RESOLUTION NO.
16-25

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AUTHORIZING THE CREATION OF THE JUMP START LOAN PROGRAM UNDER THE SMALL BUSINESS FINANCE CENTER AND APPROVING THE ADOPTION OF AMENDED AND RESTATED DIRECTIVES AND REQUIREMENTS FOR THE SMALL BUSINESS FINANCE CENTER

WHEREAS, the California Infrastructure and Economic Development Bank ("IBank") is established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 et seq.) (the "IBank Act"), for the purpose of providing financial assistance to eligible entities in the State of California (the "State") through a variety of financing mechanisms, which include, among other things, loan guarantees and direct loans for small businesses in the State;

WHEREAS, the Small Business Financial Assistance Act of 2013, (the "Small Business Act") (i) established the California Small Business Finance Center (the "Center") within IBank, (ii) transferred administration of the State's Small Business Loan Guarantee Program (the "SBLGP"), the Farm Loan Program, the Surety Bonds Guarantee Program and the Secondary Market for Guaranteed Loans Program to the Center; and (iii) added provisions of the Small Business Act to the IBank Act;

WHEREAS, small businesses in California's low-wealth communities generally suffer from economic and educational disadvantages not typically present with their competitors in higher-wealth communities, including inadequate access to capital, limited technical assistance resources, and a lack of business training;

WHEREAS, many small businesses in California's low-wealth communities do not qualify for traditional commercial and retail bank financing or financing under the Center under the SBLGP and the Farm Loan Program, placing them at a competitive disadvantage compared to their competitors in higher-wealth communities;

WHEREAS, to ameliorate the economic and competitive disadvantages suffered by small businesses in California's low-wealth communities, IBank intends to add the Jump Start Loan Program to the Center to provide small businesses in California's low-wealth communities with access to capital, financial literacy training and technical business training;

WHEREAS, the Jump Start Loan Program will target only low-wealth communities with the goal of making more small loans available to, and providing financial literacy and technical business training for, businesses owned by low-income entrepreneurs, including such businesses owned by women, minorities, veterans, persons with disabilities and persons previously incarcerated;

WHEREAS, the Small Business Act provides that the expansion fund and the trust fund shall be used (1) to pay defaulted loan guarantee or surety bond losses, or other financial product defaults or losses, and (2) to fund direct loans and other debt instruments;

WHEREAS, the Small Business Act mandates that the Board of Directors of IBank (the "Board") adopt, from time to time, Directives and Requirements to address subject areas relating to the Center ("Directives and Requirements");

WHEREAS, the Small Business Act requires that the Board shall adopt Directives and Requirements for them to be of any force or effect;

WHEREAS, on May 24, 2016 the Board approved Resolution 16-15 adopting Amended Directives and Requirements for the SBLGP (the "Prior Directives and Requirements");

WHEREAS, IBank now wishes to submit for Board consideration amended and restated Directives and Requirements (the "A&R Directives and Requirements"), attached hereto as Attachment A, for the Center's existing programs, including the SBLGP, the Farm Loan Program, the Surety Bond Guarantee Program, and the Secondary Market for Guaranteed Loans Program, and to add the new Jump Start Loan Program to the Center;

WHEREAS, the A&R Directives and Requirements are intended to and do amend and restate the Prior Directives and Requirements, including adding to the Prior Directives and Requirements new provisions governing the Jump Start Loan Program; and

WHEREAS, the Board now wishes to adopt such A&R Directives and Requirements in accordance with the Small Business Act.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank, as follows:

Section 1. The Board hereby finds that the above recitals are true and correct.

Section 2. All actions heretofore taken by the officers and employees of IBank with respect to the preparation of draft A&R Directives and Requirements, attached hereto as Attachment A, are hereby approved, confirmed and ratified.

Section 3. The Board intends for the A&R Directives and Requirements to remain in effect until supplemented, modified or rescinded by the Board in accordance with applicable laws.

Section 4. The Board hereby authorizes and approves the creation of the Jump Start Loan Program under the Center, approves the adoption of the A&R Directives and Requirements and directs the Executive Director of IBank, or the

Executive Director's assignees, each acting alone, to take all actions necessary or desirable to create and establish the Jump Start Loan Program, implement the A&R Directives and Requirements and to further the purposes of this resolution.

Section 5. The Board authorizes and directs the Executive Director of IBank to transfer two million dollars ($2,000,000) from the Small Business Farm Loan Program under the Center to the Jump Start Loan Program for the purpose of administering the Jump Start Loan Program and for funding small loans in accordance with the A&R Directives and Requirements and providing financial literacy training and technical business assistance under the Jump Start Loan Program.

Section 6. The Board further authorizes and directs the Executive Director of IBank and the Executive Director's assignees to seek grant funding from banks, other financial institutions and other potential grantors and to take all actions necessary or desirable to receive grant funding to support and sustain the Jump Start Loan Program.

Section 7. This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, AND ADOPTED at a meeting of the Board of Directors of the California Infrastructure and Economic Development Bank on September 27, 2016, by the following vote:

AYES: AVDIS, ORTEGA, GORDAN, ANNIS

NOES:

ABSENT: LUCHETTI

ABSTAIN:

By: _____
Teveia R. Barnes, Executive Director

ATTEST

By: _____
Stefan R. Spich,
Secretary of the Board of Directors

ATTACHMENT A

AMENDED AND RESTATED
DIRECTIVES AND EQUIREMENTS
SMALL BUSINESS FINANCE CENTER

Directives and Requirements

Small Business Finance Center Programs

Small Business Loan Guarantee Program

Farm Loan Program

Surety Bonds Guarantee Program

Secondary Market for Guarantee Loans Program

Jump Start Loan Program

Revised September 27, 2016

§ 5000 Definitions

The following Directives and Requirements are adopted as of September 27, 2016 pursuant to the Small Business Financial Assistance Act of 2013 (California Government Code 63088, and California Corporations Code Sections 14000 and following) (Law) to amend and restate the Directives and Requirements adopted by the California Infrastructure and Economic Development Bank (IBank) Board of Directors (IBank Board) on May 24, 2016. These Directives and Requirements may apply to future programs or financing products, or new Directives and Requirements that may be recommended by the Small Business Finance Center and adopted by the IBank Board. In the event of any inconsistency between these Directives and Requirements and the Law, the provisions of the Law shall govern. To the extent that the Law is changed subsequent to the date of the adoption of these Directives and Requirements, these Directives and Requirements shall be deemed amended to bring them into conformity with the Law.

These definitions are subject to the following rules of construction: (i) all references to Sections shall be to these Directives and Requirements unless otherwise specified, (ii) the use of examples or the words "including" or "includes" are deemed to be followed by "without limitation" whether or not such is in fact written, (iii) except where context requires otherwise, the word "or" is used in the inclusive sense and (iv) words defined in the singular include the plural versions of such words . The following definitions supplement those provided by the Law and shall govern the construction of these Directives and Requirements:

"Administrative Cost Policy Manual" means IBank's Small Business Finance Center's Administrative Cost Policy Manual, as it may be amended from time to time.

"**Allocation**" has the meaning assigned to such term in Section 5022(c)(1).

"**Allocation Agreement**" means a written Allocation, Grant and Servicing Agreement entered into by and between IBank and a Jump Start Corporation in connection with the Jump Start Loan Program in accordance with Section 5022.

"Application" means all of the information required by a Lender or Surety to determine whether to offer a Borrower a Loan, or a Principal a Bond.

"Authorized Farm Costs" means the costs incurred by a Farm, including:

> Operating and production expenses, including the purchase, construction or repair of buildings, machinery, equipment and storage and drying facilities, the purchase of animals, seed and fertilizer, the purchase of real estate and the costs of improvement or repairs thereto.
>
> Costs associated with the purchase of real estate, including easements and rights-of-way to establish or enlarge a Farm.
>
> Costs associated with water development, soil conservation, forestation, drainage, pollution abatement and related measures.
>
> Disaster losses including actual losses incurred in connection with disaster damaged or destroyed farm property or production enterprises, or both, including annual operating and production expenses, construction and improvement of buildings and facilities, and land and water development.
>
> Refinancing debt including the costs associated with the issuance of such debt and lender fees and charges, where the debt to be refinanced was incurred for Authorized Farm Costs. No costs set forth in this clause shall be authorized unless the Farm Lender shall certify that, in the Farm Lender's opinion, sufficient collateral or cash flow exists to reasonably preclude the chance of loan losses.

