

Exhibit A
IBank Letter Dated August 1, 2014



California Infrastructure and Economic Development Bank

August 1, 2014

Edmund G. Brown Jr.
Governor

Mr. Roberto Barragan
President
San Fernando Valley
Financial Development Corporation
5121 Van Nuys Blvd., Suite 203-A,
Van Nuys, CA 91403

Board Members:

Michael E. Rossi
Chair

Senior Advisor to the
Governor of California,
Delegate of the Director,
Governor's Office of
Business & Economic
Development

Bill Lockyer
State Treasurer

Michael Cohen
Director,
Department of Finance

Brian P. Kelly
Secretary,
California State
Transportation Agency

Peter Luchetti
Governor's Appointee

Executive Director:

Teveia R. Barnes

Mailing Address:
P.O. Box 2830
Sacramento, CA 95812-
2830

Office Address:
1325 J Street, Suite 1823
Sacramento, CA 95814

(916) 322-1399 Phone
(916) 322-6314 Fax
www.ibank.ca.gov

Dear Mr. Barragan,

I wish to confirm that the California Infrastructure and Economic Development Bank (IBank) will not be renewing its contract with San Fernando Valley FDC (SFV) for fiscal year 2014-2015.

The list prepared by SFV of active guarantees is included with this letter as Attachment A (SFV Portfolio). Please send as soon as possible all files for the SFV Portfolio and any loan guarantee files that are inactive (graduated) to the attention of Dan Apodaca at IBank's office. Please note IBank's new address at 1325 J Street, Suite 1823, Sacramento, CA 95814.

Each box for the SFV Portfolio and inactive files should be clearly labeled on the front side of the box indicating:

1. Name of Borrower
2. Guarantee # assigned and used by SFV
3. "Active" or "Graduated"
4. "SSBCI Guarantee" or "STATE Guarantee"

You may combine guarantee files in boxes as long as they are properly labeled on the box and separated. SFV's cost for shipping all active and inactive files will be reimbursed by IBank. Please send any outstanding invoices to my attention.

We appreciate your cooperation during this transition period. If you have any further questions, please do not hesitate to call me.

Sincerely,

Teveia R. Barnes
Executive Director

cc: Alexander Penaloza
Panorea Avdis
Dan Apodaca
Karen Kawada

**San Fernando Valley - Financial Development Corporation
Deals Report - As of 8/1/2014**

Attachment A

Funded Loan Guarantees 2013-2014												
loan #	Company/Borrower	Loan Type	Ref by	Term/ RLOC	Lender	Location	Loan Amount	Guar %	Guarantee Amount \$	Lending Bank	Bank Note Date	Docs Recv'd
SF0285	Maverick Motorworks LLC	SBLGP	Nicholas Miluso	Term	ACCION	San Diego	\$ 15,000	50%	\$ 7,500	ACCION SD	7/12/2013	7/24/2013
SF0286	Merideth Leygraff dba Flip N Fit	SBLGP	Maria Montano	Term	ACCION	San Diego	\$ 20,000	50%	\$ 10,000	ACCION SD	7/18/2013	7/29/2013
SF0287	Sanchez Imports and Exports LLC	SBLGP	Maria Montano	Term	ACCION	San Diego	\$ 15,000	50%	\$ 7,500	ACCION SD	7/25/2013	8/5/2013
SF0288	Julius and Co.	SBLGP	Nicholas Miluso	Term	ACCION	San Diego	\$ 15,000	50%	\$ 7,500	ACCION SD	7/24/2013	8/6/2013
SF0289	Cho Mar dba 7-Eleven	SBLGP	Alex Penalzoza	Term	Pan American Bank	Los Angeles	\$ 220,000	80%	\$ 176,000	Pan American	9/10/2013	9/17/2013
SF0290	ICDC Beverly	SBLGP	John Murrillo	Term	ProAmerica	Los Angeles	\$ 225,000	80%	\$ 180,000	ProAmerica	9/10/2013	9/23/2013
SF0291	Tornell Motors	SBLGP	Maria Montano	Term	ACCION	San Diego	\$ 25,000	60%	\$ 15,000	ACCION	8/30/2013	9/23/2013
SF0292	Hummus	SBLGP	Nicholas Miluso	Term	ACCION	San Diego	\$ 24,000	60%	\$ 14,400	ACCION	9/6/2013	10/25/2013
SF0293	Skye Rentals, LLC.	SBLGP	Welmer	Term	Welmer	Burbank	\$ 360,000	80%	\$ 288,000	Pro America Bank	9/27/2013	10/10/2013
SF0294	Upload Moving systems	SBLGP	Nick	Term	ACCION	San Diego	\$ 15,000	50%	\$ 7,500	ACCION San Diego	10/8/2013	10/28/2013
SF0295	GoldenWest Restoration	SBLGP	Maria	Term	ACCION	San Diego	\$ 20,000	50%	\$ 10,000	ACCION San Diego		
SF0296	Kirsch Building Products	SBLGP	Saxon	LOC	Saxon	Simi Valley	\$ 250,000	45%	\$ 112,500	CUB	10/24/2013	11/6/2013
SF0297	Barrie Kaufman dba Fables By Barric, Inc.	SBLGP	Nicholas Miluso	Term	ACCION	San Diego	\$ 30,000	50%	\$ 15,000	ACCION San Diego	11/8/2013	12/2/2013
SF0298	Swarndep & Davinder D&S Enterprises Inc.dba 7	SBLGP	Alex Penalzoza	Term	Alex Penalzoza	Huntington Beach	\$ 160,530	80%	\$ 128,424	Pan American	11/5/2013	11/17/2013
SF0299	Peggy Garcia Insurance Agency	SBLGP	Maria Montano	Term	Maria Montano	San Diego	\$ 30,000	50%	\$ 15,000	Accion San Diego	11/23/2013	12/2/2013
SF0300	Sorav Enterprises Inc.	SBLGP	Alex Penalzoza	Term	Pan American Bank	San Fernando Valle	\$ 250,000	80%	\$ 200,000	Pan American	11/25/2013	3/3/2014
SF0301	Rohm Enterprises Inc., dba Cútes Restaurant	SBLGP	Alex Penalzoza	Term	Pan American Bank	Los Angeles	\$ 370,000	80%	\$ 296,000	Pan American	11/27/2013	3/3/2014
SF0302	Singh dba 7-11	SBLGP	Alex Penalzoza	Term	Pan American Bank	La Puente	\$ 260,000	80%	\$ 208,000	Pan American	12/30/2013	3/3/2014
SF0303	Fogland Brands LLC dba Menchies Frozen Yogurt	SBLGP	Pauline Monoroth	Term	Pauline Monoroth	San Francisco	\$ 238,000	80%	\$ 190,400	ProAmerica Bank	2/24/2014	3/3/2014
SF0304	Yamina Chauffeur Services	SBLGP	Nick Miluso	Term	ACCION	San Diego	\$ 20,000	50%	\$ 10,000	ACCION	4/18/2014	4/25/2014
SF0305	All Star AC	SBLGP	Nick Miluso	Term	ACCION	San Diego	\$ 20,000	50%	\$ 10,000	ACCION	4/30/2014	5/6/2014
SF0306	Portford Solutions	SBLGP	Shirley Weizel	LOC	CUB	Aliso Viejo	\$ 200,000	75%	\$ 150,000	CUB	4/24/2014	5/8/2014
SF0308	Blackburn's Farm to Table	SBLGP	Brian Loazo	Term	Pan American Bank	Corona	\$ 100,000	80%	\$ 80,000	Pan American Bank	5/7/2014	5/16/2014
SF0309	Redondo Emergency	SSBCI	Allen shiry	LOC	First bank	Manhattan Beach	\$ 500,000	70%	\$ 350,000	First bank	5/28/2014	6/2/2014
SF0310	FHC Food+Drink, LLC.	SBLGP	Brian Lazo	Term	Pan American Bank	Bellflower	\$ 200,000	80%	\$ 160,000	Pan American Bank	5/30/2014	6/2/2014
SF0311	Ramesh C. Sharma dba 7-Eleven	SBLGP	Brian Lazo	Term	Pan American Bank	Pacoima	\$ 129,000	80%	\$ 103,200	Pan American Bank	5/30/2014	6/6/2014
SF0312	Michael McCluring	SBLGP	Nicholas Miluso	Term	ACCION	San Diego	\$ 20,000	50%	\$ 10,000	ACCION	6/16/2014	6/27/2014
Total Approved/Funded Loans:							\$3,731,530		\$2,761,924			
Approved Loan Guarantees												
Company/Borrower	Loan Type	Ref by	Term/ RLOC	Source	Location	Loan Amount	Guar %	Guarantee Amount \$	Lending Bank	Received by PC	Signing Date	Reason for Withdrawal
Total Approved Awaiting Funding:							\$ -		\$ -			
Approved Loan Guarantees - Withdrawn												
Company/Borrower	Loan Type	Ref by	Term/ RLOC	Source	Location	Loan Amount	Guar %	Guarantee Amount \$	Lending Bank	Received by PC	Signing Date	Reason for Withdrawal
Total Approved - Withdrawn							\$ -		\$ -			

Approved Loan Guarantees - Withdrawn												
Company/Borrower	Loan Type	Ref by	Term/ RLOC	Source	Location	Loan Amount	Guar %	Guarantee Amount \$	Lending Bank	Received by PC	Signing Date	Reason for Withdrawal
Total Approved Awaiting Funding:							\$ -		\$ -			
Approved Loan Guarantees - Withdrawn												
Company/Borrower	Loan Type	Ref by	Term/ RLOC	Source	Location	Loan Amount	Guar %	Guarantee Amount \$	Lending Bank	Received by PC	Signing Date	Reason for Withdrawal
Total Approved - Withdrawn							\$ -		\$ -			

Exhibit B

IBank Letter Dated August 7, 2014



California Infrastructure and Economic Development Bank

August 7, 2014

Edmund G. Brown Jr.
Governor

Mr. Roberto Barragan
President
San Fernando Valley
Financial Development Corporation
5121 Van Nuys Blvd., Suite 203-A,
Van Nuys, CA 91403

Board Members:

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Governor of California,
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Governor's Appointee

Executive Director:

Teveia R. Barnes

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2830

Office Address:
1325 J Street, Suite 1823
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www.ibank.ca.gov

Dear Mr. Barragan,

This letter is to inform you that, in my capacity both as Program Manager of the Small Business Loan Guarantee Program (the Program) and as the Executive Director of the IBank I have determined that the repeated instances of non-compliance by San Fernando Valley FDC (SFV), which are further described herein, have constituted violations of the Agreement between the IBank and SFV for fiscal year 2013-14 (Agreement). Consequently, I have made a finding of failure to comply as well as a finding of potential irreparable harm to the State in accordance with Sections 63089.2(d) of the California Corporations Code. As a result, the IBank is hereby terminating SFV's status as a Financial Development Corporation for the purposes of the Program, as well as its authority to administer loan guarantees under the Program.

