

**Exhibit D**

**Contract (Number 13GOB038)**

STATE OF CALIFORNIA  
STANDARD AGREEMENT

STD. 213 (Rev 06/03)

AGREEMENT NUMBER 13GOB038
REGISTRATION NUMBER

1. This Agreement is entered into between the State Agency and the Contractor named below:

STATE AGENCY'S NAME

Governor's Office of Business and Economic Development; California Infrastructure and Economic Development Bank

CONTRACTOR'S NAME(S)

San Fernando Small Business FDC

The term of this Agreement is:

July 1, 2013 through June 30, 2014

3. The maximum amount of this Agreement is:

\$89,577.00

(Eighty-Nine Thousand Five Hundred Seventy-Seven Dollars and No Cents)

4. The parties agree to comply with the terms and conditions of the following exhibits which are by this reference made a part of the Agreement:

Exhibit A	Scope of Work	(5 Pages)
Exhibit B	Budget Detail and Payment Provisions	(3 Pages)
Exhibit C	General Terms and Conditions <i>Exhibit C, General Terms and Conditions, is hereby incorporated by reference and made part of this agreement as if attached hereto. The provisions of this exhibit may be viewed at <a href="http://www.ois.dgs.ca.gov/Standard+Language">www.ois.dgs.ca.gov/Standard+Language</a>, GTC-610 effective 6/9/2010.</i>	
Exhibit D	Additional Terms and Conditions	(5 Pages)
Exhibit E	Surety Reimbursement Report	(1 Page)
Exhibit F	Default/Recovery Report	(2 Pages)

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

<b>CONTRACTOR</b>		<b>California Department of General Services Use Only</b>
CONTRACTOR'S NAME (If other than an individual, state whether a corporation, partnership, etc.) San Fernando Small Business FDC		<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"> <p style="text-align: center;">APPROVED</p> <div style="border: 1px solid black; padding: 5px; width: 80px; margin: auto;"> <p style="text-align: center;">DEC - 6 2013</p> </div> <p style="text-align: center;">DEPT OF GENERAL SERVICES</p> </div> <p style="text-align: center; margin-top: 20px;"><i>Kyatts</i></p>
BY (Authorized Signature)	DATE SIGNED (Do not type) <i>10/29/13</i>	
PRINTED NAME AND TITLE OF PERSON SIGNING Mr. Roberto Barragan, President		
ADDRESS 5121 Van Nuys Blvd., 3rd Floor, Van Nuys, CA 91403		
<b>STATE OF CALIFORNIA</b>		
AGENCY NAME GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT		
BY <i>[Signature]</i> Panohea Aydis, Chief Deputy Director	DATE SIGNED (Do not type)	
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK By Teveia R. Barnes, Executive Director, Program Manager and Contract Manager <i>[Signature]</i>		
ADDRESS 1400 10 <sup>th</sup> Street, 2 <sup>nd</sup> Floor, Sacramento, CA 95814-2719		
		<input type="checkbox"/> Exempt per _____

**EXHIBIT A**  
**SCOPE OF WORK**

**1. PURPOSE**

**WHEREAS**, the California Small Business Financial Development Corporation Program, of which a portion exists to support the Loan Guarantee, the Bond Guarantee, and the Direct Farm Loan programs exists pursuant to Corporations Code, sections 14000 et seq.; and

**WHEREAS**, pursuant to Corporations Code, sections 14030 through 14043, moneys from the Small Business Development Loan Guarantee Fund, within the Small Business Expansion Fund, may be transferred to individual Trust Fund Accounts for use by a Small Business Financial Development Corporation subject to the provisions of Corporations Code, sections 14000 et seq. and the implementing regulations; and

**WHEREAS**, pursuant to Corporations Code, section 14039, the State has residual interest in the funds deposited by the State to a Trust Fund Account and the return on these funds from investments and the State may remove the funds and earnings as provided by statute.

**WHEREAS**, the Small Business Loan Guarantee Program is within the California Small Business Finance Center which is within the California Infrastructure and Economic Development Bank which is within the Governor's Office of Business and Economic Development.

**NOW THEREFORE**, the parties agree as follows:

**2. DEFINITION OF TERMS**

The words and terms listed below as used in this Agreement have the following definitions:

- A. "Agreement" refers to this Agreement.
- B. "Board of Directors" refers to the Board of Directors of the Contractor.
- C. "Bond Committee" is a group of people brought together to fulfill the purpose described in Title 10, California Code of Regulations, Chapter 7, Article 2.2 commencing with section 5007 and Article 2.3 commencing with section 5008.
- D. "Bond Guarantee" is a guarantee issued against the Trust Fund Account for a bid, performance or payment bond.
- E. "Bridge Loan Guarantee" means a guarantee made under the Disaster Relief Program.
- F. "CEO" refers to the Chief Executive Officer and/or President of the FDC.
- G. "Client" as it applies to the administration of this Agreement means a separate business venture that is financially independent of another business venture that received a loan guaranteed under the Program. A Client may be "financially independent of another business venture" regardless of whether the businesses provide the same type of service and/or product under the same ownership and regardless of ownership form, i.e., sole proprietorship, partnership or corporation.
- H. "Contract Manager" refers to the person on behalf of the State that shall have overall responsibility to administer and evaluate the work of the Contractor during the term of this Agreement.
- I. "Contractor" means the Small Business Financial Development Corporation/s. The singular use of Contractor and its plural are interchangeably used throughout this Agreement.
- J. "CPA" means Certified Public Accountant.
- K. "DGS" means the California Department of General Services.
- L. "Disaster Farm Loan" means a farm loan made under the Disaster Relief Program.
- M. "Disaster Relief Program" means the California Disaster Bridge Loan and the California Disaster Farm Loan Programs.
- N. "Direct Farm Loan" is a loan, issued against the Trust Fund Account, to small farms, nurseries and agriculture-related enterprises.
- O. "Existing or Previous Client" means a client who currently has a Loan Guarantee, a Bond Guarantee or a Direct Farm Loan or has had a Loan Guarantee, a Bond Guarantee or a Direct Farm Loan in the past issued by any of the FDCs of the Program.
- P. "Expiration" means the expiration, termination or cancellation of this Agreement.
- Q. "FDC" means Financial Development Corporation/s which is the same as Small Business Financial Development Corporation/s.
- R. "GAAP" means generally accepted accounting principles.
- S. "GAAS" means generally accepted auditing standards.
- T. "IBANK" means the California Infrastructure and Economic Development Bank.
- U. "Invoice Month" means any loan or guarantee transaction closed or expense incurred from the first day of the month and through the last day of the month, which is billed during the following month.