"Authorized Jump Start Costs" means the costs incurred by a Jump Start Borrower, including, but not limited to, business start-up costs, specific operating and production expenses, including the purchase, leasing, construction or repair of land, buildings, machinery and equipment, tenant improvements and the Jump Start Loan fees authorized by Section 5028. Working capital will not be an Authorized Jump Start Cost.

"Bond" means an obligation in writing concerning the construction or service work of Principal, binding the Surety to pay certain sums upon the occurrence of specified events connected to the payment of sums due by the Principal pursuant to a payment bond, and the obligation to complete the construction or service work, pursuant to a performance bond.

"Bond Guarantee" means a Guarantee which promises the payment of all or a portion of a Claim.

"Bond Line" means a specified amount and term of Bond Guarantee authority which Principal is authorized to apply against any Bond with a specified Surety during the term of the Bond Line.

"Borrower" means an eligible business which has received a commitment for a Loan, or has prepared an Application. To be an "eligible business, the business must be either:

A "Small Business" as defined in part 121 of chapter 1 of title 13 of the Code of Federal Regulations as amended;

A Farm Enterprise; or

A non-profit public benefit organization or social welfare organization that has received and maintains tax exempt status under the IRS code 501(c)3 or 501(c)4.

"Claim" means a request for payment by a Surety made to a Corporation because of Surety's Loss under a Bond or ILOC secured by a Guarantee, pursuant to Section 5009 or 5012.

"Collateral" means those personal and business assets of the Borrower or Principal and guarantor subject to a lien under the Loan or Bond.

"Collection Guarantee" means a guarantee of a specified percentage of the outstanding Loan principal and ninety (90) days of interest, reduced by any proceeds of the Lender's Liquidation of Collateral as required under Section 5004. A Collection Guarantee will be paid to the Lender only after the Lender has liquidated or made all reasonable efforts in good faith to liquidate all Collateral as required under Section 5004. The total payment made to a Lender under a Collection Guarantee will be the difference between the specified percentage of Loan principal outstanding and ninety (90) days accrued and unpaid interest on the same percentage of the Loan as the Guarantee, and all cash proceeds generated by the Lender in connection with its Liquidation activities required under Section 5004.

"Corporation" means any nonprofit California small business financial development corporation created pursuant to this chapter, or pursuant to Chapter 1 (commencing with Section 32000) of Division 15.5 of the Financial Code.

"Corporate Contract" means a contract executed exclusively between IBank and any individual Corporation.

"Default" means either a Delinquency which has not been cured within ninety (90) days, or that the Borrower is in bankruptcy.

"Delinquency" means the failure of the Borrower to make any payment when due, pursuant to the terms of the Loan, except for any principal payment due at the maturity of

the Loan.

"Demand" means a request for payment by a Lender to a Corporation pursuant to Section 5003 or by a Surety to a Corporation pursuant to Section 5012.

"Executive Director" means the executive director of the California Infrastructure and Economic Development Bank.

"Encumbrance" means a Corporation's outstanding Guarantee balance. The effective date is the date of the executed Guarantee agreement or the date of the promissory note, whichever is last, provided that the guarantee is approved by IBank before both the date of the guarantee and the promissory note.

The Guarantee balance is calculated as follows:

For a Term Loan, the Guarantee balance initially is calculated as the original loan amount times the Guarantee percentage, until fully disbursed, then the calculation is the outstanding loan balance times the Guarantee percentage as the outstanding loan balance reduces.

For a Line of Credit Loan or Revolver Loan, the Guarantee balance is calculated as the full amount of the line times the Guarantee percentage.

"Farm" means a business which is primarily engaged in producing crops, livestock products or aquatic organisms through the utilization and management of land, water, labor, capital and basic materials including seed, feed, fertilizer and fuel.

"Farm Borrower" means a Farm which has applied for, or which has entered into, a Farm Borrower Agreement.

"Farm Borrower Agreement" means a written loan agreement whereby the Farm Lender agrees to lend funds to the Farm Borrower to finance Authorized Farm Costs, and which includes at a minimum: a note, security agreement and loan agreement each consistent with commercial practices and containing the following:

A list of Farm Borrower security for the Farm Borrower Loan and plans for at least an annual accounting for security.

The Authorized Farm Costs for which loan funds shall be used.

The interest rate, which shall not exceed five percent (5%) above the prime rate listed in the western edition of the Wall Street Journal on the date of the loan commitment.

The term, which shall not exceed seven years, except for a Guaranteed Farm Borrower Loan. The term of a Guaranteed Farm Borrower Loan shall not exceed that authorized by USDA. The aggregate outstanding balance of loans with a remaining term to maturity in excess of eighty-four (84) months shall not comprise

more than twenty-five percent (25%) of the Farm Lender's trust fund account assets.

The loan amount, which shall not exceed the maximum amount allowed by the USDA Farm Service Agency Guaranteed Farm Loan Program.

Default and Liquidation provisions which shall comply with Sections 5016 and 5017, respectively.

Fees pursuant to Section 5020.

"Farm Borrower Loan" means a Term Loan or Line of Credit Loan from a Farm Lender to a Farm Borrower pursuant to a Farm Borrower Agreement. At least ninety percent (90%) of Farm Borrower Loans funded from the trust fund account, calculated by dollar amount, must be guaranteed by the USDA. In determining the percentage, the numerator is the loan amount for outstanding Guaranteed Farm Borrower Loans, and the denominator is the loan amount of all outstanding Farm Borrower Loans.

"Farm Enterprise" means the business of producing crops, livestock products and aquatic organisms through the utilization and management of land, water, labor, capital, and basic raw materials including seed, feed, fertilizer, and fuel.

"Farm Lender" means a Corporation that has been approved by the USDA as a lender.

"Farm Lender Credit Agreement" means a written agreement whereby IBank agrees to lend funds to Farm Lender, for the purpose of funding Farm Borrower Loan(s). The Farm Lender Credit Agreement may be a Master Agreement, and will include provisions that require the Farm Lender to request disbursement of loan proceeds from IBank only after the Farm Borrower Loan(s) and respective Farm Borrower Agreement(s) have been approved and are in effect. The Farm Lender Credit Agreement will also include provisions covering the following:

Security. No funds shall be disbursed except to fund a previously approved Farm Borrower Agreement assigned as security to the Farm Lender Credit Agreement. As used in this subsection "assigned as security" means:

For a Guaranteed Farm Borrower Loan, that IBank is the Holder, or the guaranteed portion has been sold at par value and the proceeds have been deposited in the trust fund account from which the funds originated.

For a Nonguaranteed Farm Borrower Loan, the Farm Lender Credit Agreement is secured by assignment of all notes, security agreements and similar instruments contained in the Farm Borrower Agreement.

The loan amount, which shall not exceed the total amount of Farm Borrower Loans authorized for the Farm Lender by the Director.

The interest rate, which shall be two percent (2%) below the prime rate listed in the

western edition of Wall Street Journal for each respective day for which funds are owed to IBank.

Repayment terms, which shall be based upon the repayment terms in the Farm Borrower Agreement(s) funded with proceeds from the Farm Lender Credit Agreement.

"Farm Lender Disbursement Request" means a signed request for disbursement of trust funds under an existing Farm Lender Credit Agreement made in writing to IBank by a Farm Lender in compliance with Section 5013.

"Farm Loan Guarantee" means a signed commitment, issued by the USDA, to guarantee payment of all or part of a Farm Borrower Loan.

"FDC Policy Manual" means IBank's Small Business Finance Center's Financial Development Corporation Policy Manual for the Small Business Loan Guarantee Program and the Jump Start Loan Program, as it may be amended from time to time.

"Full Time Equivalent" (FTE) means the number of full time, part time or other basis employees of a business and its affiliates, in which the employee wages are paid directly from the business, as determined by IRS Federal hourly calculation criteria.

"Guarantee" means a written agreement to warrant the repayment of a portion of a Loan or payment of all or a portion of a guarantee payment request. Every Guarantee of a Loan shall be either a Collection Guarantee or Loan Guarantee.