Further, this letter provides a response to your email to me of August 1, 2014 (**Exhibit A**). While the specific basis for IBank's decision not to renew the Agreement for fiscal year 2014-2015 is not stated in my August 1, 2014 letter to you, I had discussed the basis in both my telephone call with you earlier in the week and in subsequent emails to Alexander Penalosa. Please find a copy of my July 30, 2014 email (**Exhibit B**) regarding some of the specific issues we identified with the 27 guarantees listed by San Fernando Valley. Issues were also identified for 3 of the 9 state guarantees that were registered with the Program.

Again to summarize, in the past fiscal year:

No eligible guarantees have been properly issued by SFV under the federal State Small Business Credit Initiative (SSBCI) for fiscal year 2013-2014.

Only 9 guarantees have been properly registered by SFV with the Program under the state small business loan guarantee program (SBLGP).

On December 9, 2013, Panorea Avdis, Chief Deputy Director of the California Governor's Office of Business and Economic Development (GO-Biz) requested via email (**Exhibit C**) that "each FDC provide electronic files of the FDC staffing information in a Word or Excel file" to assist GO-Biz and IBank prepare the Small Business Loan Guarantee Program Report to the Legislative Analyst's

August 7, 2014

Office of ten years of fees, charges and administrative costs for 2003-04 to 2012-13. The next day you advised Ms. Avdis via email (**also Exhibit C**) that SFV's manager had left, and SFV had no other state/FDC paid staff. This is a violation of Section 14018 of the California Corporations Code which requires each FDC to provide for and maintain a central staff to perform all administrative requirements of the FDC including all the functions required of the FDC by its contract. In addition, you stated that because SFV had not received payment from the state since December 2012, SFV could not hire a new manager and would not comply with Ms. Avdis' request.

The Small Business Loan Guarantee Program Report dated January 2014 from Governor Brown, GO-Biz and IBank (Report) can be found on IBank's website under Annual Reports to the Legislature, Small Business Loan Guarantee Program. The Report covers the last 10 years of the administrative costs of the state's SBLGP and the federal State Small Business Credit Initiative (SSBCI) programs. Please note that on pages 17 to 26 of the Report there is a footnote on every page clarifying for the Legislature that SFV did not submit data for any of the ten years of the Report.

SFV's inability to provide the requested data is in breach of SFV's agreement under Section E of Exhibit D, Additional Terms and Conditions to the Agreement between SFV and GO-Biz/IBank. Further, such failures, as well as the others described in this letter and its attachments, constitute the failure by SFV to satisfy the applicable performance-based criteria set forth in Section 63089.56(c)(2) of the California Government Code and the reporting requirements imposed by Sections 63089.97 and 63089.98 of the California Government Code.

SFV's breach of the Agreement continued, as reflected in Dan's email of January 8, 2014 to you (**Exhibit D**), when SFV failed to provide by the due date the information required by the U.S. Treasury for the quarterly report under the SSBCI program.

All of the financial development corporations, including SFV, knew that priority was to be given to issuing guarantees under the SSBCI program before issuing guarantees under the state's SBLGP. Priority has been given by the FDCs to the SSBCI program so that the state could receive the full \$168 million grant from the U.S. Treasury as quickly as possible. On January 2, 2014, Dan Apodaca sent you an email, requesting an updated report with respect to SSBCI and the Tea Galleries guarantee that the U.S. Treasury rejected because it was ineligible for the federal SSBCI program. At the end of that email, Dan wrote:

"Unless the projects do not qualify under SSBCI, your program guarantees should be focused on SSBCI. You currently show no recent guarantees under the SSBCI Program."

In response to Dan's email, you wrote:

"As I have indicated, our state guarantee program has no employees with the departure of Andrea DeLuna. And lacking payment by the state of amounts due under our state contract since December 2012, I am not in a position to hire a new manager or employee. **Therefore we are unable to produce the reports requested nor able to secure any new guarantees under the SSBCI program.**" [Emphasis added]

IBank decided not to renew the Agreement with SFV, in part, because SFV is not able to produce the reports requested by GO-Biz and as required by the U.S. Treasury under the SSBCI program nor is SFV able to comply with key requirements of the Program. Moreover, as you stated in January 2014, SFV is not able to secure any new guarantees under the SSBCI program. **SFV did not issue any eligible guarantees under the SSBCI program during the fiscal year 2013-2014. With no eligible SSBCI guarantees, SFV has not adequately performed under the SSBCI program.**

August 7, 2014

As explained in this letter and its attachments, SFV's failures to perform constitute a violation of its contract with the IBank as well as those provisions of the Corporations Code and Government Code cited. Accordingly, IBank will not renew the contract with San Fernando Valley FDC for fiscal year 2014-2015. In accordance with Government Code Section 63089.56, the use of State funds by FDCs is conditioned upon entry into signed written agreement to provide program management services. **Thus, effective immediately, SFV's authority to act as a Financial Development Corporation for purposes of the Program, including but not limited to the authority to issue guarantees, is hereby withdrawn and terminated.**

In addition to the foregoing and, in accordance with Section 15 of Exhibit D of the services contract, this letter also serves to evidence the IBank's evaluation of SFV's performance under the Agreement.

All files for SFV's active loan guarantees and any loan guarantee files that are inactive (graduated) are to be sent as soon as possible, but in no event later than August 31, 2014 to the attention of Dan Apodaca at IBank's office. Please note IBank's new address at 1325 J Street, Suite 1823, Sacramento, CA 95814.

Each box for the SFV Portfolio and inactive files should be clearly labeled on the front side of the box indicating:

1. Name of Borrower
2. Guarantee # assigned and used by SFV
3. "Active" or "Graduated"
4. "SSBCI Guarantee" or "STATE Guarantee"

SFV may combine guarantee files in boxes as long as they are properly labeled on the box and separated. SFV's cost for shipping all active and inactive files will be reimbursed by IBank. Please send any outstanding invoices to my attention.

We appreciate your cooperation during this transition period.

Sincerely,



Teveia R. Barnes
Executive Director

cc: Alexander Penalosa
Jerry Ruiz
Panorea Avdis
Dan Apodaca
Karen Kawada
Marilyn Munoz

Teveia Barnes

From: Roberto Barragan <roberto@vedc.org>
Sent: Friday, August 01, 2014 5:28 PM
To: Teveia Barnes
Cc: Roberto Barragan (mobile); Alexander Penaloza; Karen Kawada; Dan Apodaca; Panorea Avdis; Karen Zirkle; Mike Ocasio; Mike Rossi
Subject: RE: Letter to Roberto Barragan re Contract

Ms. Barnes

I am in receipt of your communications and I am forwarding it to our counsel to advise us on a proper course of action.

Please be advised that your letter does not confirm anything as your phone call to me this past week, and the information you shared with me was incorrect, a misstatement you have already recognized in a number of emails to my staff. Rather than not making any loan guarantees in the 2013-2014 fiscal year, as you claimed, the SFV Financial Development Corporation executed 27 guarantees totaling \$2.7 million.

Further, even if all the guarantees were secured through the state program rather than the federal program, our 2012-2013 contract did not establish benchmarks for either program nor required minimums for either.

Finally, your office has confirmed, as of yesterday, that its reporting system is corrupted and that the majority of FDCs report their guarantees manually, just as we have through the most recent quarter.. They have also acknowledged not recording information that you confirmed receiving last April that reflected 19 guarantees through March 31, 2014. That information is reflected in the spreadsheet you have accepted and attached to your letter.

However, your basis and rationale for not renewing our contract, therefore, has not been established, and so I must dispute the actions you are taking in your communications.

Nothing will be forthcoming from this office until we have reviewed all legal options.

I would have hoped that the I Bank would have done a better job of managing this iconic program as well as serving small businesses across the state. The State of California deserves nothing less.

Roberto Barragan
President
Golden State Financial Development Corporation
(formerly San Fernando Valley Financial Development Corporation)
A Certified Development Corporation

From: Teveia Barnes [<mailto:Teveia.Barnes@ibank.CA.GOV>]
Sent: Friday, August 01, 2014 4:33 PM
To: Roberto Barragan
Cc: Roberto Barragan (mobile); Alexander Penaloza; Karen Kawada; Dan Apodaca; Panorea Avdis; Karen Zirkle
Subject: Letter to Roberto Barragan re Contract

Please see the attachment.

Take care,
Teveia

We've Moved!

Teveia R. Barnes
Executive Director
California Infrastructure and
Economic Development Bank
1325 J Street, Suite 1823
Sacramento, California 95814
(916) 324-6992 voice
(916) 319-7791 fax
Teveia.Barnes@ibank.ca.gov

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Teveia Barnes

From: Teveia Barnes
Sent: Wednesday, July 30, 2014 3:15 PM
To: 'Alexander Penaloza'
Cc: 'Roberto Barragan (mobile)'; 'Roberto Barragan'; Dan Apodaca; Karen Kawada
Subject: San Fernando Valley FDC - 2013-14 7/30/2014 3:15 pm

Importance: High

Alex,

We have compared your listing to IBank's record of registered Small Business Loan Guarantee Program FY 2013/14 guarantees for San Fernando Valley FDC (SFV). IBank's records only reflect guarantees issued during the September 2013 quarter. After September 2013, no guarantees have been properly registered by SFV with IBank.

Below are the findings of the 27 guarantees listed in SFV's attached file.

1. Of the 27 guarantees listed in the attached file, SFV registered only 9. The promissory note date of these 9 were within the September 2013 quarter; the 18 others were issued on/after October 1, 2013. Proper registration of the 18 is required before they will be included in the state guarantee program.
2. Of the 9 guarantees that were registered, the registration record of three reflect different Loan Numbers than in SFV's attached file. This is noted in added column C in the attached file. Your records should match the Loan Numbers registered with IBank.
3. Of the 9 guarantees that were registered, one was registered reflecting a higher Loan Amount than the amount in SFV's attached file. This is noted in column E and should be reconciled.
4. Of the 9 guarantees that were registered, the guarantee percentage of two are different. Refer to column G for specific Loan Numbers. This should be reconciled.
5. IBank does not have any record of approving SFV's Redondo Emergency loan guarantee issued during FY 2013/14 for the federal SSBCI program. We do have guarantee registrations for SFF006 and SFF020 both for loans to Redondo Emergency, however, neither were issued during FY 2013/14. These two are summarized below. If SFV has a signed Certification Receipt and Authorization from IBank for a FY 2013/14 guarantee, please provide me with a copy as soon as possible.

SFF006: Included in Dec-2011 SSBCI Quarterly Report as a New Guarantee at 80% dated 29-Dec-11 through 31-Dec-12 issued on a Term Loan for \$500,000 made by First Bank.