- V. "Liability Balance" means the remaining portion of the loan guaranteed against the Trust Fund Account.
- W. "Loan Committee," as described in, California Corporations Code, section 14060, and Title 10, California Code of Regulations, Chapter 7, Article 2 commencing with section 5001, is a group of people brought together to decide if a loan request will be denied or accepted, and if accepted, under what terms and conditions.
- X. "Loan Guarantee" is a guarantee issued against the Trust Fund Account.
- Y. "Monthly Loan Guarantee Registration Report" means a report generated from the I IBANK database, certified by the Contractor's President or CEO, identifying the Loan Guarantees, Bond Guarantees or Direct Farm Loans made during the previous month.
- Z. "New Client" means a client who has never had a Loan Guarantee, a Bond Guarantee or a Direct Farm Loan issued by any of the FDCs under the Program.
- AA. "Operational Expenses" means the amount the State shall pay on a reimbursement basis for support of a central office and central office staff who shall be responsible for duties including, but not limited to, maintaining the I IBANK database(s), servicing the Contractor's portfolio of loans and guarantees, collecting on defaults and meeting all Program reporting requirements as outlined in this Agreement.
- BB. "PCA" means Program Cost Account.
- CC. "President" refers to the President and/or the Chief Executive Officer of the FDC.
- DD. "Program" means the Loan Guarantee, the Bond Guarantee, and the Direct Farm Loan Programs.
- EE. "Repeat Client" means an existing or previous client of the Program.
- FF. "Renewed Line-of-Credit" means the Contractor received and processed an application for a renewal and the Loan Committee approved the renewal application (formal renewal). A renewed line-of-credit does not include a renewal that was processed without action by the Loan Committee, as provided for under Title 10, California Code of Regulations, Chapter 7, Article 2 commencing with section 5002, in which three alternatives are available to the lender at the maturity date of the line-of-credit (informal renewal).
- GG. "SBFDC" means Small Business Financial Development Corporation/s which is the same as Financial Development Corporation/s.
- HH. "SBEF" means the Small Business Expansion Fund.
- II. "SBLGP" means the state funded Loan Guarantee, the Bond Guarantee, and the Direct Farm Loan Programs.
- JJ. "SSBCI" means the federally administered State Small Business Credit Initiative program.
- KK. "State" means the California Infrastructure and Economic Development Bank within the Governor's Office of Business and Economic Development.
- LL. "State Funds" and/or "State Resources" refers to funds paid to the Contractor under this Agreement and/or by any other Program-related contracts.
- MM. "Total Contract Budget" means the maximum State liability for this Agreement.
- NN. "Total Individual Budget" refers to the budget for the Contractor.
- OO. "Trust Fund Account" means the California Small Business Financial Development Corporation Loan Guarantee Fund.

### 3. COMMUNICATION

- A. Teveia R. Barnes shall be the Contract Manager for this Agreement.
- B. All official communications from the Contractor to the State, except as provided in Paragraph 6, Resolution of Disputes, of Exhibit D, shall be directed to the attention of the Contract Manager or designee at the following addresses and phone/fax numbers:

California Infrastructure and Economic Development Bank  
 Small Business Loan Guarantee Program  
 980 Ninth Street, Suite 900  
 Sacramento, CA 95814-2719  
 Voice: 916-324-6992  
 Fax: 916-445-1282  
[Teveia.Barnes@ibank.ca.gov](mailto:Teveia.Barnes@ibank.ca.gov)

- C. All official communications and payments from the State to the Contractor shall be directed to the attention of the President/CEO or other individual designated by the Contractor at the following address, voice/fax numbers or email address:

Mr. Roberto Barragan, President  
5121 Van Nuys Blvd., 3<sup>rd</sup> Floor  
Van Nuys, CA 91403  
Voice: 818-205-1770  
Fax: 818-205-1785  
E-mail: [roberto@vedc.org](mailto:roberto@vedc.org)

#### 4. PROVISIONS SPECIFIC TO LOANS AND GUARANTEES

- A. The Contractor shall use and follow the provisions of the Small Business Loan Guarantee Program Policy and Procedures Manual and notices and directives that are supplied by the State (the "Procedures"). The Contractor shall ensure that the staff of the Contractor implements the Procedures when granting financial assistance, and maintains copies of the Procedures in respective borrowers' files of documents (e.g., credit report, staff report and promissory note) used to prepare and present its independent review of the borrowers' ability to repay the loan.
- B. A commitment letter shall not be issued for any Loan Guarantee, Bond Guarantee or Direct Farm Loan until the following have been complied with:
- 1) The Contractor prepares a staff report that summarizes the proposed Loan Guarantee, Bond Guarantee or Direct Farm Loan, including the specific terms and conditions thereof;
  - 2) The proposed Loan Guarantee, Bond Guarantee or Direct Farm Loan shall be included on the agenda for the Bond or Loan Committee and/or may be included on the agenda for the Board of Directors meetings, and the staff report shall be provided to the Bond or Loan Committee and/or may be provided to the Board of Directors prior to the meeting, allowing members sufficient time to review the staff report;
  - 3) The Bond or Loan Committee shall evaluate the staff report and issue a recommendation to the Board of Directors; FDC employees shall not serve on the Bond or Loan Committee;
  - 4) The Board of Directors shall adopt a resolution outlining procedures and criteria for approving the proposed Loan Guarantee, Bond Guarantee or Direct Farm Loan and specifying the terms and conditions of the approval;
  - 5) The Board of Directors must approve all bond or loan guarantee and loan packages, unless the Board of Directors delegates bond or loan guarantee and direct loan approval authority to the Loan or Bond Committee in compliance with the Procedures.. The Loan or Bond Committee, in accordance with the procedures and criteria adopted by the Board of Directors, shall adopt a resolution approving a proposed Loan Guarantee, Bond Guarantee or Direct Farm Loan and specifying the terms and conditions of the approval or adopt a resolution specifying the reasons for the disapproval of the proposed Loan Guarantee, Bond Guarantee or Direct Farm Loan. This certified resolution shall be signed by the Bond or Loan Committee chair, the Board of Directors (if required by the Board of Directors' procedures and criteria), and the Contractor's President or CEO and shall be retained in the Contractor's file related to the specific Loan Guarantee, Bond Guarantee or Direct Farm Loan. At any time, and for reasons that the Board of Directors deems necessary and appropriate, the delegation of authority by the Board of Directors to the Loan or Bond Committee may be rescinded by the Board of Directors; and
  - 6) The terms and conditions of an approved Loan Guarantee, Bond Guarantee or Direct Farm Loan, as approved by the Board of Directors or by the Bond or Loan Committee, shall be accurately reflected in the commitment letter and in the minutes of the Board of Directors or Bond or Loan Committee minutes.
- C. For Loan Guarantees, the Contractor shall be required to issue the following Loan Guarantee documents to the lender(s):
- 1) A commitment letter;
  - 2) A corporate resolution to guarantee; and
  - 3) A loan guarantee agreement.
  - 4) Default loan procedures
  - 5) Certifications, if required or applicable
- D. The Loan Guarantee documents shall contain information as required by IBANK.
- E. For Bond Guarantees, the Contractor shall be required to issue, to each surety, a surety bond guarantee contract. Prior to the Contractor providing a Bond Guarantee, the applicant must complete or have executed a standard general indemnity contract (format to be approved by the State). The terms and conditions of the Bond Guarantee shall also include a statement that a bond could not have been obtained without the Contractor's guarantee.
- F. For each loan guaranteed by the Contractor, the Contractor shall enter all pertinent information regarding the Loan Guarantee into the IBANK database and shall maintain such information as required by IBANK. The same procedures are to be adhered to for pending Loan Guarantees, Bond Guarantees or Direct Farm Loans, as may be required by IBANK. To ensure encumbrance information in the database (particularly the Liability Balance) is accurate for active guarantees, the Contractor shall adhere to the following loan balance and payment status confirmation schedule:
- 1) Verbal Confirmation

The Contractor shall obtain verbal loan balance and payment status confirmation from the lender:

- a) For the period ending September 30, 2013 confirmation by October 31, 2013.
- b) For the period ending March 31, 2014 confirmation by April 30, 2014.

