post-loan approval

a) General business consulting; and

b) Troubleshooting & status checks.

13. Other Requirements

a) All programs and projects funded by the Headwaters Fund will carry the HWF logo or statement in their marketing materials where deemed appropriate by HWF staff.

14. Reporting & Monitoring

a) Loan delinquency and default

i) Lender must notify HWF staff of delinquent and default loans within 10 business days following Lender knowledge of delinquency/default.

ii) As stated in the Master Participation Agreement Section 13, Lender must promptly notify HWF staff if any of the following occur:

a) Any change in the financial condition of the Borrower, or of any co-maker, guarantor or endorser, under the Loan, which may have a material adverse affect upon continuation of payments under the Loan or the Loan's ultimate collectability;

b) Any material change in the value of collateral securing the Loan;

c) Any change in lien status as affecting the secured collateral;

d) Any request by the Borrower, or by any co-maker, guarantor or endorser under the Loan for any change in the terms and conditions of the Loan, or in the terms of any note or notes evidencing the Loan or in any security agreement or instrument securing the Loan;

e) Any request by the Borrower, or by any co-maker guarantor or surety under the Loan for the release, substitution or exchange of any collateral securing the Loan;

f) Any request of the Borrower, or by any co-maker, guarantor or endorser under the Loan for the release of any personal obligations of any such party under the Loan;

g) Any request to the Lender for any change in the terms and conditions of the Loan, or in the terms of any note or notes evidencing the Loan, or in any security agreement or instrument securing the Loan;

h) Any request by the Lender for an increase in and/or substitution or exchange of collateral securing the Loan; and

i) The occurrence of any other event, which with the passage of time and/or failure to cure, would constitute an event of default under the Loan, or under any note or notes evidencing the Loan, or under any Loan Document and/or security agreement instrument securing the Loan.

b) Periodic Reports

i) Refer to Appendix 1 for 6-month and monthly reporting requirements.

ii) HWF staff and HFB may change or streamline reporting requirements at their discretion, based on performance of Lender.

c) Ad hoc discussions between HWF staff and Lender regarding Lender performance, loan status, and other issues will also take place as needed.

d) Site Visits

i) HWF staff and/or HFB will periodically schedule site visits to review the Lender's operating procedures, monitor progress and evaluate the effectiveness of the RLF in supporting the area's economic adjustment process and strategic objectives. Site visits may include review of individual loan files to evaluate loan decision-making as well as visits/interviews with borrowers (coordinated with Lender).

e) Audit of Lender

i) Lenders shall cause to be performed an annual audit related to HWF funds for the duration of the RLF. Such audits will be conducted by an independent auditor who meets the general standards specified in generally accepted government auditing standards. At HWF staff discretion, part or all of a Lender's audit for other funders/purposes may substitute for part or all of HWF audit requirements provided the Lender's audit includes an accounting of the HWF funds and HWF loan participation accounts under the control of Lender.

ii) HWF staff and HFB may audit, inspect, or investigate an RLF Lender and any HWF loan related materials at any time. An audit should take place no more than 12 months after the start of relationship with HWF.

f) RLF Monitoring and Annual Report

i) HWF Staff and HFB will issue an annual public report detailing fund activities and performance and status.

    ii) RLF will undergo an annual audit.
    iii) HWF Staff will regularly develop financial reports and program reviews to monitor RLF operations and allow for HFB and Board of Supervisor review.

15. Evaluation of Lenders

a) Lenders will be evaluated in absolute performance terms and relative to their own evaluation plan outlined in an organization's application to become an HWF Lender.

b) HWF staff and HFB will evaluate Lenders based on loan fund performance, compliance with HWF guidelines, effectiveness in disbursing financing to the community, overall management competency, ability to work effectively with HWF staff and HFB, and other factors.

16. Changes to Policies and Procedures

a) HWF reserves the right to make changes to this Manual and policies governing Lender use of HWF funds as needed.

b) Typographical, editorial, and other non-material changes in this Manual will be made by HWF Staff.

17. Extraordinary Project Criteria

a) Although ineligible according to Headwaters CIF, Grant Fund, and Revolving Loan Fund criteria, an extraordinary project providing extraordinary economic benefit to Humboldt County may still be eligible for Headwaters Funding. This Extraordinary Project must pass the following levels of approval:
    i) Staff and HFB recommendation; and
    ii) BOS super-majority vote approval (i.e. approval by at least four out of the five Board of Supervisors).

b) Selection criteria:
    i) The project must demonstrate a total economic benefit that significantly exceeds the economic benefit from using twice the amount of funds for the Revolving Loan Fund, CIF, or Grant Fund; whichever of the three Funds that would be appropriate and/or most impacted would be the standard against which to judge the Extraordinary Project. In other words, if the Extraordinary Project requests $1 million, its total economic benefit must exceed using $2 million for Revolving Loan Fund, CIF, or Grant Fund investments;
    ii) The calculation of total economic benefit should include measures such as County-wide direct and indirect job creation/retention, wealth generation, workforce development, and business development; and
    iii) No alternative sources of funding should be readily available.

c) Businesses and non-profit organizations are eligible to apply.

d) Individuals, and political lobbying groups are ineligible for funding.

e) Under no circumstances can the Extraordinary Project include using Headwaters Fund money for general County government funding.

APPENDICES

Appendix 1

Lender Reporting Requirements

6 Month Report

Loans and Payments Summary (breakout for HWF & Lender loan portions as needed)

- Total Loans ($ and #)
- Fully repaid ($ and #)
- Current loans ($ and #)
- Delinquent (<90 days) ($ and #)
- In default (>90 days) ($ and #)
- Total Written Off ($ and #)
- Total Loss ($ and #)

Loan Use

- Real estate, working capital, etc.
- Leverage ratio of portfolio

Social Impacts

- Jobs Created
- Jobs Retained

Borrower Demographics

- Firm Phase ($ loaned to)
  - Startup
  - Expansion
  - Retention
- Firm Industry

Administration

- Any staff turnover last 12 months (position)?
- Loan board members (occupation, race, gender)
- Date of most recent independent audit
- Attach audit (if different from last 6 month report's audit)

Narrative Questions

- Any program/activity plans & changes for future?
- Discuss problems/complaints with loan program?
  - How have they been resolved?
- Any problems in fulfilling plan/obligations to HWF?
- Discuss marketing activities

Status of Loan Pool

Total Loan Pool
Less losses (actual and expected)
Less loan committed, but not disbursed
= Current Loan Pool balance available

Individual Loan Information

- Recipient
  - Name
  - Location
  - SIC/Industry
- Loan Type & Description
  - Direct/Guarantee
  - Loan use (by category)
  - Startup/expansion/retention
- Financing by Source
  - HWF RLF $
  - Other public (for lender match) $
  - Private $
  - New Equity $
  - Total $
- Closing Date & Loan Terms
  - Date closed
  - Term (yrs)
  - Interest rate
  - Total fees
- Loan Status
  - Fully repaid (date)
  - Current as of (date)
  - Delinquent (date)
  - Default (date)
  - Write-off (date)
- Repayment status
  - Principle repaid
  - Interest paid
  - Amount delinquent
  - Amount default
  - Amount written off
- Job impact
  - Pre loan jobs
  - Jobs created
  - Jobs saved

Monthly Reporting Requirements

New Loan Activity

- Number of applications received
- Number of loans closed
- Individual loan information:
  - Use of loan (e.g. real estate construction, working capital)
  - Amount of loan:
    - Total loan size
    - Portion of loan from Lender (non-HWF funds)
    - Portion of loan from HWF
    - Portion of loan from commercial lender
  - Changes to existing loans
  - Risk rating
  - Firm industry
  - Firm size
  - Firm growth phase (e.g. startup)

New Delinquencies, Defaults and Losses (note: Lender must notify HWF staff within 10 business days of knowledge of borrower delinquency)

- Borrower name
- Days delinquent/default (see
- Principle balance
- Past due interest
- Total interest and principal past due/lost
- Recoveries from defaulted loans
- Notes/explanation

Appendix 2

Total Economic Value Calculation

Total Economic Value Rating	Rating
Direct Job Creation/Retention	<1 FTE per $35k loaned
Sales Outside of Humboldt	$X (or % of total sales)
Indirect Job Creation/Retention	X
Purchases from Local Suppliers	$X
Potential Firm Size	Small/Medium/Large
Expected Growth Rate	Low/Medium/High
Workforce Skills Development Potential	Low/Medium/High
Collaboration Potential with Other Firms	Low/Medium/High
Service to an Underserved Area	Low/Medium/High

Use of Total Economic Value Rating

The goal of the RLF is to assist organizations that will contribute to the overall economic condition of Humboldt County. While job creation/retention is an important measure for economic impact, the success of an organization engenders other beneficial impacts to the economy. Thus, if a potential borrower cannot meet the job creation/retention requirement, the borrower may still be eligible for RLF financing if the borrower is likely to create sufficient Total Economic Value in the County. Approvals for loans to these potentials borrowers must occur on an exceptions basis (i.e. Lender must obtain HWF staff and/or HFB approval for loan and submit justification for waiving the job creation/retention requirement).

