



Small Business Finance Center

CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK

DEFAULT LOAN PROCEDURES

LENDER:

Lender Name: _____

Contact Name: _____

Contact Title: _____

Address: _____

FINANCIAL DEVELOPMENT CORPORATION (FDC):

FDC Name: _____

FDC Address: _____

Contact Name: _____

Contact Title: _____

Borrower Name: _____

IBANK Loan ID: _____

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



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

(2) Providing proof to the Corporation that the Lender has complied with the Liquidation requirements of Section II Collection Requirements for Loan Guarantees.

(3) The Lender shall deliver to the Corporation executing the Loan 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.

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

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

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



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

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

(v) Whether the Lender has complied with the Liquidation procedures of Section II. Collection Requirements for Loan Guarantees.

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

(vii) Whether the Lender complied with the procedures for making a Demand under subsection (a)(3).

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

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

(5) Within ten (10) business days of receiving the California Department of Financial Protection and Innovation's or independent auditor's report, the Corporation shall do one of the following:



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(i) Deliver to IBank a request for payment on the Demand, along with a copy of the report described in subsection (a)(4), information regarding Delinquency notification and Liquidation efforts described in subsection (a), the Demand, and a calculation of the amount owed pursuant to the Loan Guarantee; or

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

(6) Within ten (10) business days from the date IBank receives the request for payment on the Demand and a copy of the report described in subsection (a)(4) IBank shall do one of the following and inform the Corporation of such action:

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

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

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



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

- (i) The Demand contains an incorrect calculation of the amount owing;
- (ii) The amount owing on the Loan has been reduced by subsequent payments from the Borrower to the Lender;
- (iii) The Lender has engaged in fraudulent activities pertaining to the Loan;
or
- (iv) The Loan and/or the Loan Guarantee is not in compliance with the requirements of applicable Law, regulations, rules or guidelines or these Directives and Requirements; or
- (v) The report identifies fraud or negligence on the part of the Lender.

(8) Within five (5) business days of receiving the check or electronic funds transfer from or on behalf of IBank, the Corporation shall contact the Lender and arrange to deliver the check or schedule electronic funds transfer to the Lender. The Corporation shall deliver the check or transfer the funds and simultaneously collect an assignment from the Lender of the Lender's interest in the Loan. The assignment shall include the Loan Note and all Collateral, except as provided in Section II Collection Requirements for Loan Guarantees.

(9) The Loan Guarantee shall include a provision for binding arbitration in the event that either the Corporation or IBank denies the requested Demand pursuant to subsection (a)(5)(ii) or (a)(6)(ii) or the amount paid to the Lender is less than the amount contained in the Demand Letter.



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(10) Demand must be made upon the Corporation no later than noon on the ninetieth (90th) calendar day following the date on which the Loan 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 Loan Guarantees

(a) A Lender shall not be authorized to file a Demand for a Loan 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.

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

- (i) converted the Collateral into cash;
- (ii) demonstrated, to the satisfaction of the Corporation, that the Collateral is without sufficient value to convert to cash; or
- (iii) demonstrated that the Borrower has filed for bankruptcy.

Authorized Lender Signatory

Date

Lender Signatory Name/Title Printed