SFF020: Was registered during the March 2013 quarter as a Guarantee Renewal at 75% dated 31-Jan-13 through 31-Jan-14 issued on a Line of Credit for \$500,000 made by First Bank.

To summarize, only 9 guarantees have been properly registered by SFV with IBank under the state small business loan guarantee program for the fiscal year 2013-2014. No loan guarantees have been issued by SFV under the federal SSBCI program for fiscal year 2013-2014.

Take care,
Teveia

Teveia R. Barnes
Executive Director
California Infrastructure and
Economic Development Bank
1325 J Street, Suite 1823
Sacramento, California 95814
(916) 324-6992 voice
(916) 319-7791 fax
Teveia.Barnes@ibank.ca.gov

Teveia Barnes

From: Roberto Barragan <roberto@vedc.org>
Sent: Tuesday, December 10, 2013 8:15 PM
To: Panorea Avdis; 'rsaenz@iefdc.org'; 'karl_zalazowski@calcoastal.org';
'draven@vsbdc.com'; 'mjd@safe-bidco.com'; 'cwilliams@cacapital.org';
'kchilcott@cdcloans.com'; 'em1nor@yahoo.com'; 'edwardlee@hsbfdc.org';
'mark.robertson@pcrcorp.org'; 'mocasio@sbfdoc.com'
Cc: Janelle Green; Barnes, Teveia
Subject: RE: FDC Data Reporting: Request for Electronic Files

Ms Avdis

Please be advised that our manager has left our FDC and we have no other state/FDC paid staff. In addition, we have not received payment from the state since December 2012, and therefore cannot hire a new manager. We will not be able to comply with your request.

Roberto Barragan
President
Golden State Financial Development Corporation
(formerly San Fernando Valley Financial Development Corporation)
A Certified Development Corporation

From: Panorea Avdis [<mailto:Panorea.Avdis@GOV.CA.GOV>]
Sent: Monday, December 09, 2013 3:54 PM
To: 'rsaenz@iefdc.org'; 'karl_zalazowski@calcoastal.org'; 'draven@vsbdc.com'; 'mjd@safe-bidco.com';
'cwilliams@cacapital.org'; 'kchilcott@cdcloans.com'; 'em1nor@yahoo.com'; 'edwardlee@hsbfdc.org'; Roberto Barragan;
'mark.robertson@pcrcorp.org'; 'mocasio@sbfdoc.com'
Cc: Janelle Green; teveia.barnes@ibank.ca.gov
Subject: FDC Data Reporting: Request for Electronic Files

Dear FDC's,

We are in the process of developing the SBLGP Annual Report to the Legislative Analyst's Office. As you know, we will be incorporating data from your individual reports to satisfy some of the report requirements. To expedite this process, I am requesting that each FDC provide electronic files of the FDC staffing information in a Word or Excel file.

Also, if possible, please provide the following data in an Excel file:

- Fees and Charges for both the SBLGP and SSBCI from 2003-04 to 2012-13
- Administrative Costs for the SBLGP and SSBCI from 2003-04 to 2012-13
- Loan Guarantee Fee-Related Funding from 2003-04 to 2012-13

For your reference, I have attached a spreadsheet that shows how we will report this information for each fiscal year.

I am requesting that each FDC provide this information to GO-Biz by COB this Wednesday (12/11). Please email this information and any questions you may have to Janelle Green, Small Business Specialist, at Janelle.green@gov.ca.gov.

Thank you for your assistance with this request.

Regards,

Exhibit D

Teveia Barnes

Subject: FW: late quarterly report for SSBCI

On Jan 8, 2014, at 10:26 AM, "Apodaca, Dan"
<Dan.Apodaca@ibank.ca.gov<<mailto:Dan.Apodaca@ibank.ca.gov>>> wrote:

Gentlemen,

Would you please make the submittal a priority. They were due yesterday.

Remember, only those with approved certs and executed documents can be placed into the database.

Dan Apodaca
Assistant Program Manager
California Infrastructure and Economic Development Bank CA Small Business Loan Guarantee
Program
980 9th Street, Suite 900
Sacramento, CA 95814
916-327-2028
Fax 916-319-7784
Dan.Apodaca@ibank.ca.gov<<mailto:Dan.Apodaca@ibank.ca.gov>>

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Panorea

Panorea Avdis
Chief Deputy Director
California Governor's Office of Business and Economic Development (Go-Biz)
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Exhibit C

Letter Dated August 22, 2014

On behalf of San Fernando Valley Financial Development Corporation



A PROFESSIONAL CORPORATION
INCLUDING PROFESSIONAL CORPORATIONS

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www.AlvaradoSmith.com

Santa Ana
714.852.6800

San Francisco
415.624.8665

Rick D. Navarrette
rnavarrette@AlvaradoSmith.com

Raymond G. Alvarado,
1936-2014

August 22, 2014

VIA EMAIL, U.S. MAIL AND OVERNIGHT MAIL

ibank@ibank.ca.gov

Board of Directors
California Infrastructure and Economic
Development Bank
P.O. Box 2830
Sacramento, CA 95812-2830

Board of Directors
California Infrastructure and Economic
Development Bank
1325 J Street, Suite 1823
Sacramento, CA 95814

Re: Request for Reconsideration by San Fernando Valley Financial Development Corporation of August 7, 2014 Written Decision of Program Manager and Executive Director Teveia Barnes

Dear Board of Directors of California Infrastructure and Economic Development Bank:

This office represents San Fernando Valley Financial Development Corporation (“SFV”) and its president Roberto Barragan with respect to that certain Agreement Number 13GOB038 for the fiscal year 2013-2014 (the “Agreement”) between SFV and California Infrastructure and Economic Development Bank (“I-Bank”).

SFV and Mr. Barragan respectfully request formal reconsideration by the Board of Directors of I-Bank (the “Board”), pursuant to California Government Code Section 63089.2 and Exhibit D, ADDITIONAL TERMS AND CONDITIONS, Paragraph 6A (3) of the Agreement, of the written decision, including actions and findings of Executive Director and Program Manager Teveia R. Barnes, as set forth in the letters from Ms. Barnes addressed to SFV and Mr. Barragan dated August 1, 2014 and August 7, 2014, respectively. (Copies of the aforementioned letters signed by Ms. Barnes are attached to this Request for Reconsideration as Exhibit “1” and Exhibit “2”.) More specifically, SFV respectfully requests the Board’s reconsideration and thereafter issuance by the Board of a formal administrative decision rescinding Ms. Barnes’ inappropriate and disputed actions taken on August 7, 2014 as follows: (1) termination of SFV’s status as a Financial Development Corporation (“FDC”) for the purposes of the Small Business Loan Program (“Program”) and (2) termination of SFV’s authority to administer loan guarantees under the Program. In addition to the above, SFV and Mr. Barragan respectfully request that the Board formerly reconsiders and rescinds the action and decision made by Ms. Barnes to not renew the Agreement between SFV and I-Bank for the fiscal year 2014-2015 as set forth in her letter dated August 1, 2014. In connection with this

Board of Directors

August 22, 2014

Page 2

Request for Reconsideration under the Agreement and applicable law, SFV further respectfully requests that the Board issues a directive to Ms. Barnes as Executive Director and Program Manager to negotiate in good faith with SFV to renew the contract for the fiscal year 2014-2015 under terms and conditions as reasonable and appropriate under the circumstances and based upon on proper evaluation of SFV's performance of the Agreement as required under Exhibit D, ADDITIONAL TERMS AND CONDITIONS, Paragraph 15 of the Agreement and applicable law.

In support of its Request for Reconsideration, SFV submits the following:

SFV has enjoyed a mutually beneficial working relationship with I-Bank and its predecessor state agencies for many years. SFV first became part of the Small Business Loan Program in the fiscal year 2001 to 2002. During the ensuing years, SFV dealt with a number of program managers and executive directors. SFV's relationship with program managers and executive directors was always cordial and professional. Of course, certain issues or concerns arose in the normal course of business, but those matters never resulted in adverse actions or decisions taken by any program manager or executive director against SFV. In addition, there were absolutely no claims made by a program manager or executive director of SFV's material breach or failure to comply with the applicable contract. Any such matters were addressed and resolved expeditiously and responsibly without the specter of cancellation or termination of the applicable contract.

In total, SFV earned 12 separate renewals of its contracts without protest or objection for the fiscal years from 2001 to 2013. Over the course of years of the multiple contracts, SFV successfully issued approximately 250 loan guarantees under the State Program and 20 loan guarantees under the federal program. Overall, SFV has maintained the lowest loss record among FDC's during its tenure with the Program as a result of its stellar collection process and procedures. Even on the rare occasion when a guarantee had to be paid due to unsuccessful collection efforts by the bank, SFV took appropriate action and measures to ensure that the State and the Program ultimately suffered no loss.

MS. BARNES ACTED INAPPROPRIATELY AND WITHOUT JUST CAUSE IN TERMINATING SFV'S STATUS AS AN FDC, BY TERMINATING SFV'S AUTHORITY TO ADMINISTER LOAN GUARANTEES UNDER THE PROGRAM AND BY NOT RENEWING THE AGREEMENT FOR THE 2014-2015 FISCAL YEAR

As set forth in the August 7, 2014 letter (the "Letter"), Ms. Barnes terminated SFV's status as on FDC and its authority under the Program (hereinafter, "the Termination Decision"). Ms. Barnes purportedly based the Termination Decision on "... repeated instances of non-compliance by (SFV) ... which... constituted violations of the Agreement..." Ms. Barnes also stated that in the Letter the Termination Decision was premised upon "... a finding of failure to

comply as well as a finding of potential irreparable harm to the State in accordance with Section 63089.2(d) of the California Corporations Code.”¹ For the reasons explained hereinafter, SFV disputes the Termination Decision and it requests the Board’s reconsideration and rescission of that decision.

To begin with, Ms. Barnes “summarize(s)” on the first page of the Letter that in the 2013-2014 fiscal year, SFV purportedly had “**No eligible guarantees have been properly issued by SFV under the federal State Small Business Credit Initiative (SSBCI) for fiscal year 2013-2014.**” (Bold in original.) This initial statement and claim by Ms. Barnes is demonstrably inaccurate as SFV had produced at least one eligible loan guarantee under the SSBCI for the fiscal year 2013-2014. Indeed, SFV reported information in connection with the SSBCI loan directly to Ms. Barnes in an email dated July 30, 2014. (See email 7/30/14, attached hereto as Exhibit “3”.) Moreover, the purported lack of eligible guarantees, even if were true, does not constitute a failure to comply with or violation of the Agreement. The Agreement does not contain any provision establishing threshold SSBCI loan quantity requirements or milestones for SSBCI loans. In view of the above, Ms. Barnes’ Termination Decision, to the extent it was based on the purported “non-compliance” or “violations” of the Agreement by SFV with respect to eligible loan guarantees under the SSBCI, is inappropriate and not unjustified because the parties to the Agreement did not mutually agree to specific quantity or milestones in the Agreement.