"Guaranteed Farm Borrower Loan" means a Farm Borrower Loan which is in whole or part subject to the Guarantee.

"Holder" means the person or entity purchasing or assigned a percentage of a loan, other than the Lender who purchases all or part of the Loan.

"IBank" means the California Infrastructure and Economic Development Bank.

"ILOC" means an irrevocable letter of credit issued by a Corporation as Collateral for a Bond and which complies with the requirements set forth in Section 5011.

"Jump Start Borrower" means a Borrower located in a Low-Wealth Community which has applied to a Jump Start Corporation for a Jump Start Loan, or which has entered into a Jump Start Borrower Agreement.

"Jump Start Borrower Agreement" means written loan documentation whereby funds allocated to a Jump Start Corporation pursuant to an Allocation Agreement shall be loaned to the Jump Start Borrower to finance Authorized Jump Start Costs, and which includes at a minimum: a note, loan agreement and security instrument, each consistent with commercial practices and containing the following:

The Jump Start Loan amount, which shall not exceed Ten Thousand Dollars

($10,000.00) or be less than Five Hundred Dollars ($500.00).

A description of the Authorized Jump Start Costs for which loan funds shall be used.

The interest rate, which shall not exceed five percent (5%) above the prime rate listed in the western edition of Wall Street Journal on the date of the Jump Start Loan commitment.

The term, which shall not exceed five (5) years.

The amortization schedule; no balloon payments will be permissible.

Default and Liquidation provisions which shall comply with Sections 5026 and 5027, respectively.

Fees pursuant to Section 5028.

"Jump Start Corporation" means any Corporation that (a) is licensed by and in good standing with the California Department of Business Oversight as an industrial development corporation or is a community development financial institution or community development entity certified by and in good standing with the Community Development Financial Institutions Fund of the United States Department of the Treasury and (b) has entered into an Allocation Agreement with IBank that is in full force and affect.

"Jump Start Grant" has the meaning assigned to such term in Section 5023.

"Jump Start Loan" means a Term Loan to a Jump Start Borrower pursuant to a Jump Start Borrower Agreement.

"Jump Start Program" has the meaning assigned to such term in Section 5022(a).

"Law" means the Small Business Financial Assistance Act of 2013 (California Government Code Section 63088 and following and California Corporations Code Sections 14000 and following) or other applicable law.

"Lender" means a banking organization, including national banks and trust companies and state chartered commercial banks, savings and loan associations, credit unions, state insurance companies, mutual insurance companies, certified community development financial institutions, microbusiness lender and other banking, lending, retirement, and insurance organizations, authorized to conduct business in California.

"Leverage" means the calculation where the numerator is the Encumbrance and the denominator is the trust fund account balance.

"Line of Credit Loan" means a Loan, usually structured as interest only, for a term not to exceed seven years, except for a Farm Enterprise Loan which shall have a term not to exceed the term of the current Farm Borrower Agreement, where the minimum repayment is usually structured as interest only during the term of the loan.

"Liquidation" means the exercise of rights provided for in the event of any Default under the Guarantee, a Farm Borrower Agreement or the related Farm Lender Credit Agreement, or a Jump Start Borrower Agreement, including the right to foreclose in accordance with the terms of any financing statement, security interest or similar instrument obtained or entered into in relation to such Guarantee, Farm Borrower Agreement, Farm Lender Credit Agreement or Jump Start Borrower Agreement.

"Loan" means a loan extended by a Lender to a Borrower, which is guaranteed pursuant to Section 5002, and which is a Term Loan, a Micro Loan, a Line of Credit Loan, or a Revolver Loan.

"Loan Guarantee" means a Guarantee of a specified percentage of Loan principal and up to ninety (90) days earned and unpaid interest at the same percentage.

"Loss" means any net monetary damages incurred by a Surety arising out of a Claim, or in pursuing the Surety's rights under the indemnity agreement. As used in this subsection, "net monetary damages" means loss payments, completion costs, reasonable attorney's fees, and reasonable out of pocket consultant fees, costs, and expenses, minus amounts recovered by the Surety from any source, including Collateral. The determination of such loss will take into account amounts recovered, but exclude reinsurance. As used herein, "indemnity agreement" means the written agreement whereby Principal agrees to reimburse Surety for any Loss.

"Low-Wealth Community" means a community located in both (a) a county within California with a per capita personal income equal to or less than 115% of the statewide average per capita income as determined by the State of California's Employment Development Department (EDD) from time to time and (b) a city or unincorporated area within such county with an unemployment rate equal to or greater than the statewide average unemployment rate as determined by the EDD; provided that any community that does not have a designated unemployment rate from the EDD will satisfy this requirement if the county in which the community is located has an unemployment rate equal to or greater than the statewide average unemployment rate as determined by the EDD.

"Master Agreement" means a contract executed between IBank and one or more Corporations to implement the operating provisions of any of the programs established under the Law.

"Micro Loan" means a Loan in which the principal amount does not exceed One Hundred Thousand dollars ($100,000).

"Nonguaranteed Farm Borrower Loan" means a Farm Borrower Loan not subject to a Guarantee.

"Principal" means an eligible business which has received a commitment for a Bond. To be an eligible business, the business must be a "Small Business" as defined in Part 121 of Chapter 1 of Title 13 of the Code of Federal Regulations, as amended from time to time.

"Program Manager" means the manager of the California Small Business Finance Center as designated to this title by the Executive Director.

"Revolver Loan" means a Line of Credit Loan which converts to a Term Loan after a specified time indicated in the loan agreement.

"Surety" means an insurance company licensed by the California Department of Insurance, and authorized to conduct business in California.

"Suspension" means that a Corporation is no longer registered with the Secretary of State as a small business development corporation and shall not enjoy any of the benefits of a small business development corporation.

"Term Loan" means a Loan that usually has regularly scheduled reductions in principal balance.

"USDA" means the United States Department of Agriculture.

§ 5001 Guarantee Procedures

The Lender applying for a Guarantee shall provide a completed Borrower application to the Corporation for review and processing in accordance with the following procedures:

(a) No Guarantee shall be executed by a Corporation until the proposed Guarantee has been reviewed by the Corporation's loan committee and approved by its Board of Directors, unless the Corporation's Board of Directors has delegated the authority to approve a proposed Guarantee to the Corporation's loan committee, and such delegation is in accordance with IBank policy referenced in the Corporate Contract. No Guarantee shall be approved or executed by a Corporation if the Lender is the same entity as the Corporation or an affiliate of the Corporation or Lender.

(b) Upon completion of the review and approval by the Corporation's loan committee and/or Board of Directors, the Corporation shall issue a commitment to Guarantee and execute a Guarantee to the Lender.

(c) In the event that a Guarantee is issued to a Lender without first complying with the requirements of subsection (a), and the Lender relies upon the Guarantee in making the Loan, the failure by the Corporation to so comply shall not constitute a defense on the part of either IBank or the Corporation to paying a Demand for payment made pursuant to Section 5003.

(d) In any case where funds are disbursed to a Lender pursuant to a Demand and the Corporation has failed to comply with subsection (a), IBank may immediately exercise all available legal remedies to recover from the Corporation the funds disbursed pursuant to the Demand.

§ 5002 Guarantee Terms

(a) Following adoption of a resolution by its board of directors, a Corporation shall be (authorized to issue a commitment specifying the conditions under which it will issue a Guarantee to a Lender for a specified Loan.

(b) The terms and conditions of a Guarantee shall be consistent with the resolution of the Corporation approving the Guarantee and shall include all of the following:

(1) The Corporation's promise to pay up to eighty percent (80%) of the outstanding principal, and accrued yet unpaid interest up to 90 days at the same guarantee percentage, on a Loan in which the Guarantee is approved in accordance with IBank policy referenced in the Corporate Contract, subject to the following restrictions:

(A) The Lender has complied with all material conditions contained in the Guarantee, including perfecting Collateral; and

(B) The Lender has not engaged, and will not engage, in fraudulent or negligent practices in connection with the Borrower, Guarantee, the Loan or the related loan agreement.

