

COLLATERAL SUPPORT BORROWER CERTIFICATION

California Pollution Control Financing Authority • Mailing Address: P.O. Box 942809 • Sacramento, CA 94209-0001 • CalCAP@treasurer.ca.gov • 916.654.5610

Your loan is being enrolled in the CalCAP Collateral Support Program. You are the "Borrower". By signing this document below, you certify to the following:

Borrower is a small business concern as defined in 4 CCR §8070(r) of the California Code of Regulations which state:

(r) "Qualified Business" and "Small Business Concern" means a business as set forth in Health and Safety Code Section 44559.1 subdivision (i) and (m), that is not dominant in its field of operation," and that together with affiliates, has 750 or fewer employees. * (i) "Qualified business" means a small business concern that meets both of the following criteria, regardless of whether the small business concern has operations that affect the environment:

(1) It is a corporation, partnership, cooperative, or other entity, whether that entity is a nonprofit entity or an entity established for profit that is authorized to conduct business in the state.

(2) It has its primary business location within the boundaries of the state.

(m) "Small business concern" has the same meaning as in Section 632 of Title 15 of the United States Code, or as otherwise provided in regulations of the authority.

"Primary business location in California" as defined in 4 CCR §8070(n) of the California Code of Regulations means that a business will be deemed to be located in California if either:

(1) a majority of the employees of the business are located in California; or

(2) the Executive Director determines that the Primary business location is in California by finding that the average of the "Payroll Factor" as defined in Revenue and Taxation Code Section 25132, the "Income Factor" as defined in Revenue and Taxation Code Section 25128, and the "Sales Factor" as defined in Revenue and Taxation Code Section 25134 is greater than 50 percent.

Borrower obtained a loan that is for a business activity that has its primary economic effect in California as defined in 4 CCR §8070(o) of the California Code of Regulations which state:

(o) "Primary economic effect in California" means, as applied to a business activity, that either of the following conditions exists: At least 51 percent of the total revenues of the business activity are generated in California; or At least 51 percent of the total jobs of the business activity are created or retained in California.

Borrower agrees to allow the participating financial institution to provide information from financial records of the Borrower upon request of the Executive Director of the CPCFA.

Borrower has no legal, beneficial or equitable, interest in the support or fees.

The maximum loan amount is \$20,000,000 per Borrower with a maximum Collateral Support contribution of \$5,000,000.

Borrower has secured or made application for all applicable licenses or permits needed to conduct its business.

Borrower has received the CPCFA/CalCAP Privacy Notice.

Whenever your loan is related to Federal Funds, the following Borrower assurances apply:

The loan proceeds will be used for a "business purpose." Business purpose includes, but is not limited to, start-up costs, working capital, business procurement, franchise fees, equipment, inventory, as well as the purchase, construction renovation or tenant improvements of an eligible place of business that is not for passive real estate investment purposes. The definition of business purpose excludes: activities that relate to acquiring or holding passive investments, such as commercial real estate ownership and the purchase of securities; and lobbying activities, as defined in Section 3(7) of the Lobbying Disclosure Act of 1995, P.L. 104-65, as amended.

The loan proceeds will not be used to:

Repay a delinquent federal or state income taxes unless the Borrower has a payment plan in place with the relevant taxing authority.

Repay taxes held in trust or escrow, e.g. payroll or sales taxes.

Reimburse funds owed to any owner, including any equity injection or injection of capital for the business' continuance.

Purchase any portion of the ownership interest of any owner of the business.

Borrower is not:

An executive officer, director, or principal shareholder of the lender.

A member of the immediate family of an executive officer, director, or principal shareholder of the lenders.

A related interest of an executive officer, director, principal shareholder, or member of the immediate family.

For the purposes of these three restrictions, the terms "executive officer", "director", "principal shareholder", "immediate family", and "related interest" refer to the same relationship to a lender as the relationship described in part 215 of title 12 of the Code of Federal Regulations, or any successor to such part.

The borrower is not:

A business engaged in speculative activities that develop profits from fluctuations in price rather than through normal course of trade, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business and part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business.

A business that earns more than half of its annual net revenue from lending activities; unless the business is a non-bank or non-bank holding company Community Development Financial Institutions.

A business engaged in pyramid sales, where a participant's primary incentive is based on the sales made by an ever-increasing number of participants.

A business engaged in activities that are prohibited by federal law or applicable law in the jurisdiction where the business is located or conducted. (Included in these activities is the production, servicing, or distribution of otherwise legal products that are to be used in connection with an illegal activity, such as selling drug paraphernalia or operating a motel that knowingly permits illegal prostitution).

A business engaged in gambling enterprises, unless the business earns less than 33% of its annual net revenue from lottery sales.

As required by Section 3011(c)(2) of the Small Business Jobs Act of 2010, the private entity hereby certifies to the participating State that the Principals of the private entity have not been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. 16911)). For the purposes of this Certification, Principal means the following: if a sole proprietorship, the proprietor; if a partnership, each managing partner and each partner who is a natural person and holds a 20% or more ownership interest in the partnership; and if a corporation, limited liability company, association or a development company, each director, each of the five most highly compensated executives or officers of the entity, and each natural person who is a direct or indirect holder of 20% or more of the ownership stock or stock equivalent of the entity.

Business Name

(Please Print)

Lender Loan #

Individual Name

(Please Print)

Individual Title

*(as it pertains to
the business)*

Signature of the

above Individual

Date