2) Written Confirmation

The Contractor shall obtain written loan balance and payment status confirmation from the lender:

- a) For the period ending December 31, 2013 confirmation by February 28, 2014.
- b) For the period ending June 30, 2014 confirmation by August 31, 2014.

- 3) The Contractor shall note in the database record that a verbal or written confirmation has been made/received on the guarantee.
- 4) If a discrepancy exists between encumbrance data contained in the Contractor's database (particularly the Liability Balance) and lender-confirmed information, the Contractor shall notify the Contract Manager or designee via e-mail or written letter that a discrepancy or discrepancies exists. The Contractor shall notify the Contract Manager or designee of any discrepancy or discrepancies based on the following schedule:
  - a) For the period ending September 30, 2013 notification shall occur no later than November 15, 2013.
  - b) For the period ending December 31, 2013 notification shall occur no later than March 15, 2014.
  - c) For the period ending March 31, 2014 notification shall occur no later than May 15, 2014.
  - d) For the period ending June 30, 2014 notification shall occur no later than September 15, 2014.
- 5) The Contractor shall maintain verbal and written lender-confirmation of loan balances and payment status in respective guarantee files.
- 6) The Contractor shall make all correction(s), requested by the Contract Manager or designee, to the database and provide any information that the Contract Manager or designee requests relating to database entries. The Contract Manager may withhold payment of invoices containing the database work until the Contractor complies with the provisions of this paragraph, confirmation schedules and procedures.

- G. For each loan obligation guaranteed by the Contractor, the Contractor shall submit to the State a Monthly Loan Guarantee Registration Report. The Monthly Loan Guarantee Registration Report shall be sent to the State.
- H. The Contractor's guarantee and loan files shall be maintained pursuant to Procedures provided by the State.
- I. Recipients of Loan Guarantees should be graduated from the Program as soon as possible. To remain consistent with this principle, in the event the Contractor issues a guarantee on a loan to a Repeat Client, the percentage guaranteed shall be less than the original percentage guaranteed. If the percentage guaranteed is not less than the original guarantee percentage, the Contractor shall include a letter of explanation in the guarantee file and a copy of the letter of explanation shall be forwarded immediately to IBANK.
- J. The Contractor shall adopt and maintain updated written credit policies and lending criteria and shall abide by them when extending Loan Guarantees, Bond Guarantees or Direct Farm Loans.
- K. The Contractor shall develop and implement a written plan concerning maintenance of its files, including a system for monitoring missing documentation. This plan shall also specify the person responsible for file maintenance.

5. CONTRACTOR RESPONSIBILITIES

- A. The Contractor shall operate the California Small Business Financial Development Corporation at the principal office located at the address entered in page 1 of this Agreement. The overall Scope of Work of the Contractor under this Agreement shall comply with the Corporations Code, sections 14000 et seq.; corresponding regulations and the Small Business Loan Guarantee Program Policy and Procedures Manual supplied by the State as those provisions are amended by and harmonized with Section 14044 of the Corporations Code. Additional criteria for performance under this Agreement are contained in Paragraph 4, Provisions Specific to Loans and Guarantees; Paragraph 5, Contractor Responsibilities; and Paragraph 6, Program Milestones and Reporting Requirements, of this Exhibit.
- B. The Contractor, at the direction of IBANK, shall provide additional assistance to disaster victims by providing interim Bridge Loan Guarantees (Corporations Code, section 14030.1) to applicants of the federal Small Business Administration's disaster loan program. Target populations are those small businesses that were affected physically or economically, directly or indirectly, by a disaster. The assistance may also include technical assistance and other means to reach out into the community to provide the Bridge Loan Guarantees (see Disaster Relief Program Reporting Requirements of this Exhibit).

6. PROGRAM MILESTONES AND REPORTING REQUIREMENTS

- A. The Contractor shall meet the following milestones:
  - B.
    - 1) The Contractor shall maintain a five-year floating average net default rate not to exceed five percent (5%). The calculation of the net default rate shall be made in accordance with, Title 10, California Code of Regulations, Chapter 7, Article 6 commencing with section 5070(b).

- 2) In achieving these milestones, the Contractor shall maintain the quality of the Loan Guarantee portfolio as measured by the annual compliance review performed by the State.

**B. Reporting Requirements**

**1) Reporting Method**

Methods of reporting include both hard copy documents and database data transmitted on disk, file transfer protocol or by e-mail, in a format prescribed by the Contract Manager.

**2) Reporting Schedule**

The Contractor shall provide to the State the following reports for periodic monitoring and auditing, in the format required by the State.

- a) The Contractor shall submit to the State quarterly by the due dates contained in Paragraph 4, Provisions Specific to Loans and Guarantees, of this Exhibit, or more frequently if preferred by the Contractor, an updated database file that provides statistical data on guarantee activities of the Contractor. The file shall include database records with all activity concerning Loan Guarantee, Bond Guarantee or Direct Farm Loan (if applicable) programs relating to pending applications, Active guarantees and gross recoveries from businesses and/or lenders/sureties. The data shall be maintained in the IBANK database, as required by the Contract Manager. The database shall be kept free from errors or omissions to the Contractor's best ability.
- b) If the Contractor is participating in a Bond Guarantee Program or making Bond Guarantees under the Program, the Contractor shall submit to the State the Surety Reimbursement Report (Exhibit E) no later than the following dates:
  - i. For the period ending December 31, 2013, the report is due January 31, 2014.
  - ii. For the period ending June 30, 2014, the report is due July 31, 2014.
- c) The Contractor shall submit to the State no later than July 31, 2014 the Default/Recovery Report for every defaulted loan file open as of June 30, 2014.

**3) Monitoring**

The State shall reserve the right to conduct at least one annual performance examination of the Contractor's Bond Guarantee, Loan Guarantee, Bridge Loan Guarantee and Direct Farm Loan Portfolio and compliance with the terms and condition of this Agreement. The Contractor shall facilitate the State's annual performance examination.

**4) Disaster Relief Program Reporting Requirements**

In addition to all other reporting requirements contained in this Agreement, the Contractor is required to report weekly on a) and b) below on a day to be specified by the Contract Manager, unless otherwise notified in writing by the Contract Manager, and shall provide a summary report to the State within thirty (30) days of the expiration of this Agreement, which includes the following:

- a) Any Bridge or Farm Disaster Loan Guarantee inquiries;
- b) The following information on each Disaster Loan Guarantee or Farm Disaster Guarantee made, assisted or rejected:
  - i. Amount of the guarantee liability of the Contractor;
  - ii. Amount of total loan made by the lender and the amount of total finance package;
  - iii. The borrower's name, ethnicity (if available) and gender;
  - iv. Type and address of business;
  - v. Name and address of lender; and
  - vi. Other pertinent data.

The information shall be submitted to the Contract Manager on diskette, file transfer protocol or e-mail, in a format prescribed by the Contract Manager;

- c) The Contractor shall report the number of jobs created, retained or saved for each guarantee or direct loan;
- d) The Contractor shall also include any information on workshops or seminars conducted, or advertising efforts made by the Contractor to promote the Disaster Relief Program (if applicable); and

**5) Recycling Certification**

By August 15, 2014, the Contractor shall submit to the State the Recycling Certification, as described in Paragraph 9, Recycling Certification, of Exhibit C, GTC-610. Refer to page 1 of website link.