(2) The duration of a Guarantee shall not exceed seven (7) years, except for a Line of Credit Loan to a Farm Enterprise, where the duration of a Guarantee shall not exceed the term of the current Farm Borrower Agreement and in no event seven (7) years.

(3) A Corporation shall not waive a fee or charge more or less than the amount determined by the Corporate Contract. The Corporation shall not charge an annual servicing fee on loan guarantees. The Corporation shall be authorized to charge the following Loan Guarantee fees in accordance with the Corporate Contract:

(A) A Loan Guarantee documentation fee of $250.00.

(B) A Loan Guarantee fee not to exceed three percent (3%) of the principal amount guaranteed. The Executive Director will set the fee percentage at the time of the Corporate Contract execution and may not change the fee percentage more than twice in each fiscal year.

(4) A description of the procedures and the responsibilities of the Lender and Corporation subsequent to Default.

(5) Section 5003 Demand procedures.

(6) Agreement to abide by binding arbitration by the American Arbitration Association in the event that either the Corporation or IBank denies the requested Demand pursuant to Section 5003(d)(2) or (e)(2), or the amount paid to the Lender is less than the amount contained in the Demand Letter.

(9) Acknowledgment by the Lender that in the event of a Demand, the Lender will allow a bank examiner at the California Department of Business Oversight, or other independent auditor selected by the Corporation, to examine the Lender's Loan files.

(10) A designation as to whether the Guarantee is a Collection Guarantee or Loan Guarantee.

(11) A statement that the maximum amount of interest to be paid is accrued and unpaid, not to exceed ninety (90) calendar days at the guaranteed percentage.

(12) The maximum Guarantee amount for any business is $2,500,000.00. The maximum Loan amount for any business is $20,000,000.00, unless specific written approval is obtained from the Executive Director for a larger loan amount.

(13) The small business receiving the loan guaranteed under the SBLGP, a direct loan, or a bond guarantee, must create or retain at least one Full Time Equivalent (FTE) employee as a result of the Loan. This minimal Directive and Requirement is in lieu of a preferred ratio guideline since IBank encourages program participation of single owner operator businesses.

(14) The owner(s) of the business receiving a Loan guaranteed under the SBLGP, a direct loan, or a bond guarantee, shall have at least $1.00 of equity interest in the business at the time of the Loan. This minimal Directive and Requirement is intended to promote those businesses that may be under-capitalized yet have been deemed credit worthy, due to its other attributes, by a Lender.

§ 5003 Guarantee Demand Procedures

(a) The Lender shall be authorized to make a Demand upon the Corporation executing the Guarantee for repayment of the unpaid Loan principal and interest pursuant to the terms of the Guarantee, upon compliance with the following:

(1) Providing proof to the Corporation that the Borrower is in Default under the applicable loan agreement and Lender has delivered to both the Borrower and the Corporation a minimum of two letters subsequent to the Delinquency, at least thirty (30) days apart, explaining the consequences for failure to remedy the Delinquency in a manner consistent with the applicable loan agreement. This requirement shall not apply if the Borrower is in bankruptcy.

(2) If the Guarantee is a Collection Guarantee, providing proof to the Corporation that the Lender has complied with the liquidation requirements of Section 5004.

(b) The Lender shall deliver to the Corporation executing the Guarantee a Demand Letter requesting immediate payment of the guaranteed portion of the allowable accrued and unpaid Loan interest and outstanding principal, and documenting compliance with subsection (a) and the applicable loan agreement.

(c) Within ten (10) business days of receipt of the Demand letter, the Corporation shall contract with the California Department of Business Oversight or an independent auditor to conduct an investigation to determine whether the Lender has complied with the terms of the Guarantee, and to issue a report to the Corporation. The report shall describe the findings of the investigation for each of the following issues:

(1) Whether the Loan agreement between the Borrower and Lender is consistent with the terms and conditions in the Guarantee.

(2) Whether all Collateral for the Loan and Guarantee have been perfected and maintained.

(3) Whether all Collateral is available for assignment to the Corporation in the event that payment is made upon the Demand.

(4) Whether any Collateral is not available as a result of Lender's negligence, breach of contract, foreclosure or other cause.

(5) If the Guarantee is a Collection Guarantee, whether the Lender has complied with the liquidation procedures of Section 5004.

(6) Calculation on the outstanding principal and interest owed.

(7) Whether the Lender complied with the procedures for making a Demand under Section 5003(b).

(8) In a section entitled "Loan Information" the report shall include the following information obtained solely from a review of Lender files: a description of the Borrower's business, a description of the Collateral for the Loan, and a discussion as to whether the Lender files contain any reference to matters material to Borrower's compliance with any environmental laws or regulations. The description of Collateral shall identify all real property Collateral as one or more of the following: industrial, commercial, agricultural, single family residence, multi-unit residential, vacant lot, unknown.

(9) A history of loan payments and collection efforts.

(d) Within ten (10) business days of receiving the California Department of Business Oversight or independent auditor's report, the Corporation shall do one of the following:

(1) Deliver to IBank a request for payment on the Demand, along with: a copy of the report described in subsection (c), delinquency notification and liquidation efforts described in subsection (a), the Demand, and a calculation of the amount owed pursuant to the Guarantee; or

(2) Deliver to the Lender, with a copy simultaneously delivered to IBank, a refusal to make payment pursuant to the Demand, and detailing the reasons for refusal.

(e) Within ten (10) business days from the date IBank receives the request for payment on the Demand and a copy of the report described in subsection (c), IBank shall do one of the following and inform the Corporation of such action:

(1) Deliver or cause to be delivered to the Corporation a check in an amount not to exceed the amount contained in the Demand Letter, made payable to the Lender; or

(2) Deliver or cause to be delivered to the Corporation a denial of the request for payment to the Corporation based upon noncompliance with the requirements of applicable law, regulations, rules or guidelines, these Directives and Requirements or fraud or negligence on the part of the Lender.

(3) Deliver or cause to be delivered to the Corporation a statement that the investigation or report was incomplete, and requiring the Corporation to complete the investigation and report and resubmit the request for payment to IBank within ten (10) business days from the date the statement is received by the Corporation.

(f) The amount paid to the Lender pursuant to a Demand Letter shall be less than the amount contained in the Demand Letter only under the following circumstances:

(1) The Demand contains an incorrect calculation of the amount owing;

(2) The amount owing on the Loan has been reduced by subsequent payments from the Borrower to the Lender;

(3) The Lender has engaged in fraudulent activities pertaining to the Loan; or

(4) The Loan and/or the Guarantee is not in compliance with the requirements of applicable law, regulations, rules or guidelines or these Directives and Requirements; or

(5) The report identifies fraud or negligence on the part of the Lender

(g) Within five business days of receiving the check from or on behalf of IBank, the Corporation shall contact the Lender and arrange to deliver the check to the Lender. The Corporation shall deliver the check and simultaneously collect an assignment by the Lender of the Lender's interest in the Loan. The assignment shall include the Loan Note and all Collateral, except as provided in Section 5004.

(h) The Guarantee shall include a provision for binding arbitration in the event that either the Corporation or IBank denies the requested Demand pursuant to subsections (d)(2) or (e)(2), or the amount paid to the Lender is less than the amount contained in the Demand Letter.

(i) Demand must be made upon the Corporation no later than noon on the ninetieth calendar day following the date on which the Guarantee terminates; provided, however, that if the

ninetieth day is not a day upon which the Corporation is open for business, the last day for making a Demand shall occur on the next succeeding day upon which the Corporation is open for business.

§ 5004 Guarantee Collection Requirements for Collection Guarantees

(a) A Lender shall not be authorized to file a Demand for a Collection Guarantee unless it has complied with this Section. The requirements contained in this Section are in addition to the requirements contained in Section 5003.

(b) The Lender must liquidate all Collateral, but shall not be required to file a lawsuit against any Borrower or guarantor. "Liquidate" as used in this paragraph means that the Lender has exhausted all Collateral by one of the following methods:

(1) converted the Collateral into cash;

(2) demonstrated, to the satisfaction of the Corporation, that the Collateral is without sufficient value to convert to cash; or

(3) demonstrated that the Borrower has filed for bankruptcy.

