

City of Oakland

Cannabis Equity Loan Modification Program Overview

May 2020 v.7

PROGRAM SUMMARY

Starting in May 2020 cannabis equity loan borrowers who have become delinquent on loans they received from the City of Oakland will have an opportunity to avoid the penalties outlined in their loan agreement if they enter into an Equity Loan Modification Agreement and remain in compliance with the “Gaining Resources to Achieve Sustainable Success (“GRASS”)” program. The goal of the Equity Loan Modification Program is both to acknowledge the financial challenges involved in starting a cannabis business in the regulated marketplace and to ensure that ongoing loan funding is available to Equity Loan applicants through loan repayments. Equity Loan Modification Agreements still require Equity Loan borrowers to repay their loans, however, the Equity Loan Modification Program allows for a good faith deposit, extension of the total equity loan term by 12 months and reduced initial repayments as equity entrepreneurs get their businesses back on track. Note that entering into a Loan Modification Agreement does not cause the City of Oakland to waive any of its rights under the Commercial Loan Agreement.

MODIFICATION PAYMENTS

Specifically, the Equity Loan Modification Program payments consist of the following:

1. **Good Faith Deposit**: Upon entering the program, Participants will be required to make an Equity Loan Modification Deposit equal to a minimum of 1% of the Outstanding Equity Loan Balance. The Outstanding Equity Loan Balance takes into account all payments made to date by the Borrower. Borrower can choose to pay more than 1%
2. **Extension of the Equity Loan Term**: The total Equity Loan term will be extended by an addition twelve months from 48 months (4 years) to 60 months (5 years) from the 1st Equity Loan payment date.
3. **Reduced Equity Loan Payments Months 1 - 12**: 10% of the Outstanding Equity Loan Balance (after deduction of the Equity Loan Modification Deposit), will be payable in monthly installments for months 1 – 12.
4. **Modified Equity Loan Payments Months 13 – 24**: 20% of the Outstanding Equity Loan Balance (after deduction of the Equity Loan Modification Deposit and the Modified Equity Loan Payments Months 1 – 12) will be payable in monthly installments for months 13 – 24.

5. **Modified Equity Loan Payments Months 25 - 60**: The Outstanding Equity Loan Balance, (after deduction of the Equity Loan Modification Deposit, and Modified Equity Loan Payments for months 1 -24) will be payable in monthly installments for months 24 to 60 months from the 1st Equity Loan payment date.

A numeric example is provided on the following page.

Equity Loan Modification Numeric Example:

City of Oakland Equity Loan Equity Loan Modification Calculations (5 years)

Equity Loan Data	
Equity Loan amount	\$ 100,000.00
1st payment date	5/1/2019
Original maturity date	4/1/2023
Loan term in months	48
Original Equity Loan monthly payment amount	\$ 2,083.00
Modified Loan Term	60
Modified Maturity Date	4/1/2024

Delinquency Data	
Current Month	3/1/2020
Month when loan became delinquent	12/1/2019
Outstanding Loan Balance when became delinquent	\$ 85,419.00
Number of months delinquent	3.00
Payments made before delinquent	7
Amount paid before delinquent	14,581.00
Number of months to maturity from Current Month (60 months total)	49.00

Equity Loan Modification Payments Due	Monthly Payment	Total Paid in Period	1st Invoice Date
Good Faith Deposit (1% of Outstanding Loan Balance) (1x)		\$ 854.00	4/1/2020
Modified Loan Payments Months 1 - 12 (10% of Outstanding Loan Balance after Deposit)	\$ 705.00	\$ 8,457.00	5/1/2020
Modified Loan Payments Months 13 - 24 (20% of Outstanding Loan Balance after Deposit and Payments Months 1 - 12)	\$ 1,269.00	\$ 15,222.00	5/1/2021
Modified Loan Months 25 to 60 months from 1st loan payment (Outstanding Loan Balance after Deposit and Payments 1 - 24)	\$ 2,537.00	\$ 60,886.00	5/1/2022
Equity Loan Payments made before delinquent	\$ 14,581.00	\$ 14,581.00	
Total Equity Loan Repayment		\$ 100,000.00	

Modified Loan Payments Calculation	
Good Faith Deposit % (% of Remaining Loan Balance Outstanding)	1%
Good Faith Deposit Amount	\$ 854.00
Outstanding Loan Balance after Good Faith Deposit	\$ 84,565.00

	Amount Due in Period	1st Invoice In Period Date	Last Invoice In Period Date	# of Months In Period	% of Beginning Balance Paid in Period	Monthly Payment	Beginning Loan Balance	# of Months in Period	Ending Loan Balance
Modified Loan Monthly Payments									
Modified Loan Payments Months 1 - 12	\$ 8,457.00	5/1/2020	4/1/2021	12	10%	\$ 705.00	\$ 84,565.00	12	\$ 76,108.00
Modified Loan Payments Months 13 - 24	\$ 15,222.00	5/1/2021	4/1/2022	12	20%	\$ 1,269.00	\$ 76,108.00	12	\$ 60,886.00
Modified Loan Months 25 to 60 months from 1st loan payment date	\$ 60,886.00	5/1/2022	4/1/2024	24	100% of Remaining Loan Balance	\$ 2,537.00	\$ 60,886.00	24	\$ -
Equity Loan payments made before delinquent	14,581.00								
Good Faith Deposit	\$ 854.00								
Total Equity Loan Repayment	\$ 100,000.00								