## EXHIBIT B

### BUDGET DETAIL AND PAYMENT PROVISIONS

#### 1. BUDGET CONTINGENCY CLAUSE

- A. It is mutually agreed that if the Budget Act or subsequent legislation affecting any period of this Agreement does not appropriate sufficient funds for this Agreement, this Agreement shall be of no further force and effect. In this event, the State shall have no liability to pay any funds whatsoever to the Contractor or to furnish any other considerations under this Agreement and the Contractor shall not be obligated to perform any provisions of this Agreement.
- B. If funding for any fiscal year is reduced or deleted by the Budget Act for purposes of this Agreement, the State shall have the option to either cancel this Agreement with no liability occurring to the State, or offer an amendment to this Agreement to the Contractor to reflect the reduced amount.
- C. Funds available for charges to the Trust Fund Account Interest portion of respective Total Individual Budgets will be limited to income funds paid-and-retained and/or accrued through June 30 pursuant to the term of the respective Income Accounts and will be disbursed when funds are on deposit in the account.

#### 2. BUDGET REQUIREMENTS

- A. State resources, not to exceed the Total Individual Budget, displayed by Exhibit B, Attachment 1 of this Agreement, shall constitute the maximum liability of the State to support the Contractor under this Agreement. The maximum liability of the State for this Agreement is also referred to as Total Contract Budget.
- B. The Contractor shall not receive additional compensation for reimbursement or for costs in excess of its respective budget and shall not decrease the work to compensate therefore.
- C. If expenditure and payment projections of the Total Individual Budget funded by the General Fund (see Attachment 1 to this Exhibit) source is mutually determined by State and Contractor to not meet or exceed respective allocations, projected unexpended funds may be reallocated among other Contractors upon approval of all affected Contractors without a formal amendment to this Agreement.

#### 3. INVOICING AND PAYMENT

- A. In no event shall the Contractor request reimbursement from the State for obligations entered into or for costs incurred prior to the commencement date or after the Expiration of this Agreement. The expenditure term for the Total Individual Budget not including the submittal fee for the audited financial statements will be twelve months starting July 1, 2013 through June 30, 2014.
- B. For services satisfactorily rendered and upon the State's receipt and approval of an invoice and supporting documentation, the State agrees to compensate the Contractor as described in this Agreement.
- C. The Contract Manager may withhold payment of any and all monthly invoices until the Contractor complies with the provisions of this Agreement, as such provisions relate to the delivery of accurate reports or information to the State, including information, as it pertains to Exhibit A that the Contract Manager may request.
- D. The Contractor shall submit, in arrears, not more frequently than once a month, and no less than quarterly, an invoice using the Expense Invoice Cover Sheet to the State for costs incurred pursuant to this Agreement. Invoice(s) shall be sent pursuant to this paragraph, Invoicing and Payment.
  - 1) The Contractor shall use the Invoice Cover Sheet provided to Contractor by IBANK wherein claimed costs are summarized under personnel costs and operational expense categories as follows. The invoice cover sheet shall be attached to the supporting documentation.
    - a) The Contractor shall include personnel expenses incurred in the administration of the Program. The salaries and wages of all staff for which program expenses are claimed shall be included in PART I of the invoice cover sheet. Fringe benefits and other personnel expenses shall be included in PART II of the invoice cover sheet.
    - b) The Contractor may include operational expenses incurred in the administration of the Program and claim them through PART III of the invoice cover sheet. Common allowable costs include advertising, rented equipment, insurance, consumable office supplies, postage, printing, office rent, and telecommunications.
  - 2) The Contractor shall assemble supporting documentation to substantiate each administrative cost claimed on the invoice cover sheet and that documentation shall be included in the invoice package. If supporting documentation is missing, State staff will immediately notify the Contractor and request the missing documentation. At a minimum, a complete invoice package will include the following:
    - Personnel Activity Reports(PARS) for each claimed Contractor staff member
    - Master payroll report for the reporting period which must include:
      - total dollars of all Contractor staff salary expenses
      - total dollars of fringe benefit expenses
      - total dollars of payroll taxes and other personnel costs



- Billing statements/invoices/proof of payment for each claimed operating expense
- 3) The Contractor shall include complete Personnel Activity Reports (PAR). The form of PAR shall be provided to the Contractor by the State. The PAR will 1) be included for each employee shown on the invoice cover sheet; 2) be signed by the employee and supervisor; and 3) delineate hours in program activity between the Program, Federal (SSBCI), State (SBLGP), and "other" on a day by day basis for the reporting month.
  - 4) The Contractor shall calculate personnel costs and record those costs on the invoice cover sheet. The allocation methodology for claiming salary costs is based on the percentage of total time of the given staff person spent on the respective Program. The PAR spreadsheet (template provided electronically to each Contractor) will calculate percentage of staff time for each Program activity. The Contractor shall use the Program activity percent from the PAR in the respective column under PART I on the invoice cover sheet to calculate Program salary amounts claimed. The Contractor shall enter the employee's full monthly salary and wages under the column titled "Actual Expense Amount Incurred". The Contractor may include fringe benefits and other personnel costs in PART II of the invoice cover sheet. The Contractor shall use the following cost allocation methodology for PART II of the invoice cover sheet:
    - SSBCI % = (Total SSBCI Salary Claim) ÷ (Total FDC Salaries)
    - SBLGP % = (Total SBLGP Salary Claim) ÷ (Total FDC Salaries)
  - 5) If the Contractor is claiming operational costs, the Contractor shall calculate operating expenses and include them on the invoice cover sheet. The total operating cost (before program share calculations) shall be listed under the column titled "Actual Expense Amount Incurred". If an item of operating expense is fully attributable to the Program, the Contractor shall enter 100% in the respective SSBCI % or SBLGP % column under Part III of the invoice cover sheet. If the operating costs is distributed across one or more other programs not administered under this Agreement, the cost allocation methodology for operating expenses shall be derived using the same formula as fringe benefits and other personnel costs described above in (3)(D)(4). The Contractor shall apply the resulting percentage to the total amount of each operating expense (which must be substantiated by supporting documents) to determine the appropriate program share of the operating expense.
  - 6) The Contractor will request reimbursement of expenses paid by funds identified as Total Individual Budget on a monthly basis using the invoice format specified by the State. Total Individual Budget not including the submittal fee for the audited financial statement for respective Contractor will be paid at a maximum monthly rate as shown in Exhibit B, Attachment 1. This maximum monthly rate will be paid on conditions that actual expense calculations approved by the State meets or exceeds the payment allowed by the maximum monthly rate. The maximum monthly rate may be exceeded for the last two months of the fiscal year provided that the following three conditions are met: 1) prior month(s) were billed below the maximum rate; 2) the total amount paid during the fiscal year does not exceed the Total Individual Budget (minus the submittal fee for the audited financial statement); and 3) the amount paid does not exceed the total allowable costs incurred during the respective month. After the fiscal year end, if the total of allowable costs for any month(s) of that fiscal year exceeded the amount paid and the total individual budget (not including the submittal fee for the audited financial statement) has not been expended, the Contractor may submit a supplementary invoice(s) after June 30, 2014 but no later than November 30, 2014 for payment of allowable costs in excess of the maximum monthly rate on the original invoice for the respective month. The supplementary invoice(s) may not exceed the total individual budget. Exhibit B, Attachment 1 includes a table specifying the maximum monthly rate for each Contractor.
  - 7) If the allowable costs associated with the administration of the SBLGP incurred in a given month are less than the FY Monthly Maximum Billing" (See Exhibit B, Attachment 1), the Contractor may bill the remaining amount only if the invoice can substantiate that this amount is less than or equal to the unbilled allowable costs associated with administration of SSBCI.
- E. Invoices may be mailed, faxed or e-mailed to the following person. If the invoice is faxed or e-mailed, a hard copy of the original invoice will not be needed.
- Karen Kawada  
California Infrastructure and Economic Development Bank  
Small Business Loan Guarantee Program  
980 Ninth Street, Suite 900  
Sacramento, CA 95814-2719  
Fax: 916-322-6314  
Karen.kawada@ibank.ca.gov
- G. The invoice containing the final costs to be paid by the State shall be identified as the "final invoice." The final invoice shall be delivered to the State no later than November 30, 2014. Payment of the final invoice shall be based upon completion of the following:
- 1) Satisfactory completion of this Agreement;
  - 2) Compliance with Paragraph 4, Provisions Specific to Loans and Guarantees; Paragraph 5, Contractor Responsibilities; and Paragraph 6, Program Milestones and Reporting Requirements, of Exhibit A and
  - 3) Submittal to the Contract Manager of:
    - a) All reports and documentation required by this Agreement; and
    - b) The Recycling Certification, as described in Paragraph 9, Recycling Certification, of Exhibit C, GTC-610.
- H. "Satisfactory completion" as used in this Agreement means that the Contractor has complied with all terms, conditions and performance requirements of this Agreement.