§ 5005 Corporation Requirements

The following Directives and Requirements are in addition to Corporation requirements of Corporations Code Section 14000 et seq., and the Small Business Financial Assistance Act of 2013:

A Corporation in existence less than 5 years shall adhere to the same Laws and Directives and Requirements as Corporations in existence for more than 5 years, except for a probationary period as indicated in Corporations Code Section 14012.

A Corporation is to maintain a default rate of less than 5% of all of its outstanding guarantees.

A Corporation must enroll at least one federally supported guarantee, or in the absence of federal funds under the program, one state fund supported guarantee per fiscal year.

A Corporation must provide all documents related to the Small Business Finance Center programs that are requested from time to time by the Executive Director by the deadline specified by the Executive Director.

§ 5006 Additional Clarifications

(a) The return on funds from investments may be used for program purposes, including administrative expenses of IBank and/or the Corporations, at the Executive Director's discretion.

(b) The Executive Director or Program Manager may create a trust fund account to be shared by multiple Corporations (pooled account) for program uses. The designation of an individual trust fund or a shared trust fund account will be determined by the Executive Director or Program Manager and written in the Corporate Contract.

(c) In the event of suspension or termination of a Corporation the funds of a Corporation's trust fund account may be transferred to reside in the expansion fund. Use of the principal on the funds shall be governed by the same use of funds in Government Code Section 63089.5(b). Since it is the intent to pool the trust fund, it is unlikely a Corporation's trust fund would reside in the expansion fund. If this were to occur, the fund would be used for previously established purposes.

(d) Corporations shall adhere to the State Small Business Credit Initiative (SSBCI) rules and guidance when supporting a guarantee with SSBCI federal funds. The rules and guidance include, but are not limited to the following resources; the Small Business Jobs Act of 2010, the SSBCI Allocation Agreement for Participating States dated February 17, 2011 between the United States Department of the Treasury and the State of California, as amended from time to time, SSBCI Policy Guidance, National Standards for Compliance and Oversight, the SSBCI F.A.Q's, and the FDC Policy Manual.

§ 5007 SURETY BONDS GUARANTEE

(a) A Principal shall be authorized to apply to a Corporation for either a Bond Guarantee, or a Bond Line.

(b) A Principal applying for a Bond Guarantee or a Bond Line shall provide a complete Application to the Corporation for review and processing in accordance with the following procedures:

(1) The proposed Guarantee has been reviewed by the Corporation's Bond loan committee and approved by its board of directors.

(2) Upon compliance with subsection (b)(1), the Corporation shall issue a commitment to provide a Bond Guarantee or Bond Line and an executed Bond Guarantee or Bond Line to the Surety.

(3) In the event that a Guarantee is issued to a Surety without first complying with the requirements of subsections (b)(1) and/or (c), and the Surety relies upon the Guarantee in issuing the Bond, the failure by the Corporation to so comply shall not constitute a defense on the part of either IBank or the Corporation to paying a Claim.

(4) In any case where funds are disbursed to a Surety pursuant to a Claim and the Corporation has failed to comply with subsections (b)(1) and/or (c), IBank may immediately exercise all available legal remedies to recover from the Corporation the funds disbursed pursuant to the Claim.

(c) Any change to a Bond Guarantee or Bond Line that amends the terms contained in the resolution by the Corporation's board of directors approving the Guarantee must be approved by the Corporation board of directors.

§ 5008 SURETY BOND TERMS

The terms and conditions of a Bond Guarantee or Bond Line shall be consistent with the resolution of the Corporation approving the Bond Guarantee or Bond Line and shall include all of the following:

(a) The Corporation's promise to pay Losses up to ninety percent (90%) of the Bond, not to exceed five hundred thousand dollars ($500,000), subject only to the restriction that the Surety has not engaged in negligence, misrepresentation, fraud, or material breach of the terms of the Guarantee in writing, issuing, or servicing the Bond.

(b) The Guarantee shall expire two hundred and ten days (210) following final payment by the party requiring the Bond (Obligee) of all amounts owed to Principal pursuant to the contract bonded, so long as no notice of claims has been received by Surety and is pending as of that expiration date. In the event that a notice of claim is pending as of that expiration date, the Guarantee shall remain in effect until resolution of that claim.

(c) A Corporation Bond Guarantee fee not to exceed three percent (3%) of the Guarantee amount. In the case of a Bond Line, the fee shall be charged for each Guarantee.

(d) The terms and conditions of the Bond subject to a Guarantee which shall be in accord with those generally established and accepted by the Surety for the type of contract for which the Bond is required.

(e) A statement that Surety would not provide the Bond without the Guarantee.

(f) Consistent with Surety's underwriting and claims handling procedures, Surety shall take all reasonable action necessary to minimize risk of Loss, including but not limited to the taking of Collateral and obtaining personal guarantees, and Surety will pursue all possible sources of recovery.

(g) If any suit is filed against Surety upon the Bond, Surety shall immediately inform Corporation of receipt of notice thereof and shall take charge of all suits or claims arising under the Bond and compromise, settle or defend such suit or claim. Surety shall take all steps necessary to mitigate the Loss resulting from Principal's default. Surety shall not join Corporation in any lawsuit to which Surety is a party unless Corporation has denied a Claim.

(h) Liability of the Corporation under the Guarantee shall be reduced if the Guarantee requires Surety to take Collateral, and Surety fails to obtain and perfect the Collateral. In the event that the Surety fails to take or perfect Collateral required by the terms of the Guarantee, the liability of the Corporation pursuant to the Guarantee shall be reduced by the Guarantee percentage of the amount which could reasonably have been recovered by liquidating the Collateral.

(i) The terms of the Guarantee shall not be waived, changed or altered unless both Corporation and Surety's authorized representative have signed and dated assent thereto.

(j) Corporation shall have access to and the right to audit and inspect any and all documents maintained by the Surety related to the Bond. The audit shall be conducted in a reasonable manner during business hours or as otherwise agreed upon between Corporation and Surety.

(k) The Guarantee is made exclusively for the benefit of Corporation and Surety and does not confer any rights or benefits to any other party. In the event of the Surety's insolvency, Corporation shall not be liable to the receiver or trustee of the insolvent estate except for any Loss.

(l) In the case of a Bond Line, the document shall also specify the following:

(1) The Bond Line shall only apply to Bonds issued by the identified Surety, to the specified Principal.

(2) No Bond shall be guaranteed under the Bond Line if that Bond is dated either before the effective date of the Bond Line, or later than 365 days following the effective date of the Bond Line.

(3) The Bond Line shall specify the guarantee percentage for the Guarantees issued under the Bond Line.

(4) The Bond Line shall specify the maximum Guarantee authority, which shall not exceed $500,000. The combined Guarantee liability of all Bonds outstanding for a specific Principal shall not exceed $1,000,000. A Principal with a Bond Line shall obtain a Guarantee under the Line by sending a copy of the Bond to the Corporation, which shall sign and attach to the Bond a statement that the Bond is guaranteed by the Corporation pursuant to the terms of the Bond Line. This statement shall be signed so long as the Principal and Bond comply with the terms of the Bond Line.

(5) It shall be the responsibility of the Surety to notify the Corporation when a Guarantee under a Bond Line has expired.

§ 5009 SURETY BOND PROCEDURES

a) Surety shall be entitled to reimbursement for the percentage of its Loss covered by the Guarantee, adjusted pro rata for payments received by Surety from any other source, excluding reinsurance, upon compliance with the following:

(1) Surety shall notify Corporation in writing within forty-five (45) days after the end of each calendar quarter after the Surety has established a claim reserve on the Claim.

(2) Ninety (90) days after notice to Corporation that the claim reserve has been established and every thirty (30) days thereafter, unless mutually agreed upon otherwise, Surety shall provide Corporation with the current status of the Claim, including salvage prospects, and proof of payment by Surety of the Claim. Claim reporting can be on Corporation's Current Status Report form or Surety's equivalent.

(3) Surety shall invoice the Corporation quarterly for any Loss, except that Surety shall be authorized to invoice the Corporation monthly for a Loss in excess of five thousand dollars ($5,000). Corporation shall submit for payment to IBank within twenty (20) days of receipt, any invoice received from a Surety for a Loss that complies with the requirements of this article.

