GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

STATE OF CALIFORNIA • OFFICE OF GOVERNOR EDMUND G. BROWN JR.

**CALIFORNIA COMPETES TAX CREDIT ALLOCATION AGREEMENT**

This California Competes Tax Credit Allocation Agreement ("Agreement") is entered into on June 9, 2014, by and between A2Z Development Center, Inc., a Delaware corporation ("Taxpayer") and the California Governor's Office of Business and Economic Development ("GO-Biz"), hereafter jointly referred to as the "Parties" or individually as the "Party." All capitalized terms not defined in this Agreement shall have the same meaning as in California Revenue and Taxation Code ("RTC") sections 17059.2 and 23689 and California Code of Regulations Title 10, Section 8000 et seq. as in effect on the Effective Date of this Agreement.

In consideration for the mutual covenants and promises in this Agreement, the Parties agree as follows:

1. **Term.** This Agreement shall come into full force and effect after it has been fully executed by both Parties and it is approved by the California Competes Tax Credit Committee ("Committee") pursuant to a duly held Committee meeting subject to the Bagley-Keene Act ("Effective Date"). Unless terminated earlier according to the terms of this Agreement, this Agreement shall expire on April 30, 2026, which is four (4) years from the date of the last event under this Agreement that is subject to review by the Franchise Tax Board. Taxpayer may terminate this Agreement upon material breach by Go-Biz, or for convenience upon 90 days' advance written notice; provided, however, that no such termination for convenience will relieve Taxpayer of its obligations to maintain headcount levels for which Taxpayer has earned a portion of the Credit.

2. **Total Credit Award.** GO-Biz, upon approval by the Committee and conditioned upon the requirements set forth in this Agreement, will award Taxpayer a California Competes Tax Credit ("CCTC") in the amount of one million two hundred thousand dollars ($1,200,000.00) ("Credit"). Specifically, Taxpayer is receiving, a CCTC against the "net tax" as defined in RTC section 17039 or the "tax" as defined in RTC 23036 as applicable, pursuant to RTC section 17059.2 or 23689, as applicable.

3. **Project/Milestones**. Taxpayer functions as a lab of innovation, research, and development and has worked to produce hardware and software for various consumer devices. In consideration for the Credit, Taxpayer agrees to make Investments in equipment, tenant improvements, furniture, fixtures and other qualifying property to accommodate the hiring of various engineers and professional staff who will be engaged in consumer and technology product research and development(collectively, the "Project"). Further, Taxpayer, through its "controlled group", as defined in RTC 23626, agrees to maintain at least 2,959 Full-time employees determined on an annual full-time equivalent basis for 3 years following the satisfaction in full of the Milestones. In connection with the Project, Taxpayer agrees to the following milestones: hire the required Full-time employees determined on an annual full-time equivalent basis, to maintain certain required employment levels, to make the required Investments, to maintain the minimum annual salary and to maintain the cumulative average annual salary for all new Full-time employees hired, all as more fully described in Exhibit "A" ("Milestones"). In the event Taxpayer

hires more than the number of new Full-time employees determined on an annual full-time equivalent basis than required in Exhibit A, GO-Biz agrees that for purposes of satisfying the new Full-time employees minimum annual salary and cumulative average annual salary of new Full-time employees, Taxpayer may use the salaries of any of the Full-time employees hired and retained within the required time period.

4. **Credit Allocation.** The Credit awarded in Section 2 of this Agreement will be allocated to Taxpayer by taxable year as set forth in Exhibit A, provided that the Taxpayer completes the Milestones set forth in Exhibit A. Taxpayer acknowledges and agrees that, an allocated portion of the Credit is earned by the Taxpayer in the taxable year when the Milestones associated with that allocated portion of the Credit are achieved. All required Milestones identified on a taxable year basis in Exhibit A, must be met in order to earn the allocated portion of the Credit for such taxable year. In the event that the Taxpayer satisfies the taxable year Milestones in an earlier taxable year than described in Exhibit A (no earlier than 2014 or 2013 in the case of Investments), then Taxpayer will have earned the Credit in the earlier taxable year when the Milestones are achieved. In the event that Taxpayer fails to satisfy the Milestones identified in Exhibit A in the taxable year associated with those Milestones, the allocated portion of the Credit will not be considered earned in that taxable year. Any portion of the Credit associated with a specific taxable year in Exhibit A, which is not earned in that year due to failure to achieve the Milestones associated with that taxable year will be earned in the taxable year in which the Milestones are met, but in no event later than 2018. GO-Biz will not pro-rate the Credit allocation, but GO-Biz will not unreasonably deny the Credit to Taxpayer for immaterial variances from the Milestones. Taxpayer will have until the end of taxable year 2018 to satisfy the requirements in Exhibit A. In no event will a credit subject to this Agreement be considered earned after the end of the taxable year 2018. If by the end of taxable year 2018, Taxpayer fails to satisfy all the requirements in Exhibit A, Taxpayer will only be entitled to the tax credit allocation earned by the end of that taxable year and will be permitted to keep such credit and avoid recapture by maintaining the level of Full-Time employees, determined on an annual full-time equivalent basis, the cumulative minimum annual salary and the average annual salary then-earned at the end of taxable year for the subsequent three (3) taxable years following the year in which such Milestones were satisfied.