- I. The State agrees to make payment as promptly as fiscal procedures permit, upon receipt of the invoice, subject to approval of the Contract Manager, and contingent upon satisfactory completion of the terms of this Agreement.
- J. All payments received under this Agreement shall be used solely for the purpose of providing goods or services under this Agreement. The State shall have final determination of allowable and reimbursable costs under this Agreement. The State shall require documentation substantiating expenses as deemed appropriate by the Contract Manager.

**4. MISCELLANEOUS PAYMENT PROVISIONS**

The Contractor shall not use State funds allocated under this Agreement for any of the following purposes:

- A. Travel not directly related to the administration of the State Program;
- B. Entertainment expenses;
- C. Professional dues for the Contractor's staff or officials;
- D. Purchase, construction, renovation, alteration, improvement or repair of capital assets, such as real estate and vehicles; and
- E. Lobbying activities.

**5. PROMPT PAYMENT CLAUSE**

Payment will be made in accordance with and within the time specified in Government Code, Title 1, Chapter 4.5 commencing with Section 927.

**Exhibit B – Attachment 1**

**Total Individual Budgets and Contract Billing Schedule**

The table below indicates the maximum allowable monthly billing rates for this contract during the 2013-14 Fiscal Year (FY) under this Agreement. Allowable costs demonstrated on the invoice cover sheet and substantiated by the supporting documentation attached to each invoice must meet or exceed the amount billed each month.

Financial Development Corporations (FDC)	Total Individual Budget <sup>3</sup>	General Fund	Trust Fund Interest	FY Monthly Maximum Billing <sup>1</sup>	Audit Submittal Fee <sup>2</sup>
San Fernando Valley Small Business FDC	\$89,577	\$59,843	\$29,734	\$7,364.75	\$1,200
<b>TOTAL CONTRACT AMOUNT: \$89,577</b>		<b>\$59,843</b>	<b>\$29,734</b>		

**Table Notes:**

1) The maximum billing amount for Fiscal Month (FM) 11 and FM12 may be the remaining contract balance (minus the \$1,200 submittal fee for the audited financial statement). If allowable expenses during FM 11 and FM12 do not meet remaining contract balance, the Contractor may submit a supplementary invoice for prior month(s) where allowable costs exceeded the amount billed. In no case will the Contractor be reimbursed in excess of allowable costs during an invoice period. The maximum monthly billing amount is calculated as follows:

$(\text{Total Individual Budget} - \text{Audit Submittal Fee}) \div 12$

2) \$1,200 audit submittal fee for the audited financial statement will be retained by the State until a satisfactory audited financial statement has been submitted to the State pursuant to the terms of this Agreement. This amount is included in the total individual budget for each Contractor.

3) Includes \$1,200 audit submittal fee for the audited financial statement for each respective Contractor.

**NOTICE OF PERFORMANCE BASED BUDGET ALLOCATIONS FOR AGREEMENTS AFTER JUNE 30, 2014**

**EACH CONTRACTOR'S INDIVIDUAL PERFORMANCE UNDER THIS AGREEMENT WILL DETERMINE WHETHER OR NOT THE STATE AGREES TO ENTER INTO A NEW AGREEMENT WITH SUCH CONTRACTOR AT THE END OF THIS AGREEMENT.**

**TOTAL INDIVIDUAL BUDGETS UNDER FUTURE AGREEMENTS BETWEEN EACH CONTRACTOR AND THE STATE WILL BE BASED ON EACH CONTRACTOR'S INDIVIDUAL PERFORMANCE UNDER THE PRIOR AGREEMENT.**

## EXHIBIT D

### ADDITIONAL TERMS AND CONDITIONS

#### 1. UNDERSTANDING OF AGREEMENT PROVISIONS

Contractor understands that if a provision is contrary to another provision/s within this Agreement or within any other agreement with the State or applicable State and/or Federal law, regardless of whether the contradiction is direct or indirect, the provision in question will be carried out to follow the intent of the purpose.

#### 2. DATABASE IS DUE QUARTERLY

It is the intent of this provision to restate that the database and reports generated by the Contractor are due to the State on a quarterly basis and if the Contractor prefers to maintain the database more frequently, the Contractor is at liberty to do so.

#### 3. AMENDMENT

- A. No variation of the terms or conditions of this Agreement shall be valid without a written amendment to this Agreement. No oral understanding or agreement is binding on any of the parties.
- B. Each Contractor, requesting an amendment, shall submit a formal request for each amendment, including a revised Scope of Work, Budget, and Milestones, if applicable, to the Contract Manager. Unless waived for good cause by the Contract Manager, all requests for amendments shall be received by the Contract Manager a minimum of seventy-five (75) calendar days prior to the Expiration date of this Agreement.
- C. Amendments must be entered into prior to the expiration date of this Agreement or prior to the expiration date extended by other subsequent amendments.

#### 4. ASSIGNMENT

This Agreement is not assignable by the Contractor, either in whole or in part, without an amendment to this Agreement.