(b) After payment has been made by Corporation to Surety pursuant to (a) above, if any net amount is recovered by Surety from any other source, excluding reinsurance, Corporation is entitled to the Guarantee percentage of said net amount upon actual receipt by the Surety. Subrogation efforts shall be discontinued by Surety only after providing Corporation with written documentation substantiating insolvency or the inability to pay on the part of Principal or others who agreed to indemnify the Surety, unless otherwise mutually agreed by the Surety and Corporation. In the event of discontinuation of subrogation efforts by Surety, the Surety will assign all of its right, title and interest to recovery to the Corporation.

§ 5010 ILOC AS BOND COLLATERAL PROCEDURES

A Principal shall be authorized to apply to a Corporation for an ILOC. A Principal applying for an ILOC shall provide a completed Application to the Corporation for review and processing in accordance with the following procedures:

(a) The proposed ILOC has been reviewed by the Corporation's Bond loan committee and approved by its board of directors.

(b) Upon compliance with subsection (a), the Corporation shall issue an ILOC commitment and an executed ILOC to the Surety.

(c) In the event that an ILOC is issued to a Surety without first complying with the

requirements of subsection (a) and/or (e), and the Surety relies upon the ILOC in issuing the Bond, the failure by the Corporation to so comply shall not constitute a defense on the part of either IBank or the Corporation to paying a Demand.

(d) In any case where funds are disbursed to a Surety pursuant to a Demand and the Corporation has failed to comply with subsections (a) and/or (e), IBank may immediately exercise all available legal remedies to recover from the Corporation the funds disbursed pursuant to the Demand.

(e) Any change to a Bond Guarantee or Bond Line must be approved by the Corporation board of directors if the change amends the terms contained in the resolution by the Corporation board of directors approving the Guarantee.

§ 5011 ILOC AS BOND COLLATERAL TERMS

The terms and conditions of an ILOC shall be consistent with the resolution of the Corporation approving the ILOC and shall include all of the following:

(a) Provision that the Corporation promises to pay a specified amount to Surety upon Surety establishing a claim reserve.

(b) The maximum amount of the ILOC shall be 15% of the contract amount, not to exceed $350,000.

(c) Where the Bond is for a public works project, a statement that the ILOC shall expire one hundred and twenty (120) days following receipt by Surety of a statement from the party requiring the Bond ("Obligee") that the work has been completed and fully accepted and that Obligee has made payment of all amounts owed the Principal pursuant to the Bond. The ILOC shall expire only if no notice of Claim is pending with the Surety. If the Bond is for other than a public works project, then the Corporation and Surety shall include in the ILOC what events and timing trigger expiration of the Guarantee.

(d) The Corporation fee not to exceed three percent of the ILOC amount.

(e) The terms and conditions of the Bond collateralized by the ILOC shall be in accord with those generally established and accepted by the Surety for the type of contract for which the Bond is required.

(f) A statement that Surety would not provide the Bond without the ILOC.

(g) Surety shall not join Corporation in any lawsuit to which Surety is a party unless Corporation has denied a Demand.

(h) The terms of the ILOC shall not be waived, changed or altered unless both Corporation and Surety's authorized representative have signed and dated assent thereto.

(i) Corporation shall have access to and the right to audit and inspect any and all documents related to the Bond. The audit shall be conducted in a reasonable manner during business hours or as otherwise agreed upon between Corporation and Surety.

(j) The ILOC is made exclusively for the benefit of Corporation and Surety and does not confer any rights or benefits to any other party. In the event of the Surety's insolvency, Corporation shall not be liable to the receiver or trustee of the insolvent estate except for any Loss.

§ 5012 ILOC AS BOND COLLATERAL DEMAND PROCEDURES

(a) Upon the establishment of a claim reserve connected to the Bond, Surety shall be authorized to make Demand upon the Corporation for an amount equal to the Loss incurred, and reasonably expected to be incurred within the next sixty (60) calendar days by the Surety.

(b) Demand shall be made in writing, and shall include a statement that a Claim reserve has been established, shall explain why the Claim reserve has been established, and shall specify the amount of the Demand.

(c) Corporation shall mail to Surety, not later than ten (10) calendar days from receipt of Demand, either the amount included in the Demand or an explanation of why the amount requested in the Demand will not be paid by the Corporation. The only reasons for refusing to pay the amount included in the Demand are:

(1) No Claim reserve has been established for the Bond covered by the ILOC.

(2) The amount requested in the Demand lacks reasonable supporting documentation.

(d) After payment has been made by a Corporation, if any net amount is recovered by Surety from any other source, excluding reinsurance, Corporation is entitled, upon actual receipt by the Surety, to the percentage of said net amount which equals the ILOC funds paid as a percentage of Loss paid by the Corporation. Subrogation efforts shall be discontinued by Surety only after providing Corporation with written documentation substantiating insolvency or the inability to pay on the part of Principal or others who agreed to indemnify the Surety, unless otherwise mutually agreed by the Surety and Corporation. In the event of discontinuation of subrogation efforts by Surety, the Surety will assign all of its right, title and interest to recovery to the Corporation.

§ 5013 DISBURSEMENT OF FARM LENDER LOAN FUNDS

(a) No Farm Borrower Agreement shall be executed by a Corporation until the proposed Farm Borrower Loan has been reviewed by the Corporation's loan committee and approved by its board of directors, unless the Corporation's board of directors has delegated the authority to approve a proposed Farm Borrower Loan to the Corporation's loan committee. Approval of the Farm Borrower Loan shall be evidenced by adoption of a corporate

resolution approving the loan. The Corporation shall retain the resolution and the minutes of loan committee and board of directors' meetings at which the loan was discussed and approved, including any conditions placed on the loan.

(b) Disbursement of loan proceeds to the Farm Lender for Farm Borrower Loans will be made only if the Farm Lender is a party in good standing to an existing Farm Lender Credit Agreement.

(c) Within ten (10) business days of receiving a Farm Lender Disbursement Request for a previously approved Farm Borrower Loan, IBank shall notify the Farm Lender of disbursement approval, provided:

(1) Funds are available in a trust fund account to meet the request contained in the Farm Lender Disbursement Request. The available fund for direct loans is no more than twenty percent (20%) of the aggregate trust fund(s) available for State lending programs in the Small Business Guarantee Loan Program.

(2) The disbursement is in connection with an executed Farm Borrower Agreement.

(3) The disbursement request is consistent with the funding requirements of the related Farm Borrower Agreement. Evidence of the consistency consists of a budget showing amounts previously disbursed to the Farm Lender in connection with such Farm Borrower Loan, amount of loan proceeds lent by the Farm Lender to the Farm Borrower, and the date upon which it is projected that the money to be disbursed pursuant to this Section shall be lent by the Farm Lender to the Farm Borrower.

(d) IBank will set aside the original principal amount of the loan request, minus any disbursements, in the trust fund as its commitment to future disbursements. Funds will be released back to the trust fund as the balance of the loan decreases.

(e) In any case where funds are disbursed to a Corporation pursuant to a Farm Lender Disbursement Request and the Corporation has failed to comply with subsection (a), IBank may immediately exercise all available legal remedies to recover from the Corporation the funds disbursed pursuant to the Farmer Lender Disbursement Request.

§ 5014 RELEASE OF FARM LOAN FUNDS

(a) Farm Lender shall lend funds received pursuant to a Farm Lender Credit Agreement to a Farm Borrower only upon compliance with the following conditions precedent:

(1) For a Nonguaranteed Farm Borrower Loan, or for a Guaranteed Farm Borrower with a loan that cannot be legally assigned or sold, assignment to IBank of the Farm Borrower Agreement note, together with an assignment of any financing statement, security interest or similar instrument obtained or entered into pursuant to the related Farm Borrower Agreement, perfected by a UCC-1 public notice.

(2) For a Guaranteed Farm Borrower Loan:

A Guarantee has been executed, and either assigned to IBank or sold pursuant to Section 5018, and

A certification by the Farm Lender that it has complied with or has taken all actions which are in its opinion necessary to comply with any conditions precedent to the issuance of such Guarantee required by USDA; provided, however, that for the purposes of this Section, payment of funds to the Farm Borrower shall not be deemed to be such a condition.

(b) Farm Lender shall provide evidence of compliance with subsection (a) to IBank within seven (7) days of disbursement of funds to a Farm Borrower.