The Lender will use this Rating scheme to determine if a potential borrower, otherwise ineligible due to insufficient job creation/retention, should still receive funds due to a sufficient Total Economic Impact. Many of the metrics (e.g. collaboration potential with other firms) are necessarily qualitative.

If the Lender determines that the overall Rating is high enough to merit a job creation/retention requirement waiver, the Lender must submit its Rating (with reasons) to HWF staff as part of the loan documentation.

EXHIBIT B
MASTER PARTICIPATION AGREEMENT

County of Humboldt
Headwaters Revolving Loan Fund
Master Participation Agreement

This Master Loan Participation Agreement (Agreement), dated as of the 8th day of April 2014, by and between the County of Humboldt (Participant) and the Arcata Economic Development Corporation (Lender) (collectively, the Parties) with respect to participation in the County of Humboldt's Headwaters Fund Revolving Loan Fund Program (Loan Fund) as defined and described in The Headwaters Fund Revolving Loan Fund Lender Manual (Lender Manual), as amended from time to time, is made subject to the following terms and conditions.

RECITALS

WHEREAS, as the result of a Request for Proposals (RFP), Lender was under contract as a lender for the Participant's Loan Fund continuously from 2004 to 2013, when the contract expired; and

WHEREAS, Participant issued a new RFP for lenders, which closed January 31, 2014; and

WHEREAS, Headwaters Fund staff has evaluated the proposals received and have recommended that the Humboldt County Board of Supervisors enter into contracts with both Lender and Redwood Region Economic Development Commission (RREDC) to provide Loan Fund services to the County; and

WHEREAS, the Board of Supervisors, after receiving all the evidence and testimony during a duly noticed hearing on April 8, 2014, has decided to enter into two contracts for Loan Fund services: one with RREDC and one with Lender; and

WHEREAS, Lender desires to enter into contract with the County to provide Loan Fund services as set forth in this Agreement and in the Lender Manual, the Lender Agreement, and the Participation Certificate; and

NOW, THEREFORE, in consideration of the mutual representations, covenants and agreements contained herein and other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Definitions. For purposes of this Agreement, the following terms will have the meaning indicated.

   A. "Agreement" means this Master Loan Participation Agreement.

   B. "Borrower" means the borrower indicated in the applicable Participation Certificate.

C. "Collateral" means the realty, equipment, inventory, chattel paper and/or other property which secures the payment of the Note.

D. "Lender" shall mean the Arcata Economic Development Corporation, the Lender that originally entered into a Loan, as such Lender is identified on the Participation Certificate relating to such Loan.

E. "Lender Agreement" shall mean the agreement between the County of Humboldt, as Participant, and the Arcata Economic Development Corporation, as Lender, dated as indicated above, and amended from time to time.

F. "Loan" shall mean the a loan or series of loans from Lender to Borrower, which are subject to Participation..

G. "Loan Documents" mean the Note, Security Agreement and any guarantees and other documents under which Lender has rights and which are executed and delivered in connection with the Participation Loan.

H. "Note" means the Note, Loan Agreement or any other document which evidences Borrower's indebtedness to Lender as indicated in the applicable Participation Certificate.

I. "Participant" shall mean the County of Humboldt, which has purchased a Participation in a Loan as identified on the Participation Certificate relating to such Loan.

J. "Participation Loan" means the loan contemplated by a Note.

K. "Participating Interest" means the undivided interest held in and to any of the Loans by Participant in a Participation Loan as more fully explained in Paragraph 2 and identified on the Participation Certificate relating to such Loan.

L. "Participation Certificate" means a Participation Certificate executed by the parties with reference to this Agreement, which describes a Participation Loan, the related Participating Interest, and various other related matters.

M. "Pro Rata Share" means at any point in time the percentage of the principal balance of the Participation Loan represented by Participant's then-outstanding investment in the Participation Loan.

N. "Participation Rate of Interest" means the rate of interest specified in the Participation Certificate as applicable to a Participation Loan and which is contemplated to be received by Participant or Participant's outstanding investment in the Participation Loan from time to time commencing as provided in paragraph 2. The rate of interest specified in the Participation Certificate may differ from the rate contemplated under the Note.

O. "Lender Manual" means the Headwaters Fund Revolving Loan Fund Lender Manual, as amended from time to time.

P. "Security Agreement" means the mortgage, deed of trust, financing statements(s), guarantee(s) and/ or other security instrument or security instruments in the broadest sense possible creating a lien on the Collateral, executed and delivered to Lender in connection with a Participation Loan, and includes the Note, to the extent such documents perform that function.

2. Participating Interest Sale and Making of Participations.

Lender agrees to sell, and Participant agrees to purchase, an ownership interest in the Loan for which a participation certificate ("Participation Certificate") is issued by the Lender and accepted by Participant. Upon receipt of any or all payment for the ownership interest from Participant, the Lender shall apply such funds on its books to the purchase of the ownership interest, and immediately upon the Lender doing so, Participant shall be deemed to have purchased the corresponding ownership interest in the amount of the funds so applied. The Lender shall promptly confirm Participant's purchase by notation thereof upon the Lender's records. The sale and purchase is subject to the return to Lender of a fully-executed copy of the Participation Certificate and will occur, as appropriate, as follows:

A. To the extent the Loan has been previously funded and as indicated in the Participation Certification, upon payment to Lender of the amount to be paid by Participant for the Participating Interest; or

B. To the extent the Loan has been partially funded as indicated in the Participation Certificate, upon payment to Lender of Participant's amount of advances made previously and, as to each further advance, upon the payment to Lender of the amount to be paid by Participant for all such advances; or

C. To the extent the Loan has not been previously funded, as to each advance upon the payment to Lender of the amount to be paid by Participant as to that advance.

The Participating Interest includes the right to receive the applicable portion of all principal and interest payments and such other payments made in connection with the Participation Loan as are set forth in the related Participation Certificate.

The Participating Interest also includes an undivided ownership interest equal to the Pro Rata Share in the Note, Lender's security interest in the related Collateral, Security Agreement, other related Loan Documents and the Participation Loan. Interest will commence accruing as to Participant with respect to any portion of the Participation Loan as of Lender's receipt of the applicable portion of the Purchase Price for the Participating Interest.

3. Participation Loan Closing and Administration

A. This Participation Loan will have been negotiated by Lender. Participant will not take part in any negotiations with Borrower which may precede consummation of any portion of the Participation Loan.

B. Lender will administer loan repayment billing, collection, loan servicing, amortization record and job creation records in accordance with the provisions of this Agreement and the Lender Manual, as such may be amended from time to time.

C. Lender shall exercise the same degree of care and discretion in continuing to service the Loan and in collecting payments thereunder, as the Lender would ordinarily take in servicing the Loan and in collecting payments thereunder solely for its own account.

D. Lender will notify Participant in writing and consult with Participant before undertaking any of the actions listed below in this section. Lender will provide updates to Participant in writing on a monthly basis once any of the actions below are taken. If Participant owns more than 50% of a Loan, the Lender may not, without the prior written consent and concurrence of the Participant, undertake any of the actions listed below:

(1) Make or consent to any amendments in the terms and conditions of the Loan, or in the terms of the note or notes evidencing the Loan, or in any security agreement or instrument securing the Loan;

(2) Waive or release any claim against any Borrower and/or against any co-maker, guarantor or endorser under the Loan;

(3) Make or consent to any release, substitution or exchange of Collateral;

(4) Accelerate payment under the Loan and/or under any note or notes evidencing the Loan;

(5) Commence any type of collection proceeding against the Borrower and/or against any co-maker, guarantor, or endorser under the Loan; and/or

(6) Seize, sell, transfer, assign, foreclose or attempt to exercise against any collateral securing the Loan.

