Issuing FDC: Choose an item.

Borrower Name Click here to enter text.

FDC IBank account # Click here to enter text.

In the event of a default on a guaranteed loan, the following Default Loan Procedures shall be used by Lender and Corporation pursuant to IBank’s Small Business Finance Center (SBFC) Directives & Requirements.

**I. Demand Procedures**

(a) Lender shall be authorized to make a Demand (as that term is defined in the SBFC Directives and Requirements) upon the Corporation executing the Loan Guarantee (Guarantee) for repayment of the unpaid Loan principal and interest pursuant to the terms of the Guarantee, upon Lender’s compliance with the following:

(1) Provide proof to Corporation that the Borrower is in Default under the applicable loan agreement (as that term is defined in the SBFC Directives and Requirements)

(2) Deliver to both the Borrower and Corporation a minimum of two letters subsequent to the Delinquency (as that term is defined in the SBFC Directives and Requirements), at least thirty (30) days apart, explaining the consequences for failure to remedy the Delinquency in a manner consistent with the applicable loan agreement. This requirement shall not apply if the Borrower is in bankruptcy.

(3) If the Guarantee is a Collection Guarantee, provide proof to Corporation that the Lender has complied with the liquidation requirements in the SBFC Directives and Requirements.

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

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

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

(2) Whether all Collateral (as that term is defined in the SBFC Directives and Requirements) for the Loan and Guarantee have been perfected and maintained.

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

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

(5) If the Guarantee is a Collection Guarantee, whether Lender has complied with the liquidation procedures in the SBFC Directives and Requirements.

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

(7) Whether Lender complied with the procedures for making a Demand as described in the SBFC Directives and Requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Demand must be made by Lender upon Corporation no later than noon on the ninetieth calendar day (90 days) following the date on which the Guarantee terminates; provided, however, that if the ninetieth day is not a day upon which the Corporation is open for business, the last day for making a Demand shall occur on the next succeeding day upon which the Corporation is open for business.

**II. Collection Requirements for Collection Guarantees** (as that term is defined in the SBFC Directives and Requirements)

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

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

(1) converted the Collateral into cash;

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

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

Signed this \_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_, \_\_\_\_

Lender Name

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

Signature

Click here to enter text.

Print Name & Title