§ 5015 FARM LOAN ACCOUNTING AND REPORTING

Lender shall establish an account which shall be used solely to record disbursements and repayments for Farm Borrower Loans and Farm Lender Loans. The account shall have separate sub-ledgers which shall correspond to each specific Farm Lender Credit Agreement and Farm Borrower Agreement. Funds shall only be withdrawn from Farm Lender Credit Agreement sub-ledgers for subsequent payment to a Farm Borrower, for payments to the trust fund account or upon written authorization of IBank. Funds shall only be withdrawn from Farm Borrower Agreement sub-ledgers for payments to the trust fund account, to the Holder or upon written authorization of IBank.

(b) The Farm Lender shall reconcile the two sets of sub-ledgers monthly. One set shall consist of all activities for each Farm Borrower Loan, including payment and repayment information. Farm Lender shall maintain these reconciliations at its principal place of business. The second reconciliation shall consist of all Farm Lender Loan activity. Farm Lender shall submit these reconciliations to IBank monthly.

(c) All records established and maintained in connection with the account and its sub-ledgers shall be available upon reasonable notice for audit by IBank or its designee, and shall be maintained for a three (3) year period following the expiration of the related Farm Lender Credit Agreement or Farm Borrower Agreement

§ 5016 FARM LOAN DEFAULTS

(a) A Default of a Farm Borrower Agreement shall be a default of outstanding trust fund account funds under the related Farm Lender Credit Agreement. Farm Lender shall provide IBank with written notice that a Default has occurred within fourteen (14) days of either failure by the Farm Borrower to make payment at loan maturity or filing for bankruptcy by Farm Borrower.

(b) With respect to a Default on a Guaranteed Farm Borrower Loans, the procedures to be

followed by a Farm Lender shall be those specified by USDA. If no such procedures exist, the procedures specified in subsection (c) hereof shall apply.

(c) With respect to a Default on a Nonguaranteed Farm Borrower Loans, the procedures to be followed by a Farm Lender shall be set forth in the Farm Borrower Agreement and the related Farm Lender Credit Agreement, and shall include the following:

A meeting shall be arranged by the Farm Lender with the Farm Borrower upon occurrence of a Default to resolve the problem. Actions taken by the Farm Lender may include, the following:

Deferment of principal payments

An additional temporary loan by the Farm Lender to bring the account current

Re-amortization of or rescheduling the payments on the loan

Reorganization

Subsequent loan guarantees

Changes in the interest rate, upon approval of IBank

(2) The Farm Lender shall negotiate in good faith in an attempt to resolve any problem to permit the Farm Borrower to cure a Default; provided that, in the opinion of the Farm Lender, the proposed resolution is economically feasible.

(3) If, within ninety (90) days following receipt by IBank of the notice provided for in subsection (a), the Farm Lender is unable to resolve to its satisfaction any Default, then Farm Lender shall institute Liquidation proceedings.

§ 5017 FARM LOAN LIQUIDATION

(a) With respect to Guaranteed Farm Borrower Loans, Liquidation shall follow the procedures required by USDA; provided, however, that any reports made to USDA in connection with such Liquidation shall also be given to IBank. If no such procedures exist or apply, the procedures specified in subsection (b) shall apply.

(b) With respect to Liquidation of a Nonguaranteed Farm Borrower Loan, a Liquidation plan shall be prepared by the Farm Lender and delivered to IBank. The Liquidation plan shall specify the steps Farm Lender intends to take for Liquidation of the Farm Borrower Loan, including proposed costs. Unless the Farm Borrower receives written objections to the Liquidation plan from IBank within fourteen days of submitting the plan to IBank, the plan shall be deemed approved by IBank. In the event Farm Lender receives a written objection to the plan from IBank within the fourteen days, IBank and Farm Lender shall negotiate a mutually acceptable Liquidation plan.

(c) Liquidation recoveries made in connection with Nonguaranteed Farm Borrower Loans shall be applied in the following order of priority.

(1) To pay Liquidation costs approved by IBank.

(2) To pay accrued interest and late fees.

(3) To pay principal.

(4) To pay fees owed to the Farm Lender, pursuant to Section 5020.

(d) With respect to Liquidation in connection with either Guaranteed or Nonguaranteed Farm Borrower Loans, the Farm Lender shall not initiate any judicial remedy without the prior written approval of IBank.

§ 5018 SALE OF THE GUARANTEED PORTION OF THE FARM BORROWER LOAN

Farm Lender is authorized to negotiate the sale of the guaranteed portion of the Farm Borrower Loan, if allowed by law, together with the Guarantee, to third parties. The sale shall result in the receipt by the Farm Lender of a sum no less than the outstanding balance owed on the guaranteed portion of the Farm Borrower Loan being sold. The Farm Lender shall deposit the funds received into the trust fund account from which the loan funds were disbursed.

§ 5019 FARM LOAN PAYMENTS

(a) Payments received from repayment of a Farm Borrower Loan shall be allocated to Farm Lender, trust fund account and, if applicable Holder, based upon the percentage ownership of the Farm Borrower Loan. As an illustrative example, if the Holder owns ninety percent (90%) and the trust fund account owns the remaining ten percent (10%), then the principal and interest payments are divided 90/10, except that the portion of the interest owed the trust fund account shall be based upon the Farm Lender Credit Agreement interest rate (two points below prime) and not the Farm Borrower Agreement (five points above prime). Payment shall be received by the trust fund account and if applicable Holder within forty-five (45) days of the Farm Lender receiving the funds from Farm Borrower.

(b) IBank shall periodically audit Farm Lender's calculation of interest and principal owed under Farm Lender Credit Agreement, and send written notice to Farm Lender specifying any error in the calculation, and the amount of the discrepancy. If the letter specifies that Farm Lender owes additional funds, Farm Lender shall pay funds to the appropriate trust fund account within seven days of receiving the letter from IBank. If the letter specifies that Farm Lender paid more than was owed, Farm Lender shall apply the overpayment to the next payment due to IBank.

(c) Any sum disbursed to the Farm Lender pursuant to Section 5013 and not lent to Farm

Borrower within six (6) months from the date of such disbursement shall be repaid by Farm Lender within five (5) working days of notification by IBank, and the Farm Lender shall have no further rights with respect to such funds.

§ 5020 FARM LOAN FEES

The Farm Lender shall be authorized to charge the Farm Borrower a fee of three percent (3%) of the amount of the Farm Borrower Loan, in addition to the current fee required to be paid to USDA on any Guaranteed Farm Borrower Loan. In the event of a loan to a Nonguaranteed Farm Loan Borrower, the fee shall not exceed that specified in Government Code Section 63089.67.

§ 5021 SECONDARY MARKET FOR GUARANTEE LOANS

(a) The Lender shall have the option of retaining all of the Loan. If the Lender desires to assign or participate all or a portion of the guaranteed portion of the Loan at or subsequent to Loan closing, the Loan must not be in Default. The Lender is not permitted to assign or participate any amount of the guaranteed or unguaranteed portions of the Loan to any of the following:

(1) the Borrower, or member of the immediate family of the Borrower, their officers, directors, stockholders, other owners or any parent, subsidiary or affiliate;

(2) a Corporation or any employee or a member of the Board of Directors of a Corporation or

(3) any employee of IBank.

(b) The Lender may assign all or part of the guaranteed portion of the Loan to one or more Holders, except that the Lender is required to retain a minimum of ten percent (10%) of the Loan amount, and the Lender shall retain the responsibility for servicing the Loan.

(c) The Lender shall notify the Corporation of the assignment no later than forty-five (45) days following the assignment. No later than fifteen (15) days following the notification provided by the Lender, the Corporation shall register the assignment by completing and submitting the Assignment Registration Form (Form CTCA-047, new, 1998) to IBank. No later than thirty (30) days following the submission of the Assignment Registration Form, IBank shall notify the Lender and Holder of the registration.

(d) The Assignment Registration Form shall consist of the items listed below:

(1) The date of assignment or participation.

(2) The Loan number.

(3) A description of the Loan including: whether the Loan is a credit agreement or a

promissory note, the date the Loan was executed, and the name of the Borrower.

(4) The outstanding balance of the Loan.