#### 5. AUDIT REQUIREMENTS AND RECORD ESTABLISHMENT, ACCESS AND RETENTION

- A.
  - 1) The Contractor shall submit to the State audited financial statements prepared by a certified public accounting firm for the contract period of July 1 through June 30 no later than October 31, 2014. These financial statements shall include the balance sheet and income statement and supporting entries for all fixed assets, displayed by source of funding. Assets shall be capitalized at cost and depreciated over their projected useful lives.
  - 2) The Contractor shall arrange for an audit of all revenue and expenditures generated by all sources during the term of this Agreement. The cost of the audit shall be borne by the Contractor and shall not be reimbursed by the State. The audit shall be completed and a copy submitted to the State by October 31, 2014. The audit will be conducted in accordance with generally accepted auditing standards accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America (GAAP). The audit firm must be licensed by the California Board of Accountancy as a certified public accountant and independent of the Contractor (CPA).
- B. The audit of funds of the Contractor shall include:
  - 1) The itemization of the changes which occurred during the reporting period, including, but not limited to, total recoveries of funds on defaulted loans, out-of-pocket recovery expenses, total interest earned from investments, property of any kind received from defaulted loans, equity and any and all investments;
  - 2) The total reduction of Loan Guarantee, Bond Guarantee or Direct Farm Loan encumbrances due to repayments and the year end program liability encumbrances;
  - 3) Necessary footnotes and subscripts to provide a clear understanding of said statements. This provision requires, but it is not limited to, entries reflecting retained funds from interest, the value of equity position and all personal and real property or property of any kind;
  - 4) A statement that the Trust Fund Account consists entirely of State funds and is not the property of the Contractor. The statement shall also explain the State's residual interest in these funds, recovered property and all property acquired with State funds; and
  - 5) An audit report which shall include an unqualified opinion from the CPA on the fairness of presentation of the Trust Fund Account, recovery funds, and any other State funds, as to their conformity with GAAP.
- C. The Contractor shall submit to the State the written results of an audit for the fiscal year as described in Paragraph 5, Audit Requirements and Record Establishment, Access and Retention, of this Exhibit. The Contract Manager may withhold payment of invoices containing cost claim for the completion of the audit.
- D. Should an audit by the State or the audit identified in Paragraph 5, Audit Requirements and Record Establishment, Access and Retention, of this Exhibit result in disallowance of funds previously disbursed to the Contractor, the Contractor shall reimburse all disallowed funds to the State within sixty (60) days following receipt of the written demand for reimbursement by the State. If the Contractor fails to reimburse disallowed funds within 60 days of such demand, the State may withhold payments under any then existing

Agreement with the Contractor, plus offset the disallowance. Failure to reimburse the State shall result in possible litigation, with the prevailing party entitled to reasonable attorneys' fees and costs.

- E. In accordance with Government Code, section 8546.7, the Contractor agrees that the Contract Manager or designee shall have the right to review, obtain, and copy all records pertaining to performance of this Agreement. The Contractor agrees to provide the Contract Manager or designee with any relevant information requested and shall permit the Contract Manager or designee access to its premises, upon reasonable notice, during normal business hours for the purpose of interviewing employees and inspecting and copying such books, records, accounts, and other material that may be relevant to a matter under investigation for the purpose of determining compliance with this Agreement. The Contractor further agrees to maintain such records for a period of three (3) years following final payment under this Agreement. In the event of a performance or payment dispute under this Agreement, the records retention period shall be extended until the dispute is resolved.
- F. Upon inspection, the Contractor shall promptly implement any corrective measures required by the State, its representatives or the Bureau of State Audits regarding the requirements of this paragraph. The Contractor shall be given a reasonable amount of time to implement said corrective measures. Failure of the Contractor to implement required corrective measures shall result in immediate cancellation of this Agreement.
- G. The Contractor shall keep all books, records, accounts and documents pertaining to this Agreement separate from other activities unrelated to this Agreement.
- H. In conformity with Corporations Code, section 14027, the accounts and the portfolio of the Contractor shall be audited as of the close of business on June 30, 2014 of the Agreement year.
- I. Loan Guarantees, Bond Guarantees or Direct Farm loans that are funded or guaranteed by the Trust Fund Account, or other loans made pursuant to the Disaster Relief Program, must each be accounted for separately and in accordance with Paragraph 5.B, Audit Requirements and Record Establishment, Access and Retention, of this Exhibit.

#### 6. RESOLUTION OF DISPUTES

- A. If the Contractor disputes any action by the Contract Manager arising under or out of the performance of this Agreement, the dispute shall be addressed as follows:
  - 1) The Contractor shall notify in writing the Contract Manager within fifteen (15) calendar days of the Contract Manager's action and request reconsideration.
  - 2) The Contract Manager shall issue a written decision within fifteen (15) calendar days following the receipt of the Contractor's notice.
  - 3) If the Contractor disagrees with the Contract Manager's written decision, pursuant to Section 63089.2(c) of the Corporations Code the Contractor shall submit a formal request for reconsideration to the Board of Directors of IBANK within fifteen (15) calendar days of the receipt of the Contract Manager's written decision. The Contractor may present documentary evidence and written arguments in support of the request for reconsideration.
  - 4) The Board of Directors of IBANK shall issue the final administrative decision within thirty (30) calendar days after the receipt of the Contractor's formal written request for reconsideration.
- B. The decision of the Board of Directors of IBANK shall be the final administrative review and shall be conclusive on the dispute at the State level. The decision by the Board of Directors of IBANK may encompass facts, interpretations of this Agreement, and determinations or applications of law. The decision shall be in writing following an opportunity for the Contractor to present documentary evidence and written arguments in support of the matter at the public board meeting.
- C. The Contractor shall continue with the responsibilities under this Agreement during any dispute until the Expiration of this Agreement unless instructed otherwise by the State.

#### 7. CANCELLATION PROVISIONS

- A. The State or the Contractor may cancel this Agreement at any time by providing written notification thirty (30) calendar days in advance of the cancellation date. Upon cancellation from this Agreement:
  - 1) The Contractor shall provide to the State, at the State's discretion, all work performed through the date of cancellation within sixty (60) calendar days of the cancellation date.
  - 2) Final payment shall be made to the Contractor only for performance and costs authorized up to the date of cancellation upon receipt of the final invoice.
- B. Notwithstanding Paragraph 7, A, Cancellation Provisions, of this Exhibit, the State may cancel this Agreement verbally in whole or part and later follow-up with written confirmation, giving the Contractor less than thirty (30) calendar days advance notice if:
  - 1) Full funding is not available for all of the project work outlined in Paragraph 6, Program Milestones and Reporting Requirements, of Exhibit A; or,
  - 2) Serious defaults in either the Contractor's performance, or compliance with the terms of this Agreement are detected. "Serious default in performance" means the failure to comply with the terms and/or requirements of this Agreement.

#### 8. UNION ORGANIZING

By signing this Agreement, the Contractor hereby acknowledges the applicability of Government Code, sections 16645 through 16649 to this Agreement.

- A. The Contractor will not assist, promote or deter union organizing by employees performing work on this Agreement.
- B. No State funds received under this Agreement will be used to assist, promote or deter union organizing.
- C. The Contractor will not, for any business conducted under this Agreement, use any state property to hold meetings with employees or supervisors, if the purpose of such meetings is to assist, promote or deter union organizing, unless the state property is equally available to the general public for holding meetings.
- D. If the Contractor incurs costs, or makes expenditures to assist, promote or deter union organizing, the Contractor will maintain records sufficient to show that no reimbursement from State funds has been sought for these costs, and the Contractor shall provide those records to the Attorney General or designee upon request.

#### 9. FORCE MAJEURE

Neither the Contractor nor the State shall be liable to the other for any delay in or failure of performance, nor shall any such delay in or failures of performance constitute default, if such delay or failure is caused by "Force Majeure." As used in this paragraph, "Force Majeure" is defined as follows: Acts of war and acts of god such as earthquakes, floods, and other natural disasters such that performance is impossible.

#### 10. EQUIPMENT

The Contractor shall not use State funds allocated under this Agreement to purchase equipment. As used in this paragraph, "equipment" means an article of nonexpendable, tangible personal property, including furniture, having a useful life of at least one (1) year and a unit acquisition cost of at least five thousand dollars (\$5,000).

