

REQUEST FOR BIDS

<p>Deadline for Submittals:</p>	<p>March 9, 2006, 5:00 p.m.*</p> <p>Faxed or e-mailed proposals will not be accepted. Postmarks will not be accepted as proof of timely delivery. Sealed original Bids with signatures must be submitted by mail or delivered to City Hall at the address listed below.</p> <p>Proposals received after the deadline will be returned unopened.</p>
<p>Proposal Packet Submittal Location:</p>	<p>San Jose City Hall</p> <p>ATTN: Juan S. Vigil, Economic Development Officer Small Business Assistance Center 200 E. Santa Clara Street, First Floor, W-8 San José, CA 95113</p>
<p>Technical Assistance Conference Date, Time and Location:</p>	<p>San Jose City Hall</p> <p>February 16, 2006, 10:00 a.m. Conference Room T-133 (First Floor) 200 E. Santa Clara Street San José, CA 95113</p> <p>RSVP: juan.vigil@sanjoseca.gov</p> <p>Please RSVP to make certain that all prospective bidders can be accommodated.</p>
<p>Technical Assistance Contact:</p>	<p>Office of Economic Development</p> <p>FAX: (408) 292-6770 E-Mail: juan.vigil@sanjoseca.gov</p> <p>Written inquiries only, please. All relevant questions and answers will be made available to all interested parties.</p>

*All dates subject to change; any changes will be posted on www.sjeconomy.com.

Office of Economic Development

AN INVITATION TO PURCHASE THE CITY OF SAN JOSE'S SMALL BUSINESS LOAN PORTFOLIO

OUR MISSION

The Office of Economic Development assists businesses in the City of San Jose to meet the demands and opportunities of a global economy. San Jose has become the 10th largest city in America and an important contributor to the Silicon Valley economy, and to the national and world economies. The region has exceptional rates of productivity and a highly educated workforce.

To sustain competitiveness and to support start-ups and the growth of local businesses, both small and large, San Jose has goals to increase resources for businesses and enhance its entrepreneurial environment. The City will continue efforts to develop new resources for expanding businesses such as incubators, technical assistance centers and providing access to capital. To support greater resilience in the local economy, the City is working to achieve the goals of maintaining a diversified economic base, preserving/creating middle-income jobs and encouraging a wide variety of industries. Successful businesses generate new jobs and expand the tax base, which pays for additional city services.

BACKGROUND

The City of San Jose since 1994 has operated a small business loan program called the Development Enhancement Special Fund (DESF) funded through local revenues. The DESF as originally budgeted received approximately \$3.5 million – a one-time Council appropriation. In an effort to enhance the economic impact for the small business community in San Jose, the City desires to sell the total portfolio of active and performing loans to an investor. The goal of the City is to use the funds received from the Sale as part of the capitalization of a new, expanded capital fund, called the Economic Development Catalyst Fund (EDCF), to be managed by a private market company. Attached to this invitation is a listing of the existing loan portfolio and pertinent data for the investor.

The DESF has funded small business start-ups and existing companies with the objective of supporting job retention or creation, generation of sales tax revenues, increases in development and construction fee revenues and to support the economic development strategy and policies of the City. Typical companies funded include jewelry stores, software companies, printing companies, restaurants, medical professions, construction-related companies, auto-related services, personal services

and limited manufacturing/fabrication companies, as well as various other small businesses.

CURRENT PORTFOLIO STATISTICS (as of Nov/Dec, 2005)

DESF

Number of Loans	8 Loans
Aggregate Original Principal Balance	\$679,250
Aggregate Current Principal Balance Dec 2005	\$532,226
Average Remaining Life	46 months
Maximum Remaining Term	68 months
Minimum Remaining Term	35 months
Monthly Principal and Interest Payments	\$12,353.30
Interest Rates -- Ranges	4.0% to 7.5%

MINIMUM BIDDERS CONDITIONS

Purchase of Assets

The bidder is responsible for due diligence in reviewing loan files and documents for credit histories and reports, property profiles, payment histories, business plans, financial statements, tax returns and accounts of borrower. Bidder shall propose a purchase price for the total loan portfolio. The loan portfolio will not be sold in portions.

The successful bidder shall be responsible for servicing the loans and notification to the borrowers of the change in lender and servicing.

Procedures for Reviewing Files

Appointments to review loan files can be made by contacting Juan S. Vigil per the instructions on the last paragraph of this Request for Bids. In addition, all loan files will be made available to all prospective bidders for review on February 9, 2006, at San Jose City Hall, 200 East Santa Clara Street, Room T-133 (First Floor), San Jose, CA 95113. Bidders may park in the underground garage accessed on South Sixth Street. Parking tickets will be validated up to 8 hours. All questions generated by review of the loan files must be in writing and e-mailed to Juan Vigil. All relevant questions and answers will be posted on the City's web site (www.sjeconomy.com). The Technical Assistance conference will then be held on February 16, 2006 at City Hall, 200 East Santa Clara Street, Room T-133 (First Floor), San Jose, CA 95113.