Moreover, for similar reasons, Ms. Barnes’ decision to not renew the Agreement for the fiscal year 2014-2015 (the “Non-Renewal Decision”) if based on the purported “non-compliance” or “violations” of the Agreement by SFV with respect to eligible loan guarantees under the SSBCI, is neither justified nor warranted; the Agreement did not set forth any specific requirements for SSBCI eligible loan guarantees or any milestones for SSBCI loans. Accordingly, the Non-Renewal Decision is also flawed and should be rescinded by the Board because no valid showing has been made or can be made of non-compliance or failure to comply with the Agreement for the simple reason that SFV did not and does not have the contractual obligation to provide a specific or minimum number of eligible SSBCI loan guarantees.

It also bears pointing out that at times SFV’s efforts to enroll loan guarantees under the SSBCI were met with resistance by program managers. As shown in Exhibit “4” attached hereto, Karen Kawada as Program Manager made the decision “un-enroll” an SFV generated loan guarantee from the SSBCI federal Program in favor of the State program. SFV, however, dutifully followed the Program Manager’s instructions to transfer the loan guarantee to the State Business Loan program.

¹ There is no Section 63089.2(d) of the California Corporations Code. Apparently, Ms. Barnes meant to refer to Section 63089.2(d) of the California Government Code

Additionally, as shown in Exhibit “5”, on another occasion Ms. Barnes discouraged SFV’s efforts to issue loan guarantees under the SSBCI Program by refusing to approve SFV’s request to place a loan in the SSBCI Program. Ms. Barnes erroneously insisted that peer review was required for the transaction. SFV later received oral confirmation from Program Manager Dan Apodaca that no peer review was required or necessary. Thus, in at least two instances program managers and the Executive Director impeded rather than cooperated with SFV’s effort’s to proceed with processing loan guarantees under the SSBCI Program.

Ms. Barnes’ finding of potential irreparable harm to the State under Sections 63089.2 (d) of the California Government Code is also patently deficient and thereby inappropriate.² In the Letter, Ms. Barnes failed to support this critical finding with any facts or documents. Ms. Barnes also neglected to provide SFV with reasonably adequate details and notice of the specific nature of the alleged irreparable harm to the State and/or the specific conduct or actions by SFV that caused the undisclosed potential irreparable harm to the State. It appears that Ms. Barnes merely presumes irreparable harm to the State, but she lacked any facts or credible information to support her assertion. In the end, this purported finding of irreparable harm is arbitrary and capricious and it suffers from the same fundamental and inherent flaws as the Termination Decision and the Non-Renewal Decision in terms of lack of factual, evidentiary or legal support.

Although it is less than clear, Ms. Barnes also purports to support both the Termination Decision and the Non-Renewal Decision (collectively, the “Disputed Decisions”) on the grounds that **“Only 9 guarantees have been properly registered by SFV with the program under the state small business loan guarantee program...”** (Bold in original). First, Ms. Barnes’ statement is misleading and inaccurate. As shown in Exhibit “6” attached hereto, (SFV reporting documents for April 2014), SFV reported 27 loan guarantees under the State loan Program and not merely 9 loan guarantees as contended by Ms. Barnes. Ms. Barnes further asserts in the Letter that there were certain deficiencies in the registration information for 18 of the 27 loan guarantees. However, SFV had been led to believe all along that it was in compliance with reporting requirements. (See, Exhibit “7”, emails re: acceptance of SFV reporting). In fact, no issue had been raised by the Program Managers as to SFV’s reporting of loan guarantees until the reporting issue was first brought to SFV’s attention by Ms. Barnes in an email on July 30, 2014. (See email of July 30, 2014 from Ms. Barnes, attached hereto as Exhibit “8”). As shown in Exhibit “8”, however, SFV promptly responded to Ms. Barnes’ July 30, 2014 email. SFV explained to Ms. Barnes, who was still relatively new to her position as Executive Director, that as far back as November of 2012 the BTH data system had experienced severe technical problems leading to corruption of the database and rendering it impossible for SFV to register state and federal guarantees through that database. Consequently, in accordance with the verbal direction of Program Manager Karen Kawada, SFV was instructed to create an excel spreadsheet using the same fields from the BTH database system. Based on the Program Manager’s

² See Footnote 1, regarding Ms. Barnes’ incorrect citation to the California Corporations Code

instructions, SFV reported updated loan guarantee information to I-Bank via Excel spreadsheet on a quarterly basis. This method of using manually prepared excel spreadsheets to comply with reporting requests and requirements was firmly established by the time Ms. Barnes became Executive Director and it remained the parties' practice and custom for reporting up through and including July 30, 2014.

In view of the forgoing, Ms. Barnes' finding that only 9 loan guarantees had been "properly" registered does not accurately represent the true state of facts with respect to SFV's reporting as adopted through the parties' custom and practice. The finding also ignores an oral directive from I-Bank's program manager to report manually via excel spreadsheet. The finding is also lacking in material support because it ignores the parties' custom and practice with respect to reporting. We also wish to point out that the reporting deficiencies as described by Ms. Barnes, on the whole, were very minor and correctable and they certainly did not impair or negatively affect the validity or integrity of the loan guarantees.

Ms. Barnes also states that the Disputed Decisions were premised upon her claim that SFV was not able to produce reports or provide data that had been requested by either Go-Biz or the US Treasury. ["SFV's inability to provide the requested data is in breach of SFV's agreement under Section E of Exhibit D... between SFV and ... I-Bank."]; ["I-Bank decided not to renew the Agreement with SFV, in part, because SFV is not able to produce the reports requested by Go-Biz and... the US Treasury...."]. The key piece of "evidence" that was mentioned and relied upon by Ms. Barnes to support her contention is an email from Mr. Roberto Barragan to Dan Apodaca dated January 2, 2014, attached as Exhibit "C" the Letter. Close inspection of Mr. Barragan's email response to Dan Apodaca's January 2, 2014 email reveals that this email does not demonstrate or establish any material breach of the Agreement or appropriate grounds for non-renewal of the contract for the 2014-2015 fiscal year as asserted by Ms. Barnes. In his email response, Mr. Barragan succinctly explained to Ms. Barnes that SFV's ability to provide data to I-Bank had been severely impacted by the loss of key personnel due to non-payment from the State since December of 2012. As further indicated by Mr. Barragan, SFV's manager had recently left SFV's employ, in large part due to lack of state funding. The lack of payment from the State also made it impossible for SFV to pay for new staff and hire a new program manager. Therefore, SFV's inability to comply with Ms. Barnes' request for data was certainly excusable due to external circumstances imposed upon SFV that were not the fault or responsibility of SFV. Ms. Barnes arbitrarily ignored the information supplied by SFV and the legitimate reasons given for why it had been prevented from complying with her request for data. Ms. Barnes further acted in a capricious manner by selecting only a portion of the email out of its proper context and using that snippet of the email to support her decision.

In the Letter, Ms. Barnes also asserts that SFV failed "...to satisfy the applicable performance-based criteria set forth in Section 63089.97 and 63089.98 of the California Government Code." California Government Code Section 63089.56(i)(2), however, does not

establish performance-based criteria that must be met by SFV. Rather, that section provides that the program manager "... shall allocate and transfer money to invest fund accounts based on performance-based criteria. The criteria shall include, but not be limited to, the following:

- (2) The number and amount of loans guaranteed by a corporation." (Emphasis added)

Thus, Gov't Code Section 63098.56(c)(2) does not establish performance based criteria in the first instance, and therefore SFV could have "failed" to comply with criteria in breach of the Agreement or applicable law. Consequently, decisions made by Ms. Barnes as reflected in the Disputed Decisions fail because they are based on Ms. Barnes fundamentally erroneous and incorrect interpretation of the Agreement and applicable law.

With respect to statutory reporting requirements, California Gov't Code Section 63089.97 provides, in relevant part, that "Each corporation shall provide to the program manager, in the format described by him or her, data and reports..." The section goes on to list the type of data and reports required to be provided by a corporation such as SFV.

As explained on pages 4-5 of this Request for Reconsideration, SFV complied with the requests for information and data as directed by program managers up through and including July 30, 2014. Thereafter, SFV unfortunately was prevented from fully supplying data and reports due to lack of sufficient and timely funding from the State. However, SFV substantially complied with the reporting requirements given its limited resources and unique circumstances. Consequently, Ms. Barnes' claim with respect to non-compliance with California's statutory reporting requirements lacks sufficient support and should be rejected by the Board.³

In the final analysis, Ms. Barnes appears to have been searching for an excuse to terminate SFV and looking for any reason, plausible or not, to not renew the contract with SFV. Ms. Barnes ultimately decided to focus on reporting issues in order to rationalize her decisions. Her actions, nonetheless, reflect a rush to make a judgment and knee-jerk reaction to exaggerated reporting issues. It is clear that Ms. Barnes did not thoroughly investigate this matter and engage in careful deliberation of the subject matter. Moreover, there always existed less draconian options or ways to deal with and resolve the reporting issues and others that the parties encountered in the normal course of business. Ms. Barnes eschewed those options in favor of the hasty and ill-conceived Disputed Decisions. This Board, however, has the opportunity and power to correct Ms. Barnes' serious mistakes and errors in judgment.

The Board should rescind the Disputed Decisions. Further, SFV respectfully urges the Board to direct the Program Manager and Executive Director of I-Bank to negotiate in good faith

³ California Government Code Section 63089.98, which was also cited by Ms. Barnes in the Letter, appears to subject the Program Manager to supply a report annually to the Governor and Legislature. This section does not appear to impose reporting requirements on SFV.



Board of Directors

August 22, 2014

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for renewal of the Agreement in compliance with Exhibit D, Paragraph 15, Evaluation of Contractor's Performance.

SFV thanks the Board in advance for the opportunity to present its Request for Reconsideration.

Very truly yours,

ALVARADOSMITH
A Professional Corporation

A handwritten signature in black ink, appearing to read 'Rick D. Navarrette', with a stylized flourish at the end.

Rick D. Navarrette

RDN:dn

cc: Ms. Teveia Barnes
(via email at teveia.barnes@ibank.ca.gov and U.S. Mail.)