(5) The percent of Guarantee assigned to the Holder.

(6) A certification that the Loan is not in Default and not a pending Default.

(7) A certification that Holder complies with the requirements described in subsections (a)(1) through (a)(3).

(8) The Holder's contact person, mailing address, telephone number, and if available facsimile number and e-mail address.

(9) The Lender's contact person, mailing address, telephone number, and if available facsimile number and e-mail address.

(10) The titles and dated signatures of the Lender, the Holder, and the Corporation.

(e) When a guaranteed portion of a Loan is sold by the Lender to a Holder, the Holder shall succeed to all rights of Lender under the Guarantee in proportion to the amount of the Loan purchased. The Lender shall remain bound to all the obligations under the Guarantee.

(f) The Lender shall be responsible for servicing the entire Loan, and shall remain the secured party of record. The entire Loan shall be secured by the same security with equal lien priority for the guaranteed and unguaranteed portions of the Loan.

(g) The Guarantee and right to issue a Demand will be directly enforceable by Holder notwithstanding any fraud or misrepresentation by Lender or any unenforceability of the Guarantee by Lender, unless Holder has actual knowledge of said fraud, misrepresentation or unenforceability of the Guarantee prior to purchase. Notwithstanding the provisions of Section 5003(a), the Holder shall be authorized to make Demand upon the Lender, with a copy sent to the Corporation, when any payment owed pursuant to the Loan is sixty (60) days in arrears, and the Holder shall be under no obligation to delay Demand pending liquidation of Collateral if the Loan is a Collection Guarantee. If Holder has not received a response with thirty (30) days agreeing to purchase the guaranteed portion of the Loan, the Holder shall be authorized to send a Demand to the Corporation. It shall be the responsibility of the Corporation to verify the Demand figures provided by the Holder with the Lender. In any dispute the Lender Demand figures shall be used. The Holder shall be entitled to receive interest on the unpaid portion of the guaranteed portion of the Loan until the Demand payoff is mailed to the Holder.

(h) Nothing contained herein shall constitute any waiver by IBank or the Corporation of any rights they possess against the Lender, and the Lender agrees that it will be liable and will promptly reimburse the trust fund for any payment made by IBank to Holder which, if such

Lender had held the Guaranteed portion of the Loan, IBank would not be required to make.

§ 5022 JUMP START LOAN PROGRAM

(a) The purpose of the Jump Start Loan Program (Jump Start Program) is to provide loans from five hundred dollars ($500) to ten thousand dollars ($10,000) and financial literacy and technical assistance to start-ups and established small businesses in Low-Wealth Communities.

(b) IBank may enter into an Allocation Agreement with a Jump Start Corporation that is in furtherance of the purposes of the Jump Start Program pursuant to Section 5022(a).

(c) The Allocation Agreement shall include, without limitation, all of the following provisions:

(1) an allocation of funds by IBank to the Jump Start Corporation in an aggregate amount not to exceed One Hundred Thousand Dollars ($100,000) (Allocation) to be used to make Jump Start Loans to Jump Start Borrowers pursuant to the terms and requirements of the Allocation Agreement;
(2) IBank's agreement to provide the Jump Start Grant pursuant to Section 5023;
(3) standard credit underwriting criteria;
(4) standard loan disbursement processes;
(5) standard servicing policies and procedures; and
(6) the financial literacy training and technical assistance the Jump Start Corporation will provide to the Jump Start Borrowers.

(d) The Allocation shall not be used by the Jump Start Corporation for any administrative, training or technical assistance costs or expenses.

(e) Investment income earned on the Allocation shall be used only to make Jump Start Loans pursuant to the Allocation Agreement.

(f) Interest earned on Jump Start Loans may be used to pay the administrative costs of IBank and the Jump Start Corporation in accordance with the Allocation Agreement, the FDC Policy Manual and the Administrative Cost Policy Manual.

§ 5023 JUMP START GRANT

IBank shall provide each Jump Start Corporation with a Jump Start grant in an aggregate amount not to exceed One Hundred Thousand Dollars ($100,000) (Jump Start Grant) to be used to compensate the Jump Start Corporation for its allowable administrative, financial literacy training and technical assistance costs and

expenses in accordance with the terms and requirements of the Administrative Cost Policy Manual.

§ 5024 APPROVAL OF JUMP START LOAN

(a) No Jump Start Borrower Agreement shall be executed by a Jump Start Corporation nor any Allocation disbursed to a proposed Jump Start Borrower until the proposed Jump Start Loan has been reviewed and approved by the Jump Start Corporation's Board of Directors, unless the Jump Start Corporation's board of directors has delegated the authority to approve a proposed Jump Start Loan to the Corporation's loan committee, executive director and/or chief credit officer and such loan committee, executive director and/or chief credit officer has approved the proposed Jump Start Loan.

(b) In any case where a Jump Start Corporation has failed to comply with Section 5024(a), IBank may immediately exercise all available legal remedies to recover from the Jump Start Corporation the funds disbursed.

§ 5025 RELEASE OF JUMP START FUNDS

(a) A Jump Start Corporation shall not approve the disbursement of any Allocation funds to a Jump Start Borrower until the proposed Jump Start Borrower has executed and delivered to the Jump Start Corporation the following documents:

(i) a Jump Start Borrower Agreement,

(ii) a note payable to the order of IBank in a principal amount not to exceed Ten Thousand Dollars ($10,000.00) or be in an amount less than Five Hundred Dollars ($500.00), and

(iii) a security or collateral agreement or similar instrument, if any, required by the Jump Start Borrower Agreement.

(b) The Jump Start Corporation shall provide pursuant to the FDC Policy Manual evidence of compliance with subsection (a) to IBank within seven (7) days of disbursement of Allocation funds to a Jump Start Borrower.

§ 5026 JUMP START LOAN DEFAULTS

(a) The Jump Start Corporation shall provide IBank with written notice that a Default under the Jump Start Loan Agreement has occurred within fourteen (14) days after the occurrence of any such Default.

(b) The Default procedures to be followed by a Jump Start Corporation shall be set forth in the Jump Start Borrower Agreement and the Allocation Agreement and shall include the following:

(i) A meeting shall be arranged by the Jump Start Corporation with the Jump Start Borrower upon occurrence of a Default to resolve the problem. Actions taken by the Jump Start Corporation may include, but are not limited to, with the written approval of IBank, the following:

Deferment of principal payments,

Re-amortization of or rescheduling the payments on the loan,

Reorganization,

Additional collateral,

Changes in the interest rate,

(2) The Jump Start Corporation shall negotiate in good faith in an attempt to resolve any problem to permit the Jump Start Borrower to cure a Default; provided that, in the opinion of the Jump Start Corporation, the proposed resolution is economically feasible.

(3) If, within thirty (30) days following receipt by IBank of the notice provided for in subsection (a), the Jump Start Corporation is unable to resolve to IBank's satisfaction any Default, then the Jump Start Corporation shall institute Liquidation proceedings as set forth in Section 5027 and the FDC Policy Manual.

§ 5027 JUMP START LOAN LIQUIDATION

(a) A Liquidation plan shall be prepared by the Jump Start Corporation and delivered to IBank. The Liquidation plan shall specify the steps the Jump Start Corporation intends to take for Liquidation of the Jump Start Loan, including proposed costs. Unless the Jump Start Corporation receives written objections to the Liquidation plan from IBank within fourteen (14) days of submitting the plan to IBank, the plan shall be deemed approved by IBank. In the event the Jump Start Corporation receives a written objection to the plan from IBank within the fourteen (14) days, IBank and the Jump Start Corporation shall negotiate a mutually acceptable Liquidation plan.

(b) Liquidation recoveries made in connection with the Jump Start Loans shall be applied in the following order of priority:

(1) To pay Liquidation costs approved by IBank

(2) To pay principal

(3) To pay accrued interest

(c) With respect to Liquidation in connection with Jump Start Loans, the Jump Start Corporation shall not initiate any judicial remedy without the prior written approval of IBank.

§ 5028 JUMP START LOAN FEES

The Jump Start Corporation shall be authorized to charge the Jump Start Borrower a fee of three percent (3%) of the principal amount of the Jump Start Loan. The fee shall not exceed that specified in Government Code Section 63089.67.