Transfer of Titles

The successful bidder shall be responsible for preparation and recordation of appropriate instruments transferring interest in real property or other assets held by the City as security for the DESF loan. In addition, the successful bidder shall be responsible for preparation of documents to transfer interest in the loan portfolio documents with the Secretary of State. All transfer documents shall be approved by the City.

Legal Requirements

The successful bidder must be legally able to conduct business and purchase the loan portfolio in the State of California. All documents submitted by the successful bidder must be signed by the entity's authorized representative. The company must submit documentation attesting to its prior loan servicing experience. Payment for the loan portfolio must be lump sum U.S currency, payable to the City of San Jose.

SUBMITTAL

All bids must be received by the submittal date and time indicated below. All bids to purchase shall be sealed. Bids to purchase shall be addressed and delivered to:

City of San Jose
Office of Economic Development
Small Business Assistance Center
200 East Santa Clara Street, First Floor, Window 8
San Jose, CA 95113
Time: 5:00 pm
ATTN: Juan Vigil, Economic Development Officer

A complete submission will be composed of:

1. One completed Attachment A bid
2. Current financial statements
3. A Statement of Qualifications to service loans

All bidders will comply with all conflicts of interest and gift prohibition regulations of the City of San Jose and the State of California.

SELECTION CRITERIA

In order to determine bidders' financial capacity to purchase the loan portfolio, each bidder shall submit current company-prepared financial statements to the City for review. Bidders shall submit their proposal to purchase the loan portfolio according to Attachment A and in a format acceptable to City. In addition, bidders shall submit a statement of qualifications to service the loan portfolio.

Those bids that are duly complete will then be evaluated on the following criteria:

(1) Economic Offer – Bids will be evaluated on the price offered for the purchase of the loan portfolio.

(2) Technical Qualifications – Bidders are expected to continue to service the loan portfolio; therefore, bidders' qualifications and experience with loan servicing will be an evaluation factor.

All bids must be received by the date to Submit Bid to Purchase indicated in the timeline. In this manner, the City shall be able to comparatively assess the quantity and

quality of the proposals to purchase. The City reserves the right to disqualify any bid for incompleteness, to reject any and/or all bids, and to reissue the Request for Bids.

All submitted bids will be reviewed and evaluated in accordance with the City of San Jose's Request for Proposal policies. The Department of Economic Development expects to submit its recommendation for the sale of the loan portfolio to the City Council on April 25, 2006.

PUBLIC NATURE OF PROPOSAL MATERIAL

Responses to this RFP become the exclusive property of the City of San José. At such time as the City selects a bid, all proposals received in response to this RFP become a matter of public record, unless the recommendation is to reject all proposals and reissue the RFP, and shall be regarded as public records, with the exception of those elements in each proposal which are defined by the bidder as business or trade secrets and plainly marked as "Confidential," "Trade Secret," or "Proprietary." Any proposal which contains language purporting to render all or significant portions of the proposal "Confidential," "Trade Secret," or "Proprietary," shall be regarded as non-responsive. The City shall not be liable or in any way responsible for the disclosure of any such proposal or portions thereof, if they are not plainly marked as "Confidential," "Trade Secret," or "Proprietary" or if disclosure is required under the Public Records Act.

Although the California Public Records Act recognizes that certain confidential trade secret information may be protected from disclosure, the City of San José may not be in a position to establish that the information that a prospective bidder submits is a trade secret. If a request is made for information marked "Confidential," "Trade Secret," or "Proprietary", the City will provide the bidder who submitted the information with reasonable notice to allow the bidder to seek protection from disclosure by a court of competent jurisdiction.

TIMELINE

San Jose City Council Review Of Intent To Issue Request for Bid	OCT 18, 2005
E-Mail Invitations To Purchase To Interested Parties	JAN 17, 2006
Date to Review Files (earlier or later by Appointment)	FEB 09, 2006
Technical Assistance Conference	FEB 16, 2006
Last Date To Submit Technical Questions And Review Files	MAR 02, 2006
Last Date To Submit Bid to Purchase (5:00 pm)	MAR 09, 2006
City Council Approval Of Successful Bidder	APR 25, 2006
Prepare Sale Documents And Finalize	MAY 11, 2006
Receipt Of Funds By City	MAY 22, 2006

CONTACT INFORMATION

For loan file review appointments only, please contact Juan S. Vigil by telephone at (408) 535-8192. For technical questions concerning this solicitation, bidders may

contact Juan S. Vigil, Economic Development Officer, Office of Economic Development, by e-mail at juan.vigil@sanjoseca.gov. Only written communication will be accepted. Mail should be addressed to Juan S. Vigil, City of San Jose, Office of Economic Development, Small Business Assistance Center, 200 East Santa Clara Street, First Floor, San Jose, CA 95113. All technical questions and responses will be posted at www.sjeconomy.com for review.