Exhibit 1



California Infrastructure and Economic Development Bank

August 1, 2014

Edmund G. Brown Jr.
Governor

Mr. Roberto Barragan
President
San Fernando Valley
Financial Development Corporation
5121 Van Nuys Blvd., Suite 203-A,
Van Nuys, CA 91403

Board Members:

Michael E. Rossi
Chair
Senior Advisor to the
Governor of California,
Delegate of the Director,
Governor's Office of
Business & Economic
Development

Bill Lockyer
State Treasurer

Michael Cohen
Director,
Department of Finance

Brian P. Kelly
Secretary,
California State
Transportation Agency

Peter Luchetti
Governor's Appointee

Executive Director:

Teveia R. Barnes

Mailing Address:
P.O. Box 2830
Sacramento, CA 95812-
2830

Office Address:
1325 J Street, Suite 1823
Sacramento, CA 95814

(916) 322-1399 Phone
(916) 322-6314 Fax
www.ibank.ca.gov

Dear Mr. Barragan,

I wish to confirm that the California Infrastructure and Economic Development Bank (IBank) will not be renewing its contract with San Fernando Valley FDC (SFV) for fiscal year 2014-2015.

The list prepared by SFV of active guarantees is included with this letter as Attachment A (SFV Portfolio). Please send as soon as possible all files for the SFV Portfolio and any loan guarantee files that are inactive (graduated) to the attention of Dan Apodaca at IBank's office. Please note IBank's new address at 1325 J Street, Suite 1823, Sacramento, CA 95814.

Each box for the SFV Portfolio and inactive files should be clearly labeled on the front side of the box indicating:

1. Name of Borrower
2. Guarantee # assigned and used by SFV
3. "Active" or "Graduated"
4. "SSBCI Guarantee" or "STATE Guarantee"

You may combine guarantee files in boxes as long as they are properly labeled on the box and separated. SFV's cost for shipping all active and inactive files will be reimbursed by IBank. Please send any outstanding invoices to my attention.

We appreciate your cooperation during this transition period. If you have any further questions, please do not hesitate to call me.

Sincerely,

Teveia R. Barnes
Executive Director

cc: Alexander Penaloza
Panorea Avdis
Dan Apodaca
Karen Kawada

**San Fernando Valley - Financial Development Corporation
Deals Report - As of 8/1/2014**

Attachment A

Funded Loan Guarantees 2013-2014

Loan #	Company/Borrower	Loan Type	Ref by	Term/ RLOC	Lender	Location	Loan Amount	Guar %	Guarantee Amount \$	Lending Bank	Bank Note Date	Docs Recv'd
SF0285	Maverick Motorworks LLC	SBLGP	Nicholas Miluso	TERM	ACCION	San Diego	\$ 15,000	50%	\$ 7,500	ACCION SD	7/12/2013	7/24/2013
SF0286	Meredith Leygraf dba Flip N Fit	SBLGP	Maria Montano	TERM	ACCION	San Diego	\$ 20,000	50%	\$ 10,000	ACCION SD	7/18/2013	7/29/2013
SF0287	Sanchez Imports and Exports LLC	SBLGP	Maria Montano	Term	ACCION	San Diego	\$ 15,000	50%	\$ 7,500	ACCION SD	7/25/2013	8/5/2013
SF0288	Julius and Co.	SBLGP	Nicholas Miluso	Term	ACCION	San Diego	\$ 15,000	50%	\$ 7,500	ACCION SD	7/24/2013	8/6/2013
SF0289	Cho Mar dba 7-Eleven	SBLGP	Alex Penaloza	Term	Pan American Bank	Los Angeles	\$ 220,000	80%	\$ 176,000	Pan American	9/10/2013	9/11/2013
SF0290	ICDC Beverly	SBLGP	John Manillo	Term	ProAmerica	Los Angeles	\$ 225,000	80%	\$ 180,000	ProAmerica	9/10/2013	9/23/2013
SF0291	Tornell Motors	SBLGP	Maria Montano	TERM	ACCION	San Diego	\$ 25,000	60%	\$ 15,000	ACCION	8/30/2013	9/23/2013
SF0292	Hormus	SBLGP	Nicholas Miluso	TERM	ACCION	San Diego	\$ 24,000	60%	\$ 14,400	ACCION	9/6/2013	10/25/2013
SF0293	Skyc Rentals, LLC.	SBLGP	Wolmer	Term	Wolmer	Burbank	\$ 360,000	80%	\$ 288,000	Pro America Bank	9/27/2013	10/10/2013
SF0294	Upload Moving systems	SBLGP	Nick	Term	ACCION	San Diego	\$ 15,000	50%	\$ 7,500	ACCION San Diego	10/8/2013	10/28/2013
SF0295	GoldenWest Restoration	SBLGP	Maria	Term	ACCION	San Diego	\$ 20,000	50%	\$ 10,000	ACCION San Diego	10/8/2013	10/28/2013
SF0296	Kirsch Building Products	SBLGP	Saxon	LOC	ACCION	Simi Valley	\$ 250,000	45%	\$ 112,500	CUB	10/24/2013	11/6/2013
SF0297	Barrie Kaufman dba Babbles By Barrie, Inc.	SBLGP	Nicholas Miluso	Term	ACCION	San Diego	\$ 30,000	50%	\$ 15,000	ACCION San Diego	11/8/2013	12/2/2013
SF0298	Swarddeep & Davinder D&S Enterprises Inc.dba 7	SBLGP	Alex Penaloza	Term	Maria Montano	Huntington Beach	\$ 160,530	80%	\$ 128,424	Pan American	11/5/2013	11/17/2013
SF0299	Peggy Garcia Insurance Agency	SBLGP	Maria Montano	Term	Pan American Bank	San Diego	\$ 30,000	50%	\$ 15,000	Accion San Diego	11/23/2013	12/2/2013
SF0300	Sorav Enterprises Inc.	SBLGP	Alex Penaloza	Term	Pan American Bank	San Fernando Valle	\$ 250,000	80%	\$ 200,000	Pan American	11/25/2013	3/3/2014
SF0301	Rohm Enterprises Inc., dba Citites Restaurant	SBLGP	Alex Penaloza	Term	Pan American Bank	Los Angeles	\$ 370,000	80%	\$ 296,000	Pan American	11/27/2013	3/3/2014
SF0302	Singh dba 7-11	SBLGP	Alex Penaloza	Term	Pan American Bank	La Puente	\$ 260,000	80%	\$ 208,000	Pan American	12/30/2013	3/3/2014
SF0303	Fogland Brands LLC dba Menchie's Frozen Yogurt	SBLGP	Pauline Monorotul	Term	Pauline Monorotul	San Francisco	\$ 238,000	80%	\$ 190,400	ProAmerica Bank	2/24/2014	3/3/2014
SF0304	Yanina Chauffeur Services	SBLGP	Nick Miluso	Term	ACCION	San Diego	\$ 20,000	50%	\$ 10,000	ACCION	4/18/2014	4/25/2014
SF0305	All Star AC	SBLGP	Nick Miluso	Term	ACCION	San Diego	\$ 20,000	50%	\$ 10,000	ACCION	4/30/2014	5/6/2014
SF0305	Portford Solutions	SBLGP	Shirley Wetzel	LOC	CUB	Aliso Viejo	\$ 200,000	75%	\$ 150,000	CUB	4/24/2014	5/8/2014
SF0308	Blackburn's Farm to Table	SBLGP	Brian Lazo	Term	Pan American Bank	Corona	\$ 100,000	80%	\$ 80,000	Pan American Bank	5/7/2014	5/16/2014
SF0309	Redondo Emergency	SSBCI	Allen shury	LOC	First bank	Manhattan Beach	\$ 500,000	70%	\$ 350,000	First bank	5/28/2014	6/2/2014
SF0310	FHC Food+Drink, LLC	SBLGP	Brian Lazo	Term	Pan American Bank	Bellflower	\$ 200,000	80%	\$ 160,000	Pan American Bank	5/30/2014	6/2/2014
SF0311	Ramesh C. Sharma dba 7-Eleven	SBLGP	Brian Lazo	Term	Pan American Bank	Pacoima	\$ 129,000	80%	\$ 103,200	Pan American Bank	5/30/2014	6/6/2014
SF0312	Michael McClung	SBLGP	Nicholas Miluso	Term	ACCION	San Diego	\$ 20,000	50%	\$ 10,000	ACCION	6/16/2014	6/27/2014
Total Approved/Funded Loans:												
							\$3,731,530		\$2,761,924			

Approved Loan Guarantees

Company/Borrower	Loan Type	Ref by	Term/ RLOC	Source	Location	Loan Amount	Guar %	Guarantee Amount \$	Lending Bank	Received by PC	Signing Date
Total Approved Awaiting Funding:											
	0					\$		\$			

Approved Loan Guarantees - Withdrawn

Company/Borrower	Loan Type	Ref by	Term/ RLOC	Source	Location	Loan Amount	Guar %	Guarantee Amount \$	Lending Bank	Reason for Withdrawal	
Total Approved - Withdrawn											
	0					\$		\$			

Exhibit 2



California Infrastructure and Economic Development Bank

August 7, 2014

Edmund G. Brown Jr.
Governor

Mr. Roberto Barragan
President
San Fernando Valley
Financial Development Corporation
5121 Van Nuys Blvd., Suite 203-A,
Van Nuys, CA 91403

Board Members:

Michael E. Rossi
Chair
Senior Advisor to the
Governor of California,
Delegate of the Director,
Governor's Office of
Business & Economic
Development

Bill Lockyer
State Treasurer

Michael Cohen
Director,
Department of Finance

Brian P. Kelly
Secretary,
California State
Transportation Agency

Peter Luchetti
Governor's Appointee

Executive Director:

Teveia R. Barnes

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Office Address:
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Sacramento, CA 95814

(916) 322-1399 Phone
(916) 322-6314 Fax
www.ibank.ca.gov

Dear Mr. Barragan,

This letter is to inform you that, in my capacity both as Program Manager of the Small Business Loan Guarantee Program (the Program) and as the Executive Director of the IBank I have determined that the repeated instances of non-compliance by San Fernando Valley FDC (SFV), which are further described herein, have constituted violations of the Agreement between the IBank and SFV for fiscal year 2013-14 (Agreement). Consequently, I have made a finding of failure to comply as well as a finding of potential irreparable harm to the State in accordance with Sections 63089.2(d) of the California Corporations Code. As a result, the IBank is hereby terminating SFV's status as a Financial Development Corporation for the purposes of the Program, as well as its authority to administer loan guarantees under the Program.

Further, this letter provides a response to your email to me of August 1, 2014 (**Exhibit A**). While the specific basis for IBank's decision not to renew the Agreement for fiscal year 2014-2015 is not stated in my August 1, 2014 letter to you, I had discussed the basis in both my telephone call with you earlier in the week and in subsequent emails to Alexander Penalzoza. Please find a copy of my July 30, 2014 email (**Exhibit B**) regarding some of the specific issues we identified with the 27 guarantees listed by San Fernando Valley. Issues were also identified for 3 of the 9 state guarantees that were registered with the Program.