E. In no event may Lender restructure a Loan more than three (3) times. If Lender wishes to restructure a loan more than three (3) times, Lender must obtain permission from Participant and Participant and Lender must agree upon a plan to address the troubled loan.

F. In the event of a disagreement as to the appropriate course of action in a given instance in Section 3(D), the decision of Participant will govern if Participant owns more than 50% of a Participation Loan.

G. With respect to Section 3(D) above, Participant will consult or grant consent or denial within 15 working days of receipt of request from Lender. If Participant does not respond within 15 working days, approval is deemed given by Participant for the discrete action requested by Lender.

4. Obligation to Fund. As stated in Section 2, by executing this Agreement and a Participation Certificate, Participant has agreed to purchase the Participation Interest in

the Loan. To the extent the Participation Loan has been previously funded, Participant agrees to pay Lender any amount to be paid by Participant for the Participating Interest in then-available funds at the time Participant returns a fully-executed copy of the Participation Certificate to Lender. To the extent the Participation Loan has not been previously funded, Participant agrees to pay any amount to be paid by Participant for the Participating Interest as to each advance by check or draft of then- available funds, or as otherwise directed by Lender at the time of funding of the advance, or at such later time as Lender directs. In the event Participant fails to fund a required advance in a timely manner, Lender may terminate its obligation to tender further investments in the Participation Loan to Participant without notice.

5. Review of Documents. By execution of a Participation Certificate, Participant acknowledges that Participant has reviewed such documents as Participant has deemed appropriate in connection with the applicable Participation Loan and has made its decision to purchase the related Participating Interest based upon such review and whatever further advice of Participant's own advisors as Participant has deemed appropriate.

6. Participating Interest Remittances. Not later than the fifteenth (15th) day of every month, Lender will remit to Participant any principal and/or interest payment in connection with this Participation Loan to which Participant is entitled hereunder. These remittances will be made in the manner specified in the applicable Participation Certificate.

7. Reports. In addition, Lender will provide standard participation accounting reports, as those reports may change from time to time, promptly following generation and comply with all reporting requirements set forth in the Lender Manual, as such may be amended from time to time.

8. Participation Loan Collections. Subject to any limitations set forth in this Agreement, the Lender Agreement and the Lender Manual, Lender has the exclusive right to, and will use reasonable efforts in attempting to, collect any and all items (including interest and principal payments and direct expense reimbursements) due or collectible in connection with the Participation Loan.

9. Default. If either Party acquires any knowledge of a default in connection with a Participation Loan or any matter which, in its judgment, such Party deems may affect the enforceability or collectability of such Participation Loan, then the Party having such knowledge will, with reasonable promptness, notify the other Party in writing, and the Parties will thereafter consult regarding the action to be taken in connection therewith pursuant to Section 3(D) of this Agreement. Except as limited by this Agreement, Lender has the responsibility to implement any actions determined to be appropriate, and in connection therewith, may contract with such agents as Lender deems appropriate. Participant shall not have any responsibility whatsoever to reimburse Lender any amounts Lender pays third parties in connection with enforcing a Participation Loan.

10. Limitation of Participant's Duties. Participant has no duties or responsibilities except those expressly set forth in this Agreement. Participant does not have any obligations to Lender relative to a Participation Loan, and nothing in this Agreement is intended to or is to be so construed as to impose upon Participant any obligations in respect to a

Participation Loan except as expressly set forth herein.

11. Lender's Duty of Care. Participant hereby acknowledges that Lender, in the performance of its duties and obligations hereunder, shall be obligated to exercise the degree of ordinary care as to a Participation Loan which Lender exercises in the conduct and management of loans similar to the Participation Loan.

12. Lender Representations and Warranties.

A. Lender hereby represents and warrants to Participant that at the time Lender executes the Participation Certificate:

(1) The execution, delivery and performance of this Agreement and the Participation Certificate have been duly authorized by all requisite corporate or other actions of Lender;

(2) Lender is, or upon the satisfaction of certain conditions contained in the loan commitment will be, the owner of the applicable Participation Loan and has the right to sell to Participant the applicable Participating Interest;

(3) Lender has in its possession (or will have in its possession prior to funding) fully executed counterparts of the applicable Loan Documents;

(4) Lender has no actual knowledge of any fact which in Lender's opinion would materially adversely affect the enforceability or collectability of the Participation Loan which it has not disclosed in writing to Participant;

(5) Lender has provided Participant with copies of all current credit information Lender has as to the parties obligated in connection with the Participation Loan, and any information provided is, to the best of Lender's knowledge, true, complete and accurate as to the subject matter thereof, except as otherwise noted by Lender;

(6) Lender will promptly provide the Participant upon request with copies of all relevant credit and other information in the possession of the Lender that are used by the Lender as the basis of and for its decision to make the Loan to the Borrower;

(7) Lender will additionally provide the Participant with copies of the Loan Documents that are executed by the Borrower as well as by other co-makers, guarantors and endorsers under the Loan;

(8) The Borrower, together with all co-makers, guarantors and endorsers under the Loan, has consented to the sale of the Loan;

(9) The Loan satisfies all guidelines and requirements set forth in the Lender Manual in effect on the date the Loan is funded by Lender; and

(10) Where the Loan is presently in existence:

(i) There are no events of default under the Loan and/or under the

Loan documents;
- (ii) The Loan has not been classified as delinquent on the books of the Lender;
- (iii) The Loan is presently on accrual status; and
- (iv) The terms of the Loan have not previously been renegotiated as a result of a prior loan default or deterioration in the Borrower's financial condition.

B. The Lender makes no representations or warranties, whether express or implied, to the Participant, as to the collectability of the Loan, the continued solvency of the Borrower, or as to the existence, sufficiency or value of the collateral securing the Loan in the event of a Loan default.

C. The Lender makes no representations or warranties, whether expressed or implied, to the Participant as to the validity and enforceability of the Loan documents, other than that:

- (1) The Loan documents were validly executed by the Borrower, as well as, to the degree applicable, by the co-makers, guarantors and/or endorsers under the Loan;
- (2) To the extent required under applicable law, the security agreements under the Loan were (and/or will be) properly recorded and/or filed in order to result in the valid perfection of a security interest in the collateral subject to such agreements; and
- (3) To the extent required under applicable law, the Lender has taken, and/or will take, and/or will continue to take whatever additional actions may be necessary and proper to validly perfect and maintain a security interest on the collateral securing the Loan.

13. Additional Obligations of Lender

A. The Lender shall promptly notify the Participant in writing within ten (10) business days should the Lender learn or have any knowledge of the following:

- (1) Any change in the financial condition of the Borrower, or of any co-maker, guarantor or endorser, under the Loan, which may have a material adverse effect upon continuation of payments under the Loan or the Loan's ultimate collectability;
- (2) Any material change in the value of collateral securing the Loan;
- (3) Any change in lien status as affecting the secured collateral;
- (4) Any request by the Borrower, or by any co-maker, guarantor or endorser under the Loan for any change in the terms and conditions of the Loan, or in the terms of any note or notes evidencing the Loan or in any security agreement or instrument securing the Loan;
- (5) Any request by the Borrower, or by any co-maker guarantor or surety under the Loan for the release, substitution or exchange of any collateral securing the Loan;
- (6) Any request of the Borrower, or by any co-maker, guarantor or endorser under the Loan for the release of any personal obligations of any such party under the Loan;

(7) Any request to the Lender for any change in the terms and conditions of the Loan, or in the terms of any note or notes evidencing the Loan, or in any security agreement or instrument securing the Loan;

(8) Any request by the Lender for an increase in and/or substitution or exchange of collateral securing the Loan;

(9) Any failure by the Borrower to pay principal and/or interest payments under the Loan when due; and/or

(10) The occurrence of any other event, which with the passage of time and/or failure to cure, would constitute an event of default under the Loan, or under any note or notes evidencing the Loan, or under any Loan Document and/or security agreement instrument securing the Loan.

B. The Lender agrees to provide the Participant, when requested, with complete and current credit related and other information concerning the Borrower, the Loan and the collateral securing the Loan, including, without limitation, copies of:

(1) Current financial statements of the Borrower, as well as of all co-makers, guarantors and sureties under the Loan;

(2) Any officer's certificates, financial and other statements and information submitted by the Borrower to the Lender in connection with the Loan;

(3) The records of the Lender reflecting the amounts and dates of receipt of principal and interest payments under the Loan;

(4) Any information and/or documents in possession of the Lender applicable to the existence, value and lien status of collateral securing the Loan;

(5) Any additional factual information and/or documents in possession of the Lender bearing upon the continuing creditworthiness of the Borrower.

(6) All information, documents and reports provided for and required to be supplied to Participant by Lender pursuant to the Lender Manual, as amended from time to time.

14. Participant Warranties. Participant hereby represents and warrants to Lender that at the time Participant executes a Participation Certificate:

A. The execution, delivery and performance of this Agreement and the Participation Certificate have been duly authorized by all requisite action of Participant; and

B. Participant has the financial ability and legal authority to fund the Participating Interest. Participant will have the projected principal of the Participation Loan in accordance with the terms of this Agreement.

15. Insolvency. In the event Lender becomes insolvent or the subject of a bankruptcy proceeding, commits an act of bankruptcy, makes an assignment for the benefit of creditors, is subjected to the appointment by any public authority of any person to take charge of Lender or Lender's assets, has Lender's interest in a Participation Loan involuntarily sold, or in the sole opinion of Participant, is in breach of Lender's obligation hereunder or any provision in the Lender Manual, as amended from time to time, Participant will have the option on notice to Lender to assume all of the powers granted to Lender in this Agreement and to designate any person or firm, in its discretion, to exercise such powers. In such event, the Loan Documents and records relative to each Participation Loan will be delivered promptly to Participant or its designee, as the case may be, together with such other documents as Participant may reasonably request. In

the event there are other participants as to a Participation Loan which have similar rights to Participant, the participant with the then-largest Pro Rata Share will have the option contemplated in this paragraph; provided that if such Participant shall not exercise such option, the remaining participants will have a right to exercise such option based upon the failure of each participant with a greater Pro Rata Share to exercise the option after notice from the subject participant requesting either an election of the option to assume Lender's powers or a release of the option.

16. Amounts Payable to Lender. As stated in Section 2, Participant's purchase of the Participating Interest entails the right to receive specified funds paid in connection with the Participation Loan. Accordingly, Lender will be entitled to retain the following except as otherwise set forth in the applicable Participation Certificate:

A. If the total loan is less than $300,000, thirty-five percent (35%) of interest collected on the Participating Interest as a Service Fee. As of the date of this contract, new loans underwritten in the amount of $300,000 or less cannot exceed 25% of the total Participant's portfolio, unless with prior consent of Participant.

B. If the total loan is greater than $300,000, one percent (1%) will be collected on the unpaid balance as a Service Fee.

C. Non-interest late charges arising in connection with the Participation Loan, but only after all interest payments are brought current;

D. Origination fees and related charges received by Lender in connection with the Participation Loan, but only after all interest payments are brought current.

17. Notices. Any notice or consent required or permitted to be given hereunder must be in writing and may be served personally or by mail; if served by mail, it shall be registered or certified mail with evidence of post office mailing and return receipt requested. If served by mail, it shall be addressed as follows:

If to Lender:

Arcata Economic Development Corporation
Attn: Executive Director
100 Ericson Court
Arcata, CA 95521

If to Participant:

County of Humboldt
County Administrative Officer
Attn: Headwaters Fund
825 Fifth Street, Room 112
Eureka, CA 95501

Any written notice shall be deemed received at the time of personal delivery, or if given by mail, then five (5) days after the mailing thereof. Either party may, by written notice to the other party as provided herein, specify a different address or additional addresses for notice purposes. Any consent or approval in this Agreement required of County, the HWF Board, or the HWF staff, may be exercised by the County Administrative Officer or, upon the County Administrative Officer's written authorization, by the HWF Coordinator.

18. No Brokers. Lender and Participant each warrant to the other that they have not had, and will have no, dealings with any agent or broker in connection with the negotiation or performance of this Agreement and hereby agree to indemnify and hold the other harmless from any cost, expense, or liability for any compensation, commission or charges claimed by any agent or broker with respect to this Agreement or the sale of a Participating Interest pursuant to the provisions hereof.

19. Securities Laws. Participant releases Lender to the maximum extent permissible under law from any liability under state or federal securities laws arising from the failure by Lender to register a Participating Interest. Participant and Lender acknowledge that it is their respective analysis that a Participating Interest is either not a security under federal or state law or, if a security, is exempt from registration or qualification.

20. Term and Continuing Obligations of the Parties. The Parties obligations under this Agreement shall commence upon the date first written above and shall continue until June 30, 2019 except that the Parties specifically agree that the Participant has no obligation to utilize Lender's services to purchase any participating interests in loans. The obligations to service, monitor, and report to the Participant pursuant to the terms of this Agreement, the Lender Agreement, Lender Manual or any Participation Certificate shall survive the expiration or termination of this Agreement and shall continue until Participant's participating interest has been repaid in full.

21. General Provisions.

A. Each party hereto will pay its own attorney fees incurred in connection with the negotiation and execution of this Agreement.

B. Notwithstanding any other provision of law, if any lawsuit or proceeding is brought by either party hereto to enforce the terms of this Agreement, each party in such proceeding hereby agrees to pay its own court costs and reasonable attorney fees incurred in bringing and defending such action.

C. Venue for any action relating to this Agreement will be in an appropriate Court in Humboldt County, California.

D. This Agreement and the terms and provisions hereof will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

E. This Agreement, the Lender Manual, the Lender Agreement, and the Participation Certificate, together constitute the entire agreement between the Parties hereto with respect to its subject matter, supersedes all prior and contemporaneous agreements between the parties with respect to the subject matter and may not be modified, amended or otherwise changed in any manner except by a writing executed by the party to be charged. In the event of any conflict in the terms of the Lender Manual, Lender Agreement, the Participation Certificate, and this Agreement, the terms of this Agreement shall control.

F. If any term or provision of this Agreement or the application thereof is held invalid or unenforceable as to any party, the balance of the Agreement will not be affected thereby, and each remaining term and provision of this Agreement will be valid and enforceable to the fullest extent permitted by law.

G. It is understood that any and all documents, information, and reports prepared by and/or submitted by Lender shall become the property of the Participant. Lender may retain copies for its own records. In the event of termination of this Agreement, for any reason whatsoever, Lender shall promptly turn over all information, writings and documents to the Participant without exception or reservation.

H. The waiver by either Party of any breach or violation of any requirement of this Agreement shall not be deemed to be a waiver of any such breach in the future, or of the breach of any other provision of this Agreement.

I. For the purposes of this Agreement, time is of the essence.

J. It is agreed that the laws of the State of California will be applicable to the interpretation of this Agreement.

K. Paragraph headings in this Agreement are for convenience only and not an aid in interpretation.

L. This Agreement may be assigned by Participant. This Agreement may not be assigned by the Lender without the written consent of the Participant. In the event Lender voluntarily assigns its obligations under this Agreement, Lender hereby agrees that assignee will take over all of Lender's obligations and duties arising from this Agreement, without exception.

M. Lender shall comply with Title VII of the Civil Rights Act of 1964 and no person shall, on the grounds of race, religion or religious creed, color, age (over 40), sex (including gender identity and expression, pregnancy, childbirth and related medical conditions), sexual orientation (including heterosexuality, homosexuality and bisexuality), national origin, ancestry, marital status, medical condition (including cancer and genetic characteristics), mental or physical disability (including HIV status and AIDS), military service, or any other classification protected by federal, state, or local laws and ordinances be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this Agreement.

N. Lender certifies by its signature to this Agreement that Lender or Lender's agents, representatives, employees, contactors, and subcontractors are not a Nuclear Weapons Contactor, in that Lender is not knowingly or intentionally engaged in the research, development, production, or testing of nuclear warheads, nuclear weapons systems, or nuclear weapons components as defined by the Nuclear Free Humboldt County Ordinance. Lender agrees to notify Participant immediately if Lender or Lender's agents, representatives, employees, contractors, and subcontractors become a nuclear weapons contractor, as defined above. Participant may immediately terminate this Agreement if it determines that the foregoing certification is false or if Lender or Lender's agents, representatives, employees, contractors, and subcontractors becomes a nuclear weapons contractor.

O. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in business and real estate matters. In addition, each party has been represented by experienced and knowledgeable legal counsel. The provisions of this Agreement shall be interpreted in a reasonable manner to effectuate the purposes of the Parties and this Agreement. Hence, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits thereto.

P. Nothing contained in this Agreement is intended to confer any benefit or to create any claim in favor of any person or entity who is not a party to this Agreement

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first herein above written:

(SEAL)

ATTEST:
CLERK OF THE BOARD

____

COUNTY OF HUMBOLDT

BY: ______________________
CHAIR, BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT
STATE OF CALIFORNIA

APPROVED AS TO FORM:

COUNTY COUNSEL

BY: ______________________
Davina Smith
DEPUTY COUNTY COUNSEL

CONTRACTOR

BY: ______________________

TITLE: President
(Corporate Officer)

APPROVED FOR INSURANCE REQUIREMENTS:

BY: ______________________
Kelly Vizgaudis,
RISK ANALYST

CONTRACTOR

BY: Ross Welch

TITLE: EXECUTIVE DIRECTOR
(Corporate Officer)

CERTIFICATE OF LIABILITY INSURANCE

ACORD

DATE (MM/DD/YYYY) 07/15/13

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER 707-822-7251 / 707-826-9021
Anderson Robinson Starkey
Insurance Agency Inc.
P O Box 1105
Arcata, CA 95518-1105

CONTACT NAME: Cindy Michel
PHONE (A/C, No, Ext): 707-822-7251 FAX (A/C, No): 707-826-9021
E-MAIL ADDRESS: cmich@ars-insurance.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Nonprofits Insurance Alliance	
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
Arcata Economic Development
Corp, Ross Welch
100 Ericson Court Suite 100-A
Arcata, CA 95521

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC	X		2013-01580-NPO	06/09/13	06/09/14	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 500,000
							MED EXP (Any one person)	$ 20,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 2,000,000
							PRODUCTS - COMP/OP AGG	$ 2,000,000
								$
	AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident)	$
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
	UMBRELLA LIAB OCCUR EXCESS LIAB CLAIMS-MADE DED RETENTION $						EACH OCCURRENCE	$
							AGGREGATE	$
								$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					WC STATU-TORY LIMITS / OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Certificate holder is named as the Additional Insured in regards to the contract between the insured and the County of Humboldt per form CG2011 1/96 for use of LIbrary meeting room.

RECEIVED 7/17/13

CERTIFICATE HOLDER COUNTYH

County of Humboldt, Its
Officers, Agents and Employees
520 E Street
Eureka, CA 95501

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
Cindy Michel

EXHIBIT C

PARTICIPATION CERTIFICATE

County of Humboldt
Headwaters Revolving Loan Fund
Participation Certificate

Lender

Arcata Economic Development Corporation
100 Ericson Court, Suite 100A
Arcata, CA 95521

Participant

County of Humboldt
825 5th Street
Eureka, CA 95501

Borrower

____

____

____

Proposed Use Of Loan

____

Note Date	Note Number	Principal Amt. Outstanding	Lender Investment	Participant Investment

Note Due Date	Lender Interest Rate	Participant Interest Rate	Date of First Borrower Payment	Monthly Payment from Borrower

Lender has agreed to sell and assign, and Participant has agreed to purchase, for the amount of Participant's Investment shown above, which shall be paid by Participant upon written notification of loan closing from the Lender, an undivided interest in the principal amount outstanding of that certain promissory note or notes (the "Note") of Borrower to Lender described above equal in amount to that percentage of the Principal Amount Outstanding which Participant's Investment is of the Principal Amount Outstanding; and Lender certifies that upon the date of such payment by Participant, Participant will be the owner of such an interest in the Note and will be entitled, under the circumstances and to the extent provided herein, to enforce and collect the Note. For purposes of this Agreement, the loan will be considered closed when all loan and security instruments have been duly executed, filed and recorded all of which is evidenced by executed security agreements, guarantees, assignments, mortgages and/or financing statements in favor of Lender.

1. Collections and Expenses

Lender shall receive all Collections, as defined in Section 3C, and apply them on the day of receipt as follows: Collections shall be applied first to interest which is due on the Note at the Lender Interest Rate and Lender shall remit to Participant, from the Interest Collected, an amount of interest computed at Participant's Interest Rate on the unpaid balance of Participant's Investment less an agreed service fee as indicated in Section 1C. Such service fee shall be retained by Lender from each Collection. Collections in excess of Interest Collected are "Principal Collected" and Lender shall remit to Participant Participant's Percentage of Principal Collected, less Participant's Percentage of Expenses, as indicated below, not previously paid by Participant. Participant's Percentage of Principal Collected is:

A. Participant's share of collections.

_______ Prorata. 50% of Principal Collected.

___None___ Reimbursed Expenses. Participant's Percentage of expenses paid by Participant to Lender and recovered by Lender.

B. Participant's percentage of expenses.

___None___ Shared Expenses. ___None___ % of Expenses.

C. Participant's payment to Lender for Servicing.

If the total loan is less than $300,000, thirty-five percent (35%) of interest collected on the Participating Interest as a Service Fee.
If the total loan is greater than $300,000, one percent (1%) will be collected on the unpaid balance as a Service Fee.

Lender shall retain __n/a__ % of the unpaid balance of the Participant's Investment, *or*
Lender shall retain $ ___none___ per transaction.

2. Administration and Servicing

Lender will service and manage the loan in accordance with its usual practices and will exercise the same degree of care to protect Participant's interest as it does its own. So long as Lender exercises such care in the servicing and management of the loan, it shall not be under any liability to Participant with respect to anything it may do or refrain from doing in the exercise of its judgment or which may seem to Lender to be necessary or desirable in the servicing and management of the loan, except for its willful misconduct. Subject to the limitations set forth in the Master Participation Agreement, the Lender Agreement, and the Lender Manual, Lender may take any action determined by it in its sole discretion to be appropriate to enforce payment. Lender shall immediately notify Participant of any material default of Borrower of which it becomes aware and of any other matters, which, in its judgment, materially affect the interest of the parties in the loan. In the event of default by the Borrower, it is hereby agreed that if either party to this agreement deems foreclosure a necessary remedy, foreclosure of both parties' interests in the loan will be required. In the event adequate funds are not available to meet regular installments of the loan therein described, the funds available will be apportioned to the parties hereto based upon their respective current installments of principal and interest due.

In the event of foreclosure, sale or liquidation of the secured real or personal property, fixed assets, or other obligations due to the parties hereto, from the Borrower, such sums received from foreclosure, sale, or liquidations shall be paid to each of the parties hereto in direct proportion to the original principal amounts advanced by the parties following the partial reimbursement of the direct collection costs incurred by the Lender. These costs shall only include direct payment to non-staff professionals and legal fees for recouping the funds. These costs shall be shared in proportion to the blended interest rate being earned by each of the two parties. (For example, if a there is a fifty/fifty participation on a $200,000 loan at ten percent interest, Lender is earning thirteen and a half percent interest (13.5%) on lenders funds loaned and participant is earning six and one half percent (6.5%) on participant funds loaned. This means lender is earning sixty-eight percent (68%) of the interest and Participant is earning thirty-two percent (32%) of the interest. Thus collection costs would be split at that rate among the Lender and the Participant before the remaining funds collected are paid in proportion to the original amount advanced by the parties.)

3. Additional Terms

This certificate includes the following additional terms:

A. Documentation. Lender will retain for itself and Participant the Note, all possessory collateral securing the Note, and all agreements, guarantees and other documents relative to or securing the Note (the "Agreement"). Lender will furnish to Participant copies of the Note and Agreement and all annual financial statements of Borrower received by Lender and will furnish to Participant copies of all notices and other financial statements of Borrower received by Lender. Participant may, upon request and at any time during normal business hours, examine the records of Lender relating to the loan evidenced by the Note.

B. Collateral. The collateral, if any, for the loan, shall be evidenced by executed security agreements, guarantees, assignments, mortgages and/or financing statements in favor of the Lender. The parties hereto agree that their respective positions as secured creditors with reference to the loan herein described will be considered to be in a parity position as between the parties hereto. As used herein, parity shall mean equal rights with reference to the collateral, which is the security for the loan, so that in the event of default by the Borrowers, each of the parties will be affected on a proportionate basis.

C. Collections. "Collections" means all payments of principal and interest received by Lender on the Note, including payments by or on behalf of Borrower, payments received from guarantors or sureties, payments received by means of set-off by Lender and net proceeds received from the disposition of collateral for the Note. In the event any Collections remitted to Participant are not finally collected by Lender or are required to be repaid by Lender to or for the account of Borrower, Participant shall return such Collections to Lender, but only if Lender has requested them in writing within sixty (60) days of the Collections being remitted to Participant.

D. Other Loans. Any amounts advanced or additional loans made to the Borrower which are in excess of the original amount of the loan as herein described will not be covered by the Agreement; provided, however, that "protective advances" made by either party hereto, for the mutual protection of both parties, shall receive first priority in the apportionment of funds as herein described. "Protective Advances" by any party shall only be made after written consent by Participant. For the purpose of this Agreement, the parties agree that "protective advances" are payments made by one of the parties hereto for the purpose of protection of the financial interests of the parties, which are added to the principal amount due from the Borrower.

E. Term. This agreement shall commence on the Note Date indicated above and shall terminate upon full repayment of Participant's interest in the Note.

F. Miscellaneous.

1. Lender will not transfer its interest in the Note without the prior written consent of the Participant.

2. Any notice or consent required or permitted to be given hereunder must be in writing and may be served personally or by mail; if served by mail, it shall be registered or certified mail with evidence of post office mailing and return receipt requested. If served by mail, it shall be addressed as follows:

<u>Lender</u>

Arcata Economic Development Corporation
Attn: Executive Director
100 Ericson Court, Suite 100A
Arcata, CA 95521

<u>Participant</u>

County of Humboldt
County Administrative Officer
Attn: Headwaters Fund
525 5th Street
Eureka, CA 95501

3. This Agreement binds and insures to the benefit of the successors and assigns of the parties hereto and is governed by the laws of the State of California. This Agreement shall remain in full force and effect until such time as the loan herein described has been satisfied of record or this Agreement is

otherwise terminated in accordance with the provisions of the Master Participation Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the following date.

DATED: ____________________________

Lender

____
Signature

____
Name and Title

Participant

____
Signature

____
Name and Title

First Amendment to the County of Humboldt

Headwaters Revolving Loan Fund

Master Participation Agreement

This First Amendment to the Master Loan Participation Agreement (the Agreement) effective April 8, 2014, by and between the County of Humboldt (Participant) and the Arcata Economic Development Commission (Lender) (the Parties), is effective on this 20th day of March, 2020.

RECITALS

A. WHEREAS, the Parties entered into the Agreement to establish terms and conditions for Lender's participation in the Participant's Headwaters Fund Revolving Loan Fund Program (Loan Fund) as defined and described in The Headwaters Fund Revolving Loan Fund Lender Manual (Lender Manual), as amended from time to time;

B. WHEREAS, the COVID-19 pandemic caused the Participant to issue a Shelter In Place order on March 20, 2020, and declare a Local Emergency on March 30, 2020; and

C. WHEREAS, as a result of the pandemic, local businesses are suffering severe economic losses; and

D. WHEREAS, the Parties now desire to implement a Business Relief Emergency Loan Fund (BRELF) to provide loans to qualifying businesses, under terms varying from those governing Loan Fund loans;

E. WHEREAS, certain terms of the agreement must be amended by this First Amendment to accommodate the conditions necessitating the BRELF.

NOW, THEREFORE, in consideration of the mutual representations, covenants and agreements contained herein and other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

The Agreement shall be amended as follows, with changes in bold.

1. Section 8, Participation Loan Closing and Administration, is hereby revised to read:

   A. This Participation Loan will have been negotiated by Lender. Participant will not take part in any negotiations with Borrower which may precede consummation of any portion of the Participation Loan.

B. Lender will administer loan repayment billing, collection, loan servicing, amortization record and job creation records in accordance with the provisions of this Agreement and the Lender Manual, as such may be amended from time to time.

C. Lender shall exercise the same degree of care and discretion in continuing to service the Loan and in collecting payments thereunder, as the Lender would ordinarily take in servicing the Loan and in collecting payments thereunder solely for its own account.

D. Lender will notify Participant in writing and consult with Participant before undertaking any of the actions listed below in this section. Lender will provide updates to Participant in writing on a monthly basis once any of the actions below are taken. If Participant owns more than 67% of a Loan, the Lender may not, without the prior written consent and concurrence of the Participant, undertake any of the actions listed below, **except when making loans fully guaranteed (100%) by the US Small Business Administration (SBA) in the Paycheck Protection Program (PPP):**

1. Make or consent to any amendments in the terms and conditions of the Loan, or in the terms of the note or notes evidencing the Loan, or in any security agreement or instrument securing the Loan;

2. Waive or release any claim against any Borrower and/or against any co- maker, guarantor or endorser under the loan;

3. Make or consent to any release, substitution or exchange of Collateral;

4. Accelerate payment under the Loan and/or under any note or notes evidencing the Loan;

5. Commence any type of collection proceeding against the Borrower and/or against any co-maker, guarantor, or endorser under the Loan; and/or

6. Seize, sell, transfer, assign; foreclose or attempt to exercise against any collateral securing the Loan.

E. In no event may Lender restructure a Loan more than three (3) times. If Lender wishes to restructure a loan more than three (3) times, Lender must obtain permission from County and County and Lender must agree upon a plan to address the troubled loan.

F. In the event of a disagreement as to the appropriate course of action in each instance in Section 3(D), the decision of Participant will govern if Participant owns more than 50% of a Participation Loan.

G. With respect to Section 3(D) *above*, Participant will consult or grant consent or denial within 15 working days of receipt of request from Lender. If Participant does not respond within 15 working days, approval is deemed given by Participant for the discrete action requested by Lender.

2. Section 5, Review of Documents, shall be revised as follows:

5. Review of Documents. By execution of a Participation Certificate, Participant acknowledges that Participant has reviewed such documents as Participant has deemed appropriate in connection with the applicable Participation Loan and has made its decision to purchase the related Participating Interest based upon such review and whatever further advice of Participant's own advisors as Participant has deemed appropriate. **Due to the Covid-19 declared disaster, Participant is allowing the Lender to fund loans made under the BRELF without Participant having first reviewed and approved the Participation Certificate. Participation Certificates will be submitted to Participant within 30 days of loan closing. Participant funds may be provided to Lender in advance to afford expeditious funding of loans under the BRELF.**

2. Section 12, Lender Representations and Warranties, shall be revised as follows:

12. Lender Representations and Warranties.

A Lender hereby represents and warrants to Participant that at the time Lender executes the Participation Certificate:

(1) The execution, delivery and performance of this Agreement and the Participation Certificate have been duly authorized by all requisite corporate or other actions of Lender;

(2) Lender is, or upon the satisfaction of certain conditions contained in the loan commitment will be, the owner of the applicable Participation Loan and has the right to sell to Participant the applicable Participating Interest;

(3) Lender has in its possession (or will have in its possession prior to funding) fully executed counterparts of the applicable Loan Documents;

(4) Lender has no actual knowledge of any fact which in Lender's opinion would materially adversely affect the enforceability or collectability of the Participation Loan which it has not disclosed in writing to Participant;

(5) **Lender has, or will within 30 days of closing the loan,** provide Participant with copies of all current credit information Lender has as to the parties obligated in connection with the Participation Loan, and any information provided is, to the best of Lender's knowledge, true, complete and accurate as to the subject matter thereof, except as otherwise noted by Lender;