#### 11. ACCOUNTING REQUIREMENTS

The Contractor hereby certifies that its accounting system is in accordance with GAAP and practices, consistently applied, and capable of identifying all eligible and ineligible costs associated with this Agreement. This provision also requires that the Contractor's personnel assigned to carryout the accounting function allows for adequate separation of duties to comply with GAAP and to eliminate possibilities of mishandling of funds of any source.

#### 12. PURCHASE ORDERS AND SUBCONTRACTING PROVISIONS

- A. The Contractor is encouraged to take advantage of vendor discounts whenever possible and to utilize the services of small businesses, micro-businesses and disabled veteran business enterprises when subcontracting for goods or services.
- B. Nothing contained in this Agreement or otherwise, shall create any contractual relation between the State and any subcontractors, and no subcontract shall relieve the Contractor of her or his responsibilities and obligations under this Agreement. The Contractor agrees to be as fully responsible to the State for the acts and omissions of its subcontractors and of persons either directly or indirectly employed by any of them as it is for the acts and omissions of persons directly employed by the Contractor. The Contractor's obligation to pay its subcontractors is an independent obligation from the State's obligation to make payments to the Contractor. As a result, the State shall have no obligation to pay or to enforce the payment of any moneys to any subcontractor.
- C. The Contractor is entitled to make use of its own staff and such subcontractors as are mutually acceptable to the Contractor and the State. All agreements between the Contractor and the subcontractor are subject to prior approval by the Contract Manager.
- D. All agreements with subcontractors shall contain all the provisions of Paragraph 5, Indemnification, and Paragraph 10, Non-discrimination Clause of Exhibit C, GTC-610.
- E. Agreements with subcontractors that involve the expenditure of State funds in excess of ten thousand dollars (\$10,000) shall contain all the provisions of Paragraphs 5.E and F, Audit Requirements and Records Establishment, Access and Retention, of Exhibit D.
- F. Agreements with subcontractors which include consultant services shall contain all the provisions of Paragraph 13, Consultant Services, of Exhibit D.
- G. Strict adherence to software license agreement(s) must be applied for all software purchased with State funds under this Agreement or supplied by the State. Proprietary software cannot be duplicated, modified or used on more than one machine, except as expressly provided for in the manufacturer's license agreement. Violation of the manufacturer's license agreement shall constitute grounds for cancellation of this Agreement.
- H. Any publication resulting from this Agreement shall include an acknowledgment of support by the Governor's Office of Business and Economic Development and the California Infrastructure and Economic Development Bank. Except for scientific articles and papers appearing in scientific journals, materials must also contain the following disclaimer: "Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the views of the State of California."

### 13. CONSULTANT SERVICES

In the event the Contractor utilizes the services of a consultant who provides professional or technical advice or a recommended course of action, the Contractor shall advise the consultant of the following:

- A. The Contractor shall advise all consultants of their duties, obligations and rights under Public Contract Code, Section 10335.5. In the event of a dispute between the Contractor and the consultant the matter shall be settled by an arbitrator mutually agreed upon by the Contractor and the consultant, and this requirement shall be added to all contracts for consultant services.
- B. The consultant's key personnel assigned to perform work under this Agreement and their level of responsibility shall be mutually acceptable to the Contractor and State.
- C. The consultant shall supply to the Contractor one copy of a resume for each employee and/or subcontractor who will exercise a major administrative, policy or consultative role on behalf of the Contractor. Each resume shall become an official attachment to the agreement between the Contractor and the consultant and shall be made available to the State upon request.
- D. The consultant shall provide a series of progress reports in the manner stipulated by the Contractor.
- E. Upon Expiration of this Agreement, the consultant shall submit to the Contractor a comprehensive final report and, if required by the Contractor or the State, schedule a final meeting with the Contractor or the State, and this requirement shall be added to all contracts for consultant services.

### 14. STATEMENT OF ECONOMIC INTERESTS

- A. Title 10, California Code of Regulations, Chap. 7, Art. 8, Section 5101 establishes a conflict of interest code for the Small Business Board and the Small Business Financial Development Corporations. This conflict of interest code requires the Contractor's Board of Directors, officers, Loan Committee members, staff and consultants (designated persons) to submit to the Contract Manager a statement of economic interest (Form 700) disclosing certain types of financial interests. Designated persons are required to submit a Form 700 within 30 days after assuming their office with the Contractor (assuming office statements), on an annual basis by March 31 of each year, and within 30 days of leaving office (leaving office statements). (See Government Code, Section 87302)
- B. The Contractor agrees that it will be responsible for obtaining assuming office statements and leaving office statements from designated persons during the term of the Agreement, and for submitting the statements to the Contract Manager in a timely manner. The Contractor further agrees that it will be responsible for providing the names and addresses of its Board of Directors, officers, Loan Committee members, staff and consultants to the Contract Manager in a timely manner, upon request, so that notices and information about the need to file the annual statements of economic interests can be sent by the Contract Manager to the Contractor.
- C. Noncompliance by the Contractor or by any designated person may be subject to fines or may be cause for termination of the Agreement.

### 15. EVALUATION OF CONTRACTOR'S PERFORMANCE

- A. The Contractor is hereby notified that its performance under this Agreement may be evaluated within thirty (30) calendar days following the expiration of this Agreement. The evaluation may include statements on the adequacy of the service or the product, whether the service was satisfactory, whether the service or the product was provided or completed within the time limitations, reasons for time or cost overruns, whether the product is operational or being utilized by the State, and/or the State plans for implementation, and the State's general impression as to the competency of the Contractor and its staff. The evaluation shall be filed in the State's official Contractor Evaluation File.
- B. Prior to negotiating and executing any Agreement for subsequent years, IBANK may conduct a performance review with the Contractor's President/Chief Executive Officer and the Board of Directors to determine whether the Contractor has met the terms of this Agreement and to review the results of the portfolio compliance and financial audits. The Contractor shall cooperate with this review. The terms, conditions and budget for any subsequent Agreement shall be based upon the review.

### 16. COMPUTER SOFTWARE

The Contractor certifies that she/he has appropriate systems and controls in place to ensure that State funds will not be used in the performance of this Agreement for the acquisition, operation or maintenance of computer software in violation of copyright laws.

### 17. GRIEVANCE PROCEDURES

- A. The Contractor shall have a written grievance procedure for employees, clients or potential clients to appeal a decision or obtain redress of an action taken by Contractor's staff or the Board of Directors.
- B. The Contractor shall keep documentation related to complaints by employees, clients, potential clients and financial institutions, such as banks and saving and loan associations for three (3) years after the Expiration of this Agreement. Documentation on the time and the manner in which these complaints are resolved shall also be maintained for three (3) years after the Expiration of this Agreement.

### 18. PROVISIONS SPECIFIC TO THE LOAN GUARANTEE PROGRAM

- A. Requirement to Maintain Status

The Contractor shall maintain its status in good standing as a nonprofit corporation organized under the laws of California, exempt from federal and state income taxes and as a small business financial development corporation under the Small Business Financial Corporation Law (Corporations Code, Section 14000 et seq.). In the event the Contractor fails to remain in good standing, this

Agreement shall be canceled immediately within five (5) working days of the mailing of a written notice that it has been suspended as a tax exempt nonprofit corporation or small business financial development corporation. If the Contractor is not in good standing as a tax exempt nonprofit corporation or as a small business financial development corporation, the Contractor shall also:

- 1) Cease to issue Loan Guarantees, Bond Guarantees and Direct Farm Loans utilizing funds of the State; and
- 2) Assign to the State all corporate assets acquired with the Trust Fund Account, as well as all corporate records pertaining to any agreement between the State and the Contractor including, but not limited to, the guarantee and loan files.