Again to summarize, in the past fiscal year:

No eligible guarantees have been properly issued by SFV under the federal State Small Business Credit Initiative (SSBCI) for fiscal year 2013-2014.

Only 9 guarantees have been properly registered by SFV with the Program under the state small business loan guarantee program (SBLGP).

On December 9, 2013, Panorea Avdis, Chief Deputy Director of the California Governor's Office of Business and Economic Development (GO-Biz) requested via email (**Exhibit C**) that "each FDC provide electronic files of the FDC staffing information in a Word or Excel file" to assist GO-Biz and IBank prepare the Small Business Loan Guarantee Program Report to the Legislative Analyst's

August 7, 2014

Office of ten years of fees, charges and administrative costs for 2003-04 to 2012-13. The next day you advised Ms. Avdis via email (**also Exhibit C**) that SFV's manager had left, and SFV had no other state/FDC paid staff. This is a violation of Section 14018 of the California Corporations Code which requires each FDC to provide for and maintain a central staff to perform all administrative requirements of the FDC including all the functions required of the FDC by its contract. In addition, you stated that because SFV had not received payment from the state since December 2012, SFV could not hire a new manager and would not comply with Ms. Avdis' request.

The Small Business Loan Guarantee Program Report dated January 2014 from Governor Brown, GO-Biz and IBank (Report) can be found on IBank's website under Annual Reports to the Legislature, Small Business Loan Guarantee Program. The Report covers the last 10 years of the administrative costs of the state's SBLGP and the federal State Small Business Credit Initiative (SSBCI) programs. Please note that on pages 17 to 26 of the Report there is a footnote on every page clarifying for the Legislature that SFV did not submit data for any of the ten years of the Report.

SFV's inability to provide the requested data is in breach of SFV's agreement under Section E of Exhibit D, Additional Terms and Conditions to the Agreement between SFV and GO-Biz/IBank. Further, such failures, as well as the others described in this letter and its attachments, constitute the failure by SFV to satisfy the applicable performance-based criteria set forth in Section 63089.56(c)(2) of the California Government Code and the reporting requirements imposed by Sections 63089.97 and 63089.98 of the California Government Code.

SFV's breach of the Agreement continued, as reflected in Dan's email of January 8, 2014 to you (**Exhibit D**), when SFV failed to provide by the due date the information required by the U.S. Treasury for the quarterly report under the SSBCI program.

All of the financial development corporations, including SFV, knew that priority was to be given to issuing guarantees under the SSBCI program before issuing guarantees under the state's SBLGP. Priority has been given by the FDCs to the SSBCI program so that the state could receive the full \$168 million grant from the U.S. Treasury as quickly as possible. On January 2, 2014, Dan Apodaca sent you an email, requesting an updated report with respect to SSBCI and the Tea Galleries guarantee that the U.S. Treasury rejected because it was ineligible for the federal SSBCI program. At the end of that email, Dan wrote:

"Unless the projects do not qualify under SSBCI, your program guarantees should be focused on SSBCI. You currently show no recent guarantees under the SSBCI Program."

In response to Dan's email, you wrote:

"As I have indicated, our state guarantee program has no employees with the departure of Andrea DeLuna. And lacking payment by the state of amounts due under our state contract since December 2012, I am not in a position to hire a new manager or employee. **Therefore we are unable to produce the reports requested nor able to secure any new guarantees under the SSBCI program.**" [Emphasis added]

IBank decided not to renew the Agreement with SFV, in part, because SFV is not able to produce the reports requested by GO-Biz and as required by the U.S. Treasury under the SSBCI program nor is SFV able to comply with key requirements of the Program. Moreover, as you stated in January 2014, SFV is not able to secure any new guarantees under the SSBCI program. **SFV did not issue any eligible guarantees under the SSBCI program during the fiscal year 2013-2014. With no eligible SSBCI guarantees, SFV has not adequately performed under the SSBCI program.**

August 7, 2014

As explained in this letter and its attachments, SFV's failures to perform constitute a violation of its contract with the IBank as well as those provisions of the Corporations Code and Government Code cited. Accordingly, IBank will not renew the contract with San Fernando Valley FDC for fiscal year 2014-2015. In accordance with Government Code Section 63089.56, the use of State funds by FDCs is conditioned upon entry into signed written agreement to provide program management services. **Thus, effective immediately, SFV's authority to act as a Financial Development Corporation for purposes of the Program, including but not limited to the authority to issue guarantees, is hereby withdrawn and terminated.**

In addition to the foregoing and, in accordance with Section 15 of Exhibit D of the services contract, this letter also serves to evidence the IBank's evaluation of SFV's performance under the Agreement.

All files for SFV's active loan guarantees and any loan guarantee files that are inactive (graduated) are to be sent as soon as possible, but in no event later than August 31, 2014 to the attention of Dan Apodaca at IBank's office. Please note IBank's new address at 1325 J Street, Suite 1823, Sacramento, CA 95814.

Each box for the SFV Portfolio and inactive files should be clearly labeled on the front side of the box indicating:

1. Name of Borrower
2. Guarantee # assigned and used by SFV
3. "Active" or "Graduated"
4. "SSBCI Guarantee" or "STATE Guarantee"

SFV may combine guarantee files in boxes as long as they are properly labeled on the box and separated. SFV's cost for shipping all active and inactive files will be reimbursed by IBank. Please send any outstanding invoices to my attention.

We appreciate your cooperation during this transition period.

Sincerely,



Teveia R. Barnes
Executive Director

cc: Alexander Penaloza
Jerry Ruiz
Panorea Avdis
Dan Apodaca
Karen Kawada
Marilyn Munoz

Exhibit A

Teveia Barnes

From: Roberto Barragan <roberto@vedc.org>
Sent: Friday, August 01, 2014 5:28 PM
To: Teveia Barnes
Cc: Roberto Barragan (mobile); Alexander Penaloza; Karen Kawada; Dan Apodaca; Panorea Avdis; Karen Zirkle; Mike Ocasio; Mike Rossi
Subject: RE: Letter to Roberto Barragan re Contract

Ms. Barnes

I am in receipt of your communications and I am forwarding it to our counsel to advise us on a proper course of action.

Please be advised that your letter does not confirm anything as your phone call to me this past week, and the information you shared with me was incorrect, a misstatement you have already recognized in a number of emails to my staff. Rather than not making any loan guarantees in the 2013-2014 fiscal year, as you claimed, the SFV Financial Development Corporation executed 27 guarantees totaling \$2.7 million.

Further, even if all the guarantees were secured through the state program rather than the federal program, our 2012-2013 contract did not establish benchmarks for either program nor required minimums for either.

Finally, your office has confirmed, as of yesterday, that its reporting system is corrupted and that the majority of FDCs report their guarantees manually, just as we have through the most recent quarter.. They have also acknowledged not recording information that you confirmed receiving last April that reflected 19 guarantees through March 31, 2014. That information is reflected in the spreadsheet you have accepted and attached to your letter.

However, your basis and rationale for not renewing our contract, therefore, has not been established, and so I must dispute the actions you are taking in your communications.

Nothing will be forthcoming from this office until we have reviewed all legal options.

I would have hoped that the I Bank would have done a better job of managing this iconic program as well as serving small businesses across the state. The State of California deserves nothing less.

Roberto Barragan
President
Golden State Financial Development Corporation
(formerly San Fernando Valley Financial Development Corporation)
A Certified Development Corporation

From: Teveia Barnes [<mailto:Teveia.Barnes@lbank.CA.GOV>]
Sent: Friday, August 01, 2014 4:33 PM
To: Roberto Barragan
Cc: Roberto Barragan (mobile); Alexander Penaloza; Karen Kawada; Dan Apodaca; Panorea Avdis; Karen Zirkle
Subject: Letter to Roberto Barragan re Contract

Please see the attachment.

Take care,
Teveia

We've Moved!

Teveia R. Barnes
Executive Director
California Infrastructure and
Economic Development Bank
1325 J Street, Suite 1823
Sacramento, California 95814
(916) 324-6992 voice
(916) 319-7791 fax
Teveia.Barnes@ibank.ca.gov

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Teveia Barnes

From: Teveia Barnes
Sent: Wednesday, July 30, 2014 3:15 PM
To: 'Alexander Penaloza'
Cc: 'Roberto Barragan (mobile)'; 'Roberto Barragan'; Dan Apodaca; Karen Kawada
Subject: San Fernando Valley FDC - 2013-14 7/30/2014 3:15 pm
Importance: High

Alex,

We have compared your listing to IBank's record of registered Small Business Loan Guarantee Program FY 2013/14 guarantees for San Fernando Valley FDC (SFV). IBank's records only reflect guarantees issued during the September 2013 quarter. After September 2013, no guarantees have been properly registered by SFV with IBank.

Below are the findings of the 27 guarantees listed in SFV's attached file.

1. Of the 27 guarantees listed in the attached file, SFV registered only 9. The promissory note date of these 9 were within the September 2013 quarter; the 18 others were issued on/after October 1, 2013. Proper registration of the 18 is required before they will be included in the state guarantee program.
2. Of the 9 guarantees that were registered, the registration record of three reflect different Loan Numbers than in SFV's attached file. This is noted in added column C in the attached file. Your records should match the Loan Numbers registered with IBank.
3. Of the 9 guarantees that were registered, one was registered reflecting a higher Loan Amount than the amount in SFV's attached file. This is noted in column E and should be reconciled.
4. Of the 9 guarantees that were registered, the guarantee percentage of two are different. Refer to column G for specific Loan Numbers. This should be reconciled.
5. IBank does not have any record of approving SFV's Redondo Emergency loan guarantee issued during FY 2013/14 for the federal SSBCI program. We do have guarantee registrations for SFF006 and SFF020 both for loans to Redondo Emergency, however, neither were issued during FY 2013/14. These two are summarized below. If SFV has a signed Certification Receipt and Authorization from IBank for a FY 2013/14 guarantee, please provide me with a copy as soon as possible.

SFF006: Included in Dec-2011 SSBCI Quarterly Report as a New Guarantee at 80% dated 29-Dec-11 through 31-Dec-12 issued on a Term Loan for \$500,000 made by First Bank.

SFF020: Was registered during the March 2013 quarter as a Guarantee Renewal at 75% dated 31-Jan-13 through 31-Jan-14 issued on a Line of Credit for \$500,000 made by First Bank.

To summarize, only 9 guarantees have been properly registered by SFV with IBank under the state small business loan guarantee program for the fiscal year 2013-2014. No loan guarantees have been issued by SFV under the federal SSBCI program for fiscal year 2013-2014.