5. **Taxpayer – Representations and Warranties.** Taxpayer represents and warrants, to Taxpayer's knowledge, that as of the Effective Date:

   (a) Taxpayer is a duly incorporated, Delaware C corporation, validly existing and in good standing under the laws of the State of California, has registered with the Secretary of State, if required and has, or will have the requisite power, authority, and all material licenses, permits and permissions reasonably necessary to perform its obligations under this Agreement.
   (b) Taxpayer is not a party to any agreement, written or oral, creating obligations that would prevent Taxpayer from entering into this Agreement or satisfying the terms herein.

(c) All the information in the Application and all materials submitted to GO-Biz in Phase II, including, but not limited to the Statement Regarding California State Tax Liabilities is true and accurate.

(d) Taxpayer has or will execute a release in the form attached as Exhibit C authorizing the California Franchise Tax Board ("FTB") to release compliance related information to GO-Biz.

(e) Taxpayer has read the applicable RTC sections 17059.2 and 23689 and California Code of Regulations Title 10, section 8000 et seq. and acknowledges and agrees that such sections in addition to this Agreement govern the CCTC program.

6. **Reporting Requirements**. As of the Effective Date, Taxpayer represents to GO-Biz that its taxable year ends on December 31. On or before the first day of the fourth (4th) month after the close of each Taxpayer's taxable year as referenced in Exhibit A.,[1] the Taxpayer shall submit to GO-Biz at a minimum the following document(s) to demonstrate successful completion of the applicable Milestones for the prior taxable year.

   (a) A chart substantially similar to Exhibit A identifying the projected numbers compared to the actual numbers achieved by Taxpayer in the prior taxable year with a certification made by the Taxpayer on the chart that states "_____ [insert legal name of taxpayer] (Taxpayer) certifies to the Governor's Office of Business and Economic Development that the information contained in this chart is, to Taxpayer's knowledge, true and accurate, may be relied upon by FTB in the event of a review by FTB of Taxpayer's records to satisfy that applicable Milestones have been met and satisfied the reporting requirements of that certain California Competes Tax Credit Allocation Agreement dated June 9, 2014 and referenced by contract identification number _____."

   (b) In the event Taxpayer fails to satisfy the applicable Milestones in a given taxable year, Taxpayer shall describe with sufficient detail, in writing, to GO-Biz, any issues or challenges in achieving the Milestones and corrective actions being taken or anticipated to be taken in subsequent years. GO-Biz may also request and Taxpayer will provide within ten (10) business days of said request supporting documentation (e.g. payroll records, receipts, project contracts, invoices, cancelled checks, etc.) to verify information provided. Such documents will be provided to GO-Biz and must include language in a cover letter that clearly outlines the documents being provided, what each documents demonstrates with regard to the applicable Milestones and must self-certify by an authorized representative of the Taxpayer that, to Taxpayer's knowledge, such information provided to GO-Biz is true and accurate and does not omit any material information.

7. **Franchise Tax Board Review.**

   (a) Notwithstanding the annual reporting requirements to GO-Biz in section 6, the Taxpayer agrees as a condition of this Agreement to comply with the Franchise Tax Board's reasonable review of the books and records for purposes determining if the Taxpayer has

[1] For a taxpayer with a taxable year on a calendar year basis, the report will be due on or before April 1st.

failed to comply with the requirements of this Agreement. GO-Biz agrees to reasonably cause the Franchise Tax Board to comply with the terms of this Agreement.

(b) For any business other than a Small Business, Taxpayer acknowledges and agrees that the Franchise Tax Board shall review the books and records of all Taxpayers allocated a Credit pursuant to this Agreement to ensure compliance with the terms and conditions of this Agreement and shall cooperate with the Franchise Tax Board in such a review. In the case of a Taxpayer that is a Small Business, Taxpayer acknowledges and agrees that a review of the books and records of the Taxpayer shall be made when, in the sole discretion of the Franchise Tax Board, a review of those books and records is appropriate. If the Franchise Tax Board exercises its discretion to review the book and records of a Small Business Taxpayer, the review will be conducted to ensure compliance with the Agreement. The guidelines and procedures for these reviews are attached in Exhibit "B" and made a part of this Agreement.

(c) These reviews will not constitute an audit of the tax return under Part 10.2 (commencing with section 18401) of the Revenue and Tax Code section and the regulations thereunder, and will not preclude the Franchise Tax Board from auditing any issue in any taxable year, including a taxable year included in the term of the Agreement.

(d) If during the review of the books and records, Franchise Tax Board determines there is a material breach of the Agreement by the Taxpayer, and notwithstanding RTC section 19542, the Franchise Tax Board shall notify GO-Biz and provide, in writing, detailed information regarding the basis for that determination.

(e) Notwithstanding any term of this Agreement, Taxpayer and GO-Biz acknowledge and agree that any supporting documents, invoices, records or other materials provided by Taxpayer to either GO-Biz or the Franchise Tax Board in connection with this Agreement shall constitute confidential taxpayer records that shall not be disclosed to any third party, whether pursuant to a public records request or otherwise.

8. **Assignment.** The Credit (or a portion thereof as earned) under this Agreement may be transferred to an "Affiliated Corporation" in accordance with RTC section 23663. As stated in RTC section 23689(i)(1) this Agreement cannot and does not broaden or alter the ability of the Taxpayer to assign the credit. In the event that the Credit or this Agreement is to be transferred pursuant to a sale or merger to an entity other than an Affiliated Corporation, prior written consent of GO-Biz must be obtained. Such consent shall not be unreasonably withheld.

9. **Material Breach.** A material breach by Taxpayer for purposes of the Agreement shall mean (subject to the cure period in Section 10):

(a) