

**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: _____
CHAIR BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT
STATE OF CALIFORNIA

APPROVED AS TO FORM:
COUNTY COUNSEL

CONTRACTOR

BY: _____

BY: _____

TITLE: _____
(Corporate Officer)

APPROVED FOR INSURANCE REQUIREMENTS:

BY: _____
RISK ANALYST

BY: _____

TITLE: _____
(Corporate Officer)