Take care,
Teveia

Teveia R. Barnes
Executive Director
California Infrastructure and
Economic Development Bank
1325 J Street, Suite 1823
Sacramento, California 95814
(916) 324-6992 voice
(916) 319-7791 fax
Teveia.Barnes@ibank.ca.gov

Exhibit C

Teveia Barnes

From: Roberto Barragan <roberto@vedc.org>
Sent: Tuesday, December 10, 2013 8:15 PM
To: Panorea Avdis; 'rsaenz@iefdc.org'; 'karl_zalazowski@calcoastal.org';
'draven@vsbdc.com'; 'mjd@safe-bidco.com'; 'cwilliams@cacapital.org';
'kchilcott@cdcloans.com'; 'em1nor@yahoo.com'; 'edwardlee@hsbdc.org';
'mark.robertson@pcrcorp.org'; 'mocasio@sbfdoc.com'
Cc: Janelle Green; Barnes, Teveia
Subject: RE: FDC Data Reporting: Request for Electronic Files

Ms Avdis

Please be advised that our manager has left our FDC and we have no other state/FDC paid staff. In addition, we have not received payment from the state since December 2012, and therefore cannot hire a new manager. We will not be able to comply with your request.

Roberto Barragan
President
Golden State Financial Development Corporation
(formerly San Fernando Valley Financial Development Corporation)
A Certified Development Corporation

From: Panorea Avdis [<mailto:Panorea.Avdis@GOV.CA.GOV>]
Sent: Monday, December 09, 2013 3:54 PM
To: 'rsaenz@iefdc.org'; 'karl_zalazowski@calcoastal.org'; 'draven@vsbdc.com'; 'mjd@safe-bidco.com';
'cwilliams@cacapital.org'; 'kchilcott@cdcloans.com'; 'em1nor@yahoo.com'; 'edwardlee@hsbdc.org'; Roberto Barragan;
'mark.robertson@pcrcorp.org'; 'mocasio@sbfdoc.com'
Cc: Janelle Green; teveia.barnes@ibank.ca.gov
Subject: FDC Data Reporting: Request for Electronic Files

Dear FDC's,

We are in the process of developing the SBLGP Annual Report to the Legislative Analyst's Office. As you know, we will be incorporating data from your individual reports to satisfy some of the report requirements. To expedite this process, I am requesting that each FDC provide electronic files of the FDC staffing information in a Word or Excel file.

Also, if possible, please provide the following data in an Excel file:

- Fees and Charges for both the SBLGP and SSBCI from 2003-04 to 2012-13
- Administrative Costs for the SBLGP and SSBCI from 2003-04 to 2012-13
- Loan Guarantee Fee-Related Funding from 2003-04 to 2012-13

For your reference, I have attached a spreadsheet that shows how we will report this information for each fiscal year.

I am requesting that each FDC provide this information to GO-Biz by COB this Wednesday (12/11). Please email this information and any questions you may have to Janelle Green, Small Business Specialist, at Janelle.green@gov.ca.gov.

Thank you for your assistance with this request.

Regards,

Exhibit D

Teveia Barnes

Subject: FW: late quarterly report for SSBCI

On Jan 8, 2014, at 10:26 AM, "Apodaca, Dan"
<Dan.Apodaca@ibank.ca.gov<mailto:Dan.Apodaca@ibank.ca.gov>> wrote:

Gentlemen,

Would you please make the submittal a priority. They were due yesterday.

Remember, only those with approved certs and executed documents can be placed into the database.

Dan Apodaca
Assistant Program Manager
California Infrastructure and Economic Development Bank CA Small Business Loan Guarantee
Program
980 9th Street, Suite 900
Sacramento, CA 95814
916-327-2028
Fax 916-319-7784
Dan.Apodaca@ibank.ca.gov<mailto:Dan.Apodaca@ibank.ca.gov>

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Panorea

Panorea Avdis
Chief Deputy Director
California Governor's Office of Business and Economic Development (Go-Biz)
1400 10th Street
Sacramento, CA 95814
916.319.9637 Direct
Panorea.Avdis@gov.ca.gov

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Exhibit 3

From: Alexander Penalzoza
Sent: Wednesday, July 30, 2014 5:56 AM
To: Teveia Barnes
Cc: Roberto Barragan (mobile); Roberto Barragan; Dan Apodaca; Karen Kawada
Subject: Re: San Fernando Valley FDC - 2013-14

Good Morning Teveia,

San Fernando FDC had one loan guarantee under the SSBCI program for fiscal year 2013-2014.

Thank you,

Alex

Sent from my iPhone

On Jul 30, 2014, at 5:23 AM, "Teveia Barnes" <Teveia.Barnes@ibank.CA.GOV> wrote:

Alex,

Did San Fernando Valley FDC have any loan guarantees in the SSBCI program in fiscal year 2013-2014?

Take care,

Teveia

We've Moved!

Teveia R. Barnes
Executive Director
California Infrastructure and
Economic Development Bank
1325 J Street, Suite 1823
Sacramento, California 95814
(916) 324-6992 voice
(916) 319-7791 fax
Teveia.Barnes@ibank.ca.gov

From: Alexander Penalzoza [<mailto:APenalzoza@gscdc.org>]

Sent: Tuesday, July 29, 2014 5:31 PM

To: Teveia Barnes

Cc: Roberto Barragan (mobile); Roberto Barragan

Subject: San Fernando Valley FDC - 2013-14

Teveia,

Per our telephone discussion attached is our year-end totals (2013-14). Please inform if there are questions or concerns.

Thank you,

Alexander Penalosa

FDC State Guaranty Manager

Golden State Financial Development Corporation

5121 Van Nuys Blvd., Suite 203-A,

Van Nuys, CA 91403

Direct: (818) 205-1770 ext. 246 (office)

Email: apenalosa@gsfdc.org

Website: www.sfvfdc.org

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<San Fernando Valley FDC 2013-14.xlsx>

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Exhibit 4

Governor's Office of Business and Economic Development
California Small Business Loan Guarantee Program

980 9th Street, Suite 900—Sacramento, CA 95814—916-327-2028

September 30, 2013

Roberto Barragan, President
San Fernando Valley FDC
5121 Van Nuys Blvd., Third Floor
Van Nuys, CA 91403

Re: Un-enrolled guarantees

Dear Roberto,

As previously discussed with staff, the following guarantee has been determined to be in non-compliance with the SSBCI program. Please submit documentation showing that the following guarantee has been transferred to the State Business Loan Guarantee Program (SBLGP).

The attached table indicates the loan number, lender name, and reason for non-compliance on each guarantee. Please fill in the column titled: "Steps taken by FDC to prevent this from occurring in the future". Additionally, submit your documents to:

Karen Kawada
CA Small Business Loan Guarantee Program
980 9th Street, Suite 900
Sacramento, CA 95814

Your submittal of documentation is an important part of our request to U.S. Treasury and therefore we would like you to make this a priority.

Thanks in advance.

Sincerely,

Dan Apodaca, Program Manager

Attachment

ATTACHMENT

"Un-encumbrance Requests- California LGP"						
Loan #	Lender	Reason for un-enrollment request	Documents received (yes or No)	Need document showing the transfer from SSBCI to SBLGP required	Steps taken by FDC to prevent this from happening in the future	
SFF017	California United Bank	Internal review: Use of Proceeds non-compliance with note refinancing LOC without adding new credit	No			

Exhibit 5

From: Alexander Penalzoza
Sent: Friday, August 01, 2014 12:54 PM
To: Teveia Barnes
Cc: Roberto Barragan; Roberto Barragan (mobile); Karen Kawada; Dan Apodaca
Subject: RE: E-MAIL FROM SFV : Certification Receipt and Authorization

Teveia,

Thank you for the clarification. Can IBank grant an approval by obtaining a peer review committee?

Best,

Alexander Penalzoza
FDC State Guaranty Manager
Golden State Financial Development Corporation

5121 Van Nuys Blvd., Suite 203-A,
Van Nuys, CA 91403
Direct: (818) 205-1770 ext. 246 (office)
Email: apenalzoza@gsfdc.org
Website: www.sfvfdc.org

"Your Preferred Lending Partner for the California State Guaranty Loan Program in California"

From: Teveia Barnes [<mailto:Teveia.Barnes@ibank.CA.GOV>]
Sent: Friday, August 01, 2014 12:19 PM
To: Alexander Penalzoza
Cc: Roberto Barragan; Roberto Barragan (mobile); Karen Kawada; Dan Apodaca
Subject: RE: E-MAIL FROM SFV : Certification Receipt and Authorization

Alex,

The SSBCI program requires the approval of the peer review committee for all loan guarantees of \$1,000,000 or more. IBank does not approve SFV's request to put the Youth Policy Institute loan in the SSBCI program.

Take care,
Teveia

We've Moved!

Teveia R. Barnes
Executive Director
California Infrastructure and
Economic Development Bank
1325 J Street, Suite 1823
Sacramento, California 95814
(916) 324-6992 voice
(916) 319-7791 fax
Teveia.Barnes@ibank.ca.gov

From: Alexander Penalozza [<mailto:APenalozza@gscdc.org>]
Sent: Friday, August 01, 2014 11:58 AM
To: Teveia Barnes
Cc: Roberto Barragan; Roberto Barragan (mobile); Karen Kawada; Dan Apodaca
Subject: RE: E-MAIL FROM SFV : Certification Receipt and Authorization

Teveia,

It is my understanding any guarantee amount at \$1,000,000.00 or under does not require a peer review committee.

Best,

Alexander Penalozza
FDC State Guaranty Manager
Golden State Financial Development Corporation

5121 Van Nuys Blvd., Suite 203-A,
Van Nuys, CA 91403
Direct: (818) 205-1770 ext. 246 (office)
Email: apenalozza@gsfdc.org
Website: www.sfvfdc.org

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From: Teveia Barnes [<mailto:Teveia.Barnes@ibank.CA.GOV>]
Sent: Friday, August 01, 2014 11:46 AM
To: Alexander Penalozza
Cc: Roberto Barragan; Roberto Barragan (mobile); Karen Kawada; Dan Apodaca
Subject: FW: E-MAIL FROM SFV : Certification Receipt and Authorization

Alex,

Who is on the peer review committee for this loan guarantee?

Take care,
Teveia

We've Moved!

Teveia R. Barnes
Executive Director
California Infrastructure and
Economic Development Bank
1325 J Street, Suite 1823
Sacramento, California 95814
(916) 324-6992 voice
(916) 319-7791 fax
Teveia.Barnes@ibank.ca.gov

From: Alexander Penalozza [<mailto:APenalozza@gscdc.org>]
Sent: Friday, August 01, 2014 11:00 AM
To: Karen Kawada
Cc: Roberto Barragan (mobile); Roberto Barragan
Subject: RE: Certification Receipt and Authorization

Karen,

Good Morning. Following up on the email reference below. Please inform if you need any additional items to provide the Certification and Receipt for Youth Policy Institute.

Pending your response.