Attachments:

- A. Bidder's Proposal to Purchase
- B. DESF Current Loan Portfolio (as Excel Spreadsheet)

**PROPOSAL TO PURCHASE LOAN PORTFOLIO
SUMMARY FORM**

ATTACHMENT A

AGENCY NAME:	
AGENCY ADDRESS:	
AGENCY PHONE #:	AGENCY FAX #:
CONTACT NAME:	
CONTACT PHONE #:	CONTACT FAX #:
CONTACT E-MAIL:	
PURCHASE PRICE:	
DISCOUNT RATE:	
DISCOUNT AMOUNT FROM PAR:	
METHOD OF PAYMENT:	
TIMING AND DATE OF PAYMENT:	

The undersigned hereby declares under penalty of perjury that all statements, answers and representations made in this bid are true and accurate, including all supplementary statements hereto attached. The undersigned hereby certifies that he/she is authorized to execute this Bid.

Signature of Authorized Representative

Date

Title of Authorized Representative

ATTACHMENT B

City of San Jose-Office of Economic Development

Contact Juan S. Vigil [408/535-8192](tel:4085358192) juan.vigil@sanjoseca.gov

DES F Loan #	Industry Classification	Borrower Name	Business Address	City	State	Zip	Note Date	Original Balance	Principal Balance	Loan Term	P&I Payment	Interest Rate	Maturity Date	Paid Through
1 071	Signs, Banners,Graphics	Cypress Signs	20 Great Oaks Blvd, #150	San Jose	CA	95119	Aug-03	51,000	30,387	60	\$1,021.94	7.50%	Jul-08	Nov-05
2 073	Fitness Center Franchise	Curves, Inc	7124 Santa Teresa Blvd	San Jose	CA	95139	Feb-04	53,250	35,547	60	\$1,029.47	6.00%	Jan-09	Dec-05
3 074	Woodshop Fabricator	Kerry Kustoms, Inc.	5699 Saxony Ct	San Jose	CA	95123	Apr-04	75,000	59,820	84	\$1,025.16	4.00%	Mar-11	Nov-05
4 075	Roofing Contractor	Four Seasons Roofing, Inc.	645 Homing Street	San Jose	CA	95112	Jul-04	100,000	72,678	60	\$1,841.65	4.00%	Jun-09	Dec-05
5 076	Retail - Shoes, Runner Supply	Urban Sports LLC	1140 Lincoln Ave	San Jose	CA	95125	Aug-04	100,000	76,511	60	\$1,841.65	4.00%	Jul-09	Nov-05
6 077	Shopping Carts Sales & Repair	Clean Carts, Inc.	226 S. 24th Street	San Jose	CA	95116	Oct-04	100,000	79,994	60	\$1,841.65	4.00%	Oct-09	Dec-05
7 078	Cable Design/Installation/Service	Israel Luna, Jr. Inc.	1376 N. 4th Street	San Jose	CA	95112	Dec-04	100,000	87,593	60	\$1,841.66	4.00%	Nov-09	Sep-05
8 079	Retail - Fast Food	Spartan Pita, Inc.	195 S. 2nd Street	San Jose	CA	95113	May-05	100,000	89,696	60	\$1,910.12	5.50%	Mar-10	Dec-05
Totals								679,250	532,226		\$12,353.30			

Loan Portfolio as of December 1, 2005

ATTACHMENT B

City of San Jose-Office of Economic Development

Contact Juan S. Vigil [408/535-8192](tel:4085358192) juan.vigil@sanjoseca.gov

DES Loan #	Industry Classification	Borrower Name	Business Address	Collateral Type	Lien Position	Source of Valuation	Valuation Date	Performing (Y/N)	Defaulted (Y/N)	Foreclosure (Y/N)	BK (Y/N)	Payment History
1 071	Signs, Banners,Graphics	Cypress Signs	20 Great Oaks Blvd, #150	Deed, UCC-1, l	2nd, 2nd	Comps, Cost	Jun-03	Y	N	N	N	Timely
2 073	Fitness Center Franchise	Curves, Inc	7124 Santa Teresa Blvd	UCC-1	1st	Cost	Jan-04	Y	N	N	N	Timely
3 074	Woodshop Fabricator	Kerry Kustoms, Inc.	5699 Saxony Ct	Deed, UCC-1	2nd, 1st	Comps, Cost	Feb-04	Y	N	N	N	Timely
4 075	Roofing Contractor	Four Seasons Roofing, Inc.	645 Horning Street	Deed	2nd	Comps	Apr-04	Y	N	N	N	Timely
5 076	Retail - Shoes, Runner Supply	Urban Sports LLC	1140 Lincoln Ave	Deed	3rd	Comps	Jul-04	Y	N	N	N	Timely
6 077	Shopping Carts Sales & Repair	Clean Carts, Inc.	226 S. 24th Street	Deed	2nd	Comps	Jul-04	Y	N	N	N	Timely
7 078	Cable Design/Installation/Service	Israel Luna, Jr. Inc.	1376 N. 4th Street	Deed, UCC-1	3rd, 2nd	Comps, Cost	Aug-04	N	N	N	N	3 mo late
8 079	Retail - Fast Food	Spartan Pita, Inc.	195 S. 2nd Street	Trust Fund	1st	Statements	Mar-05	Y	N	N	N	Timely

Loan Portfolio as of December 1, 2005