(6) Lender will promptly provide the Participant upon request with copies of all relevant credit and other information in the possession of the Lender that are used by the Lender as the basis of and for its decision to make the Loan to the Borrower;

(7) Lender will additionally provide the Participant with copies of the Loan Documents that are executed by the Borrower as well as by other co- makers, guarantors and endorsers under the Loan;

(8) The Borrower, together with all co-makers, guarantors and endorsers under the Loan, has consented to the sale of the Loan;

(9) The Loan satisfies all guidelines and requirements set forth in the Lender Manual in effect on the date the Loan is funded by Lender; and

(10) Where the Loan is presently in existence:

(i) There are no events of default under the Loan and/or under the Loan documents;
(ii) The Loan has not been classified as delinquent on the books of the Lender;
(iii) The Loan is presently on accrual status; and
(iv) The terms of the Loan have not previously been renegotiated as a result of a prior loan default or deterioration in the Borrower's financial condition.
(v) **Items i-iv above do not apply to loans or loan adjustments made under the BRELF.**

8. The Lender makes no representations or warranties, whether express or implied, to the Participant, as to the collectability of the Loan, the continued solvency of the Borrower, or as to the existence, sufficiency or value of the collateral securing the Loan in

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first herein above written;

(SEAL)

COUNTY OF HUMBOLDT

ATTEST:

CLERK OF THE BOARD

[signature]

BY: [signature]
CHAIR BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT
STATE OF CALIFORNIA

CONTRACTOR

BY: [signature]

TITLE: Past President Board Member
(Corporate Officer)

APPROVED FOR INSURANCE REQUIREMENTS:

BY: Phillips, Amanda Digitally signed by Phillips, Amanda
RISK ANALYST

BY: [signature] JANETA DETACB

TITLE: SECRETARY OF BOARD
(Corporate Officer)

the event of a Loan default.

C. The Lender makes no representations or warranties, whether expressed or implied, to the Participant as to the validity and enforceability of the Loan documents, other than that:

(1) The Loan documents were validly executed by the Borrower, as well as, to the degree applicable, by the co-makers, guarantors and/or endorsers under the Loan;
(2) To the extent required under applicable law, the security agreements under the Loan were (and/or will be) properly recorded and/or filed in order to result in the valid perfection of a security interest in the collateral subject to such agreements; and
(3) To the extent required under applicable law, the Lender has taken, and/or will take, and/or will continue to take whatever additional actions may be necessary and proper to validly perfect and maintain a security interest on the collateral securing the Loan.

3. All remaining provisions of the Agreement remain in effect.

Second Amendment to the
County of Humboldt Headwaters Revolving Loan Fund
Master Participation Agreement Between the County of Humboldt
and ACRATA ECONOMIC DEVELOPMENT CORPORTION (AEDC)

This Second Amendment to the Master Loan Participation Agreement (Agreement) previously entered into April 8, 2014, by and between the County of Humboldt (Participant) and the Arcata Economic Development Corporation (Lender) (the Parties), is effective on this 16 day of Aug 2022.

RECITALS

C. WHEREAS, the Parties entered into the Agreement to establish terms and conditions for Lender's participation in the Participant's Headwaters Fund Revolving Loan Fund Program (Loan Fund) as defined and described in The Headwaters Fund Revolving Loan Fund Lender Manual (Lender Manual), as amended from time to time;

D. WHEREAS, the Parties adopted a First Amendment to the Agreement to incorporate specific changes in response to the COVID-19 pandemic in April 2020;

E. WHEREAS, the Parties now wish to revise certain terms of the Agreement and the First Amendment in order to provide greater flexibility and ease of lending for the Parties.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual representations, covenants and agreements contained herein and other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

1. Section 16, Amounts Payable to Lender, is hereby amended as follows:

16. Amounts Payable to Lender. As stated in Section 2, Participant's purchase of the Participating Interest entails the right to receive specified funds paid in connection with the Participation Loan. Accordingly, Lender will be entitled to retain the following except as otherwise set forth in the applicable Participation Certificate:

A. ~~If the total loan is less than $300,000, thirty five percent (35%)~~ **Forty percent (40%)** of interest collected on the Participating Interest. ~~as a Service Fee. As of the date of this contract, new loans underwritten in the amount of $300,000 or less cannot exceed 25% of the total Participant's portfolio, unless with prior consent of Participant.~~

~~B. If the total loan is greater than $300,000, one percent (1%) will be collected on the unpaid balance as a Service Fee.~~

~~C.~~ B. Non-interest late charges arising in connection with the Participation Loan, but only after all interest payments are brought current.

~~D.~~ C. Origination fees and related charges received by Lender in connection with the Participation Loan, but only after all interest payments are brought current.

2. All remaining provisions of the Agreement and First Amendment remain in effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first herein above written.

(SEAL)

COUNTY OF HUMBOLDT

ATTEST:
CLERK OF THE BOARD

DEPUTY

BY: Virginia Bass
CHAIR, BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT
STATE OF CALIFORNIA

LENDER
BY: Ross Welch
(Signature)
TITLE: EXECUTIVE DIRECTOR
(Print Title)

BY:
(Signature)
TITLE: TREASURER
(Print Title)

APPROVED FOR INSURANCE REQUIREMENTS

BY: Phillips, Amanda Digitally signed by Phillips, Amanda Date: 2024.02.26 16:18:32 -08'00'

Risk Management

APPROVED TO FORM

BY:

County Counsel

FIRST AMENDMENT

AGREEMENT BETWEEN COUNTY OF HUMBOLDT
AND
ARCATA ECONOMIC DEVELOPMENT CORPORATION

The County of Humboldt ("COUNTY") entered into an Agreement with Arcata Economic Development Corporation, a non-profit corporation, hereinafter referred to as "CONTRACTOR" which became effective on April 8, 2014 (the "Agreement").

The COUNTY and CONTRACTOR now wish to modify the terms of the Agreement pursuant to Paragraph 6.1. The purpose of this First Amendment is to extend the term of the contract.

The follow Section is amended as follows:

- Paragraph 6.1 is amended to extend the term of the contract through June 30, 2024.

All other Terms and Conditions remain unchanged.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto have executed this First Amendment by their duly authorized representatives on the dates hereinafter indicated.

TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS:

1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND
2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR TREASURER

ARCATA ECONOMIC DEVELOPMENT CORPORATION

By: X ____________ Date: 5/28/19

Name: Scott Bartlett

Title: President

By: X ____________ Date: 5/26/19

Name: JANET DEPACE

Title: SEC TY

COUNTY OF HUMBOLDT:

By: ____________ Date: 6/18/19

Rex Bohn
Chair, Humboldt County Board of Supervisors

SECOND AMENDMENT TO HEADWATERS REVOLVING LOAN FUND LENDER AGREEMENT

BETWEEN

THE COUNTY OF HUMBOLDT AND

ARCATA ECONOMIC DEVELOPMENT CORPORATION

This Second Amendment to the Headwaters Revolving Loan Fund Lender Agreement ("Agreement") entered into April 8, 2014, between the County of Humboldt ("COUNTY") and the Arcata Economic Development Corporation, a non-profit corporation ("LENDER") shall become effective on this 20th day of March 2020.

RECITALS

A. WHEREAS, the parties entered in the Agreement for the purpose of establishing LENDER's participation as a lender in the County of Humboldt's Headwaters Fund (HWF) Revolving Loan Fund (RLF) Program, as defined and described in The Headwaters Fund Revolving Loan Fund Lender Manual ("Lender Manual") through June 30, 2019;

B. WHEREAS, by a First Amendment to the Agreement, approved by the Board of Supervisors on June 25, 2019, the parties extended the Agreement through June 30, 2024;

C. WHEREAS, in response to the urgent need of Humboldt County businesses suffering economically from the COVID-19 local emergency, the parties now desire to establish a temporary Business Resiliency Emergency Loan Fund (BRELF) for six months from the effective date of this Second Amendment;

D. WHEREAS, the purpose of the BRELF is to provide emergency loans to local businesses impacted by the COVID-19 pandemic, for the purpose of supporting the COUNTY's economy;

E. WHEREAS, due to the ongoing local emergency, this Second Amendment shall immediately establish the BRELF and its lending parameters, and guide its immediate implementation;

F. WHEREAS, with the Second Amendment, the parties now wish to revise the Agreement to define and implement the BRELF as set forth below; and

G. WHEREAS, this Second Amendment will be immediately upon full execution.

AGREEMENT

NOW, THEREFORE, based on the statements set forth above, which are incorporated as though set forth in their entirety below, the parties mutually agree as follows:

1. Purpose. The purpose of this Second Amendment is to revise the Agreement to Implement the BRELF as efficiently as possible.