Thank You,

Alexander Penalzo

FDC State Guaranty Manager

Golden State Financial Development Corporation

5121 Van Nuys Blvd., Suite 203-A,

Van Nuys, CA 91403

Direct: (818) 205-1770 ext. 246 (office)

Email: apenalzo@gsvfdc.org

Website: www.svfvfdc.org

"Your Preferred Lending Partner for the California State Guaranty Loan Program in California"

From: Alexander Penalzo

Sent: Thursday, July 31, 2014 3:13 PM

To: Karen.Kawada@ibank.ca.gov

Cc: Roberto Barragan (mobile) (npbiz@aol.com); Roberto Barragan

Subject: Certification Receipt and Authorization

Karen,

Requesting your support to obtain a Certification Receipt and Authorization for the following Guarantee.

Borrower Name: Youth Policy Institute

Lender Name: Nonprofit Finance Fund

Loan Amount: \$1,250,000.00

Initial Guarantee Amount: \$1,000,000.00

Type of Guarantee: Routine Guarantee Term Loan

I am attaching the Lender/ Borrower Use of Proceeds Certification and Sex Offender Certification.

Please provide an estimated time frame in which we can expect the Certification and Authorization.

Thank you,

Alexander Penalzo

FDC State Guaranty Manager

Golden State Financial Development Corporation

5121 Van Nuys Blvd., Suite 203-A,

Van Nuys, CA 91403
Direct: (818) 205-1770 ext. 246 (office)
Email: apenalozag@gsfdc.org
Website: www.sfvfdc.org

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Exhibit 7

-----Original Message-----

From: Alexander Penalzoa

Sent: Tuesday, April 29, 2014 10:13 AM

To: Barnes, Teveia

Cc: Kawada, Karen; Apodaca, Dan; Roberto Barragan; Roberto Barragan (mobile)

Subject: RE: San Fernando FDC

Teveia,

Thank you for the confirmation. Look forward to the call tomorrow.

Best Regards,

Alexander Penalzoa

FDC State Guaranty Manager

Golden State Financial Development Corporation

5121 Van Nuys Blvd., Suite 203-A,

Van Nuys, CA 91403

Direct: (818) 205-1770 ext. 246 (office)

Email: apenalzoa@gsfdc.org

Website: www.svfdc.org

"Your Preferred Lending Partner for the California State Guaranty Loan Program in California"

-----Original Message-----

From: Barnes, Teveia [<mailto:Teveia.Barnes@lbank.ca.gov>]

Sent: Monday, April 28, 2014 8:25 PM

To: Alexander Penalzoa

Cc: Kawada, Karen; Apodaca, Dan; Roberto Barragan; Roberto Barragan (mobile)

Subject: RE: San Fernando FDC

Hi Alexander,

Thank you very much for your emails. Yes, we have what we need at the moment. I will follow up with you if we need anything further. We look forward to your participation on the conference call on Wednesday.

Take care,

Teveia

Teveia R. Barnes

Executive Director

California Infrastructure and Economic Development Bank

980 9th Street, Suite 900
Sacramento, CA 95814
(916) 324-6992 office
(916) 322-6314 fax
Teveia.Barnes@ibank.ca.gov

-----Original Message-----

From: Alexander Penalzoa [mailto:APenalzoa@gscdc.org]
Sent: Monday, April 28, 2014 3:23 PM
To: Alexander Penalzoa
Cc: Kawada, Karen; Apodaca, Dan; Barnes, Teveia; Roberto Barragan; Roberto Barragan (mobile)
Subject: Re: San Fernando FDC

Karen/Teveia:

Good afternoon. Hope this email finds you well. Following up on my previous two emails. Just want to make sure you have everything you need from our end as it relates to reporting and any other items that may be pending. Your communication is appreciated. Look forward to your response.

Best Regards,

Alex Penalzoa

Sent from my iPhone

On Apr 21, 2014, at 12:39 PM, "Alexander Penalzoa" <APenalzoa@gscdc.org<mailto:APenalzoa@gscdc.org>> wrote:

Good Afternoon. I hope you all had a great Easter Holiday.

Following up on my email. Please communicate if there are any pending reports/items from SFV FDC.

Pending your response.

Best,

Alexander Penalzoa
FDC State Guaranty Manager
Golden State Financial Development Corporation

5121 Van Nuys Blvd., Suite 203-A,
Van Nuys, CA 91403
Direct: (818) 205-1770 ext. 246 (office)
Email: apenalzoa@gsfdc.org
Website: www.sfvfdc.org

"Your Preferred Lending Partner for the California State Guaranty Loan Program in California"

From: Alexander Penalzoa
Sent: Wednesday, April 16, 2014 3:15 PM

To: 'Karen.Kawada@ibank.ca.gov<mailto:Karen.Kawada@ibank.ca.gov>';
'Dan.Apodaca@ibank.ca.gov<mailto:Dan.Apodaca@ibank.ca.gov>';
'Teveia.Barnes@lbank.ca.gov<mailto:Teveia.Barnes@lbank.ca.gov>'
Subject: San Fernando FDC

Good Afternoon Karen/Teveia:

It was a pleasure meeting you both at our FDC meeting last week. As you are aware I have recently come on board as the new FDC Program Manager for San Fernando Valley. Very much excited to re vamp the program an ensure we are on track with all the requirements. One of those items has been our quarterly reporting. Attached are our excel spreads that have been updated with March 2014 totals for your review.

Please communicate any additional reporting/items that may be pending from our FDC. You have my commitment to ensure our FDC is up to date.

Dan, I did not have the pleasure to meet you but I am confident we will meet in the near future.

Best regards,

Alexander Penalzoza
FDC State Guaranty Manager
Golden State Financial Development Corporation

5121 Van Nuys Blvd., Suite 203-A,
Van Nuys, CA 91403
Direct: (818) 205-1770 ext. 246 (office)
Email: apenalzoza@gstfdc.org<mailto:apenalzoza@gstfdc.org>
Website: www.sfvfdc.org<http://www.sfvfdc.org/>

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Exhibit 8

-----Original Message-----

From: Alexander Penaloza

Sent: Wednesday, July 30, 2014 6:18 PM

To: Teveia.Barnes@lbank.ca.gov

Cc: Karen.Kawada@lbank.ca.gov; Dan.Apodaca@lbank.ca.gov; Roberto Barragan (mobile) (npbiz@aol.com); Roberto Barragan

Subject: RE: San Fernando Valley FDC - 2013-14 7/30/2014 3:18 pm

Teveia,

Thank you for bringing the reporting issue to our attention. It has been our understanding since calendar year end 2012, all of our reporting has been properly registered and submitted on a quarterly basis. To address the concern of only 9 guarantees properly entered into the I bank system the only explanation I have is the following.

On 11/30/2012, the prior guarantee manager Andrea De Luna brought to the attention of Karen Kawada, the BTH data system we were using was corrupted and all State and Federal guarantees could not be registered through that database. At this point Ms. Kawada referred us to Valentino Garcia, IT rep for BTH, to assist with this matter. Valentino then confirmed that the system was corrupted and could not be fixed on their end; he had also reached out to his software engineers to remedy the corruption. Per the direction of Ms. Kawada we were instructed to create an excel spreadsheet using all the fields from the database to transmit all the active, graduated and quarterly updated balances. To our knowledge since calendar year end 2012, this was the correct way of submitting the information. We have continuously submitted the same excel spread sheet with the updated guarantee information every quarter to Ms. Kawada and Dan Apodaca.

Will you please provide further detail as to the 9 deals that were entered and how they were entered, because we have not changed our reporting procedures since the database became inoperable in 2012. To ensure all of our guarantees are properly reported, would you please provide us with the accurate reporting procedures for I bank. We are committed to ensuring all of our guarantees are properly registered. Your support is greatly appreciated.

Thank You,

Alexander Penaloza
FDC State Guaranty Manager
Golden State Financial Development Corporation

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-----Original Message-----

From: Teveia Barnes [mailto:Teveia.Barnes@lbank.CA.GOV]

Sent: Wednesday, July 30, 2014 3:18 PM
To: Alexander Penalzoza
Cc: Roberto Barragan (mobile); Roberto Barragan; Dan Apodaca; Karen Kawada
Subject: RE: San Fernando Valley FDC - 2013-14 7/30/2014 3:18 pm

Here are the attachments.

Take care,
Teveia

-----Original Message-----

From: Teveia Barnes
Sent: Wednesday, July 30, 2014 3:15 PM
To: 'Alexander Penalzoza'
Cc: 'Roberto Barragan (mobile)'; 'Roberto Barragan'; Dan Apodaca; Karen Kawada
Subject: San Fernando Valley FDC - 2013-14 7/30/2014 3:15 pm
Importance: High

Alex,

We have compared your listing to IBank's record of registered Small Business Loan Guarantee Program FY 2013/14 guarantees for San Fernando Valley FDC (SFV). IBank's records only reflect guarantees issued during the September 2013 quarter. After September 2013, no guarantees have been properly registered by SFV with IBank.

Below are the findings of the 27 guarantees listed in SFV's attached file.

1. Of the 27 guarantees listed in the attached file, SFV registered only 9. The promissory note date of these 9 were within the September 2013 quarter; the 18 others were issued on/after October 1, 2013. Proper registration of the 18 is required before they will be included in the state guarantee program.
2. Of the 9 guarantees that were registered, the registration record of three reflect different Loan Numbers than in SFV's attached file. This is noted in added column C in the attached file. Your records should match the Loan Numbers registered with IBank.
3. Of the 9 guarantees that were registered, one was registered reflecting a higher Loan Amount than the amount in SFV's attached file. This is noted in column E and should be reconciled.
4. Of the 9 guarantees that were registered, the guarantee percentage of two are different. Refer to column G for specific Loan Numbers. This should be reconciled.
5. IBank does not have any record of approving SFV's Redondo Emergency loan guarantee issued during FY 2013/14 for the federal SSBCI program. We do have guarantee registrations for SFF006 and SFF020 both for loans to Redondo Emergency, however, neither were issued during FY 2013/14. These two are summarized below. If SFV has a signed Certification Receipt and Authorization from IBank for a FY 2013/14 guarantee, please provide me with a copy as soon as possible.

SFF006: Included in Dec-2011 SSBCI Quarterly Report as a New Guarantee at 80% dated 29-Dec-11 through 31-Dec-12 issued on a Term Loan for \$500,000 made by First Bank.

SFF020: Was registered during the March 2013 quarter as a Guarantee Renewal at 75% dated 31-Jan-13 through 31-Jan-14 issued on a Line of Credit for \$500,000 made by First Bank.

To summarize, only 9 guarantees have been properly registered by SFV with IBank under the state small business loan guarantee program for the fiscal year 2013-2014. No loan guarantees have been issued by SFV under the federal SSBCI program for fiscal year 2013-2014.

Take care,
Teveia

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