Sample Equity Loan Modification Amortization Schedule

City of Oakland Equity Loan Equity Loan Modification Amortization Schedule					
Modified Amortization Schedule					
Delinquent Date			12/1/2019		
Delinquent Balance			\$ 85,419		
Good Faith Deposit Amount			\$ 854		
Modified Loan Balance (after deposit)			\$ 84,565		
1st Modified Payment Invoice Date			5/1/2020		
Final (5 Year) Modified Payment Invoice Date			4/1/2024		
Modified Loan Term in Months			60		
Number	Date	Due Date	Amount	Balance	
0				\$ 100,000.00	
1	5/1/2019	6/1/2019	\$ 2,083.00	\$ 97,917.00	
2	6/1/2019	7/1/2019	\$ 2,083.00	\$ 95,834.00	
3	7/1/2019	8/1/2019	\$ 2,083.00	\$ 93,751.00	
4	8/1/2019	9/1/2019	\$ 2,083.00	\$ 91,668.00	
5	9/1/2019	10/1/2019	\$ 2,083.00	\$ 89,585.00	
6	10/1/2019	11/1/2019	\$ 2,083.00	\$ 87,502.00	
7	11/1/2019	12/1/2019	\$ 2,083.00	\$ 85,419.00	
8	12/1/2019	1/1/2020	\$ -	\$ 85,419.00	
9	1/1/2020	2/1/2020	\$ -	\$ 85,419.00	
10	2/1/2020	3/1/2020	\$ -	\$ 85,419.00	
11	3/1/2020	4/1/2020	\$ -	\$ 85,419.00	
12	4/1/2020	5/1/2020	\$ 854.00	\$ 84,565.00	
13	5/1/2020	6/1/2020	\$ 705.00	\$ 83,860.00	
14	6/1/2020	7/1/2020	\$ 705.00	\$ 83,155.00	
15	7/1/2020	8/1/2020	\$ 705.00	\$ 82,450.00	
16	8/1/2020	9/1/2020	\$ 705.00	\$ 81,745.00	
17	9/1/2020	10/1/2020	\$ 705.00	\$ 81,040.00	
18	10/1/2020	11/1/2020	\$ 705.00	\$ 80,335.00	
19	11/1/2020	12/1/2020	\$ 705.00	\$ 79,630.00	
20	12/1/2020	1/1/2021	\$ 705.00	\$ 78,925.00	
21	1/1/2021	2/1/2021	\$ 705.00	\$ 78,220.00	
22	2/1/2021	3/1/2021	\$ 705.00	\$ 77,515.00	
23	3/1/2021	4/1/2021	\$ 705.00	\$ 76,810.00	
24	4/1/2021	5/1/2021	\$ 705.00	\$ 76,105.00	
25	5/1/2021	6/1/2021	\$ 1,269.00	\$ 74,836.00	
26	6/1/2021	7/1/2021	\$ 1,269.00	\$ 73,567.00	
27	7/1/2021	8/1/2021	\$ 1,269.00	\$ 72,298.00	
28	8/1/2021	9/1/2021	\$ 1,269.00	\$ 71,029.00	
29	9/1/2021	10/1/2021	\$ 1,269.00	\$ 69,760.00	
30	10/1/2021	11/1/2021	\$ 1,269.00	\$ 68,491.00	
31	11/1/2021	12/1/2021	\$ 1,269.00	\$ 67,222.00	
32	12/1/2021	1/1/2022	\$ 1,269.00	\$ 65,953.00	
33	1/1/2022	2/1/2022	\$ 1,269.00	\$ 64,684.00	
34	2/1/2022	3/1/2022	\$ 1,269.00	\$ 63,415.00	
35	3/1/2022	4/1/2022	\$ 1,269.00	\$ 62,146.00	
36	4/1/2022	5/1/2022	\$ 1,269.00	\$ 60,877.00	
37	5/1/2022	6/1/2022	\$ 2,537.00	\$ 58,340.00	
38	6/1/2022	7/1/2022	\$ 2,537.00	\$ 55,803.00	
39	7/1/2022	8/1/2022	\$ 2,537.00	\$ 53,266.00	
40	8/1/2022	9/1/2022	\$ 2,537.00	\$ 50,729.00	
41	9/1/2022	10/1/2022	\$ 2,537.00	\$ 48,192.00	
42	10/1/2022	11/1/2022	\$ 2,537.00	\$ 45,655.00	
43	11/1/2022	12/1/2022	\$ 2,537.00	\$ 43,118.00	
44	12/1/2022	1/1/2023	\$ 2,537.00	\$ 40,581.00	
45	1/1/2023	2/1/2023	\$ 2,537.00	\$ 38,044.00	
46	2/1/2023	3/1/2023	\$ 2,537.00	\$ 35,507.00	
47	3/1/2023	4/1/2023	\$ 2,537.00	\$ 32,970.00	
48	4/1/2023	5/1/2023	\$ 2,537.00	\$ 30,433.00	
49	5/1/2023	6/1/2023	\$ 2,537.00	\$ 27,896.00	
50	6/1/2023	7/1/2023	\$ 2,537.00	\$ 25,359.00	
51	7/1/2023	8/1/2023	\$ 2,537.00	\$ 22,822.00	
52	8/1/2023	9/1/2023	\$ 2,537.00	\$ 20,285.00	
53	9/1/2023	10/1/2023	\$ 2,537.00	\$ 17,748.00	
54	10/1/2023	11/1/2023	\$ 2,537.00	\$ 15,211.00	
55	11/1/2023	12/1/2023	\$ 2,537.00	\$ 12,674.00	
56	12/1/2023	1/1/2024	\$ 2,537.00	\$ 10,137.00	
57	1/1/2024	2/1/2024	\$ 2,537.00	\$ 7,600.00	
58	2/1/2024	3/1/2024	\$ 2,537.00	\$ 5,063.00	
59	3/1/2024	4/1/2024	\$ 2,537.00	\$ 2,526.00	
60	4/1/2024	5/1/2024	\$ 2,526.00	\$ -	