**B. Conformity to Law, Regulations and Policies**

The Contractor agrees that it shall perform pursuant to the provisions of Corporations Code, Section 14000 et seq., implementing regulations and policies issued by IBANK as they are affected by newly added Section 14044 of the Corporations Code. In addition, The Contractor shall use all guarantee and loan forms supplied by IBANK for the Program, as requested by the Contract Manager. If the Contractor fails to perform as agreed, the State may take action to suspend the corporation, pursuant to the Corporations Code, Section 14028 and implementing regulations.

**C. Use of the Trust Fund Account**

The Contractor agrees that its continued use of the Trust Fund Account, including interest earned thereon, is conditioned upon the Contractor's performance as provided in the provisions as set forth in this Agreement and applicable laws, regulations, and:

- 1) Interest earned on the Trust Fund Account shall be used by the Contractor only as specified in this Agreement; and
- 2) Issuance of Loan Guarantees, Bond Guarantees and Direct Farm Loans shall be backed by the funds in the Trust Fund Account, including interest earned on the Trust Fund Account and any loss reserve as determined by the State.

**D.** All personal and real property held by the Contractor which is obtained pursuant to a guarantee default or payoff shall be maintained in good repair by the Contractor. The Contractor shall put forth the best effort to dispose of the property as soon as possible and to obtain the highest return possible for such property. All funds received by the Contractor totaling \$10,000 or more, less reasonable cost of recovery or maintenance of property, pursuant to a guarantee default or payoff shall be remitted to the State within ten (10) working days, unless otherwise approved by the Contract Manager for a specific recovery. Funds totaling less than \$10,000 shall be remitted to the State at least on a quarterly basis.

**E.** The Contractor agrees that the State owns a residual interest in all property obtained by the Contractor pursuant to guarantee default or payoff. The Contractor shall execute all documents necessary to transfer title to the State including, but not limited to, a quit-claim deed upon written request by the Contract Manager. The State shall be entitled to injunctive and all other relief available by law to enforce this provision, and the State shall be entitled to recover from the Contractor reasonable fees and costs incurred in any such enforcement in which it prevails. This provision shall not restrict the Contractor from executing legal documents necessary in order to dispose of any property so long as the funds collected upon the sale of the property are immediately remitted to the State.

**F.** To the extent feasible, the chairperson of the Contractor's Loan Committee should serve as a member of the Contractor's Board of Directors.

**19. WEBSITE FOR CONTRACTOR**

The Contractor is to establish and/or maintain a website throughout the term of this Agreement. Costs for creation and maintenance of the website may be incurred by a subcontractor whose costs are payable by Agreement funds.



**EXHIBIT E**  
**SURETY REIMBURSEMENT REPORT**

Surety Name and Address:	Principal's Name and Address:
Bond No.:	Registration No.:
Corporation:	Contract Date:

<b>Part I - Summary of Anticipated Loss and Loss Expense</b>	
Paid Loss	
Outstanding Loss Reserve	
Paid Loss Expense*	
Outstanding Loss Expense Reserve*	
<b>Subtotal</b>	
Recovery Received	< >
Anticipated Balance of Contract Funds	< >
Other Anticipated Recovery	< >
<b>Total Anticipated Loss</b>	
*(Total Loss Expense Cannot Exceed 10% of Penal Sum of the Bonds)	

<b>Part II - Summary of Claim</b>							
Total Loss Reimbursement (Part IV. A.)							
Total Loss Expense Disbursement (Part IV. B.)							
Previously Reported Loss Disbursements							
<b>Total Disbursements</b>							
Amount Recovered (Part IV. C.)	< >						
Previously Reported Recovery	< >						
Undisbursed Trust Account Balance	< >						
<b>Total Reimbursement Surety Loss</b>							
Amount Reimbursable (% of reimbursable surety loss)							
Prior Reimbursements	< >						
<b>Amount Due</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; border: none;">Surety</td> <td style="width: 33%; border: none;">THE CONTRACTOR</td> <td style="width: 33%; border: none;"></td> </tr> <tr> <td style="border: 1px solid black; height: 20px;"></td> <td style="border: 1px solid black; height: 20px;"></td> <td style="border: 1px solid black; height: 20px;"></td> </tr> </table>	Surety	THE CONTRACTOR				
Surety	THE CONTRACTOR						

Reimbursement of surety loss and loss expense is subject to the terms and condition of the surety Bond Guarantee Contract. (---name of corporation---) shall be released from all liability on said Surety Bond Guarantee Contract if there is any intentional false statement or willful misrepresentation in connection with this claim for reimbursement.

The undersigned authorized surety representative hereby certifies that this itemization and summary of payments and recoveries received upon bond(s) issued in conjunction (---name of corporation---) Bond Guarantee Program, is true and correct to the best of her/his knowledge, information and belief.

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Surety name
Title

EXHIBIT F

DEFAULT / RECOVERY REPORT

This form shall be completed on all defaulted loans in the month lender is paid (initial report) and every calendar quarter thereafter (additional report) until total recovery is made or corporation determines cessation of recovery attempts, in any case a final report shall be sent to IBANK within thirty (30) days of final disposition of collection efforts. Should additional space be necessary, please use separate sheet of paper and attach to this form.

Recovery costs shall be substantiated by a detailed statement of such costs and include copies of related documents, invoices and receipts. Failure to submit this information may result in disallowance of the claim.

Initial Report  Final Report

Additional Report For Quarter Ending \_\_\_\_\_

I. Identification Information

A. Defaulting Firm	B. Lender
1. Loan # _____	
2. Name _____	Name _____
3. Phone _____	Phone _____
4. Owners _____	Contact _____

5. a. Is the firm still in operation?  No  Yes

b. Is the operation attempting restructured payments?  No  Yes

c. Is the corporation attempting to liquidate firm's assets?  No  Yes

6. Date legal action commenced and by whom: \_\_\_\_\_

II. Financial Data

A. Corporate Payment on Default to lender	Gross Recovery this	Cumulative Gross	Recovery
	Quarter	Quarter	
1. Principal \$ _____	\$ _____	\$ _____	
2. Interest \$ _____			
3. Total Pmts. \$ _____	Recovery Expenses	Cumulative Recovery	
4. Date Paid _____	this Quarter	Expenses	
	\$ _____	\$ _____	

EXHIBIT F

DEFAULT / RECOVERY REPORT  
(continued)

III. Individual Collateral and its Estimated Value that was offered to secure this defaulted loan

Assets	Lender Liquidate Estimated Value	any collateral to reduce claim	Borrower is in Possession & attempting to liquidate collateral
A.	\$ _____	_____	_____
B.	\$ _____	_____	_____
C.	\$ _____	_____	_____

If Corporation has taken possession of collateral through legal or other action, please itemize that collateral below on and efforts liquidation:

A.	\$ _____	_____
B.	\$ _____	_____
C.	\$ _____	_____

IV. Additional Report: Recovery Efforts

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

V. Describe in detail problems expected to be encountered in securing recovery (if bankrupt, state filing date, [7, 11, or 13], and disposition):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

VI. Corporate reasons for ending recovery attempts

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_