2. Purpose of BRELF. The purpose of the BRELF is to issue emergency loans to provide immediate funding for businesses experiencing economic hardship due to the COVID-19 pandemic, with the anticipation that federal, state and/or bank funds may become available, and may provide a repayment source for loans made under the BRELF. The goal of the BRELF is to make as much funding as possible available to small businesses in the County of Humboldt in the shortest time possible.

3. Term. The BRELF shall be effective for six months from the Effective Date of this Second Amendment unless extended by mutual agreement of COUNTY and LENDER.

4. Eligibility Start Date. Qualifying loans made by LENDER since the Shelter In Place Order was issued in the County of Humboldt due to the COVID-19 pandemic (March 20, 2020) are eligible for the BRELF established by this Second Amendment.

5. The Business Resiliency Emergency Loan Fund (BRELF).

   a. Loans funded under the BRELF, shall have a LENDER's participation requirement of one-third, with HWF providing up to two-thirds of funding.

      i. LENDER's funds for BRELF loans may come from their own funds or from other sources.

      ii. Additional possible funding sources may be but are not limited to Humboldt Area Foundation; City of Arcata; City of Fortuna; City of Eureka; other jurisdictions within Humboldt County; non-profit organizations; or, from business or individual donations.

   b. It is recognized that not all businesses will qualify for funding from other sources and as such may require these loans to be extended (termed out) for up to five years at traditional rates. The five years may include the original six months, or for an additional six months for a total of 66 months.

   c. As a preferred lender under the SBA 7-A Programs, LENDER has received authority to manage the SBA Paycheck Protection Program (PPP). The PPP provides a 100% guarantee on loans made by LENDER.

   d. The HWF Board met on April 14, 2020 and approved recommending to the Board of Supervisors that should it appear that LENDER will exhaust all funds available under its current HWF provision of $3.5 million or their available matching funds, up to $1,000,000 from the Community Investment Fund may be transferred to the RLF for the explicit purpose of making PPP loans by LENDER.

   e. For BRELF loans up to $25,000, interest rates will be set by the LENDER at a minimal annual interest rate of two and one-half percent (2.5%) for the initial six months, with payments deferrable for up to six months. Match requirements on loans of $25,000 or less may be reduced to 1/3 AEDC and 2/3 HWF.

f. For BRELF loans in excess of $25,000 interest rates will be set by LENDER. Match requirements on loans in excess of $25,000 shall be reduced to 1/3 AEDC and 2/3 HWF.

g. LENDER will receive an initial advance of $1,000,000 from the HWF to implement the BRELF loans of all sizes and will be eligible for further advances as needed and approved by the HWF Executive Director and CAO.

h. Because funding will be made to LENDER in advance, LENDER shall provide all lending documents to the County of Humboldt Headwaters Fund as soon as possible, in no instance to exceed 30 calendar days of loan closings. The advance of BRELF funds is made specifically to provide immediate assistance toward the survival of as many local businesses as possible and in recognition of LENDER's staffing limitations.

i. LENDER will take all actions necessary to protect and assure borrowers repay their loans.

   i. To date, the City of Arcata has provided loan loss reserves for loans made in their jurisdiction. The City of Arcata is providing $250,000 as reserves to replace BRELF defaulted loans that must be charged-off in part or in full. The City of Arcata is also providing direct loans to businesses located within the City of Arcata, loans are being made and administered in separate agreements with LENDER or Redwood Region Economic Development Commission (RREDC).

   ii. LENDER will require borrowers receiving loans pursuant to the BRELF to apply for US Small Business Administration (SBA) and other available federal and state financing as a condition of participation in the BRELF, at the discretion of LENDER. Borrowers will also be required to apply for assistance from the North Coast Small Business Development Center (SBDC) and meet with the SBDC for business counseling services, at the discretion of LENDER.

   iii. All agreements between cities or other parties and LENDER related to the BRELF are independent of this Second Amendment and the Agreement. LENDER will manage loan loss reserves administration as set forth in applicable agreements between the COUNTY and LENDER.

6. All other Terms and Conditions of the AGREEMENT as amended remain unchanged.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first herein above written;

(SEAL)

COUNTY OF HUMBOLDT

ATTEST:

CLERK OF THE BOARD

BY: Virginia Bass
CHAIR BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT
STATE OF CALIFORNIA

CONTRACTOR

BY: ______________________

TITLE: Past President
(Corporate Officer)

APPROVED FOR INSURANCE REQUIREMENTS:

BY: Phillips, Amanda
RISK ANALYST

BY: ______________________
JANETA DEPACE

TITLE: SECRETARY
(Corporate Officer)

THIRD AMENDMENT TO THE HEADWATERS REVOLVING LOAN FUND AGREEMENT BETWEEN THE COUNTY OF HUMBOLDT AND ARCATA ECONOMIC DEVELOPMENT CORPORATION

This Third Amendment to the Headwaters Revolving Loan Fund Lender Agreement, as previously amended on 6/18/19 and 3/20/20 by and between the County of Humboldt, a political subdivision of the State of California ("County"), and the Arcata Economic Development Corporation, a California non-profit corporation ("Contractor"), is entered into this 4th day of June, 2024.

WHEREAS, on April 8, 2014, County and Contractor (collectively, the "Parties") entered into the "Headwaters Revolving Loan Fund Lender Agreement" (the "Agreement"), in order for Contractor to become a lender in the County's Headwaters Fund Revolving Loan Fund Program ("Program"); and

WHEREAS, under the Agreement, County initially awarded Contractor three million five hundred thousand dollars ($3,500,000) to be used in accordance with the "Revolving Loan Fund Lender Manual" ("Lender Manual"), the Master Participation Agreement ("MPA"), and a participation certificate ("Participation Certificate") to be executed in connection with each loan made by Contractor; and

WHEREAS, as part of each Participation Certificate, Contractor agreed to sell and assign to County, and County agreed to purchase an undivided interest in, the principal amount outstanding of the promissory note Contractor entered into with its borrowers ("Borrower"); and

WHEREAS, under the terms of the Participation Certificate, the loan involved would be considered closed when all loan and security investments were duly executed, filed and recorded as evidenced by executed security agreements, guarantees, assignments, mortgages and/or financing statements in favor of Contractor; and

WHEREAS, on June 18, 2019, the agreement was amended to extend the term of the contract with Contractor through June 30, 2024; and

WHEREAS, in response to the economic effects of the COVID-19 pandemic in the County, the County established a temporary Business Resiliency Emergency Loan Fund ("BRELF") to be effective for six (6) months and provide emergency working capital to local businesses in response to COVID-19; and

WHEREAS, the Parties now seek to extend the Lender Agreements to facilitate further lending activity by the Contractor under the agreement through June 30th, 2026; and

WHEREAS, the Parties also seek to increase the amount of funding available to Contractor under the agreement.

NOW, THEREFORE, the Parties mutually agree as follows:

1. Section 1.1 of the Agreement is hereby amended to increase the funding available to $5,000,000 for loan participation by the COUNTY.

2. Section 6.1 of the Agreement is hereby amended to extend the term of the Agreement to June 30th, 2026.

3. Except as expressly modified herein, all terms and conditions of the Agreement as previously amended remain in full force and effect. In the event of a conflict between the provisions of this Third Amendment and the original Agreement, or any prior amendments thereto, the provisions of this Third Amendment shall govern.

IN WITNESS WHEREOF, the Parties have executed this Third Amendment as of the date first written above.

Arcata Economic Development Corporation	**County of Humboldt**
By: Ross Welch	By: Rex Bohn
Name: ROSS WELCH	Name: Rex Bohn
Title: EXECUTIVE DIRECTOR	Title: Chair, Board of Supervisors
Date: 4-23-2024	Date: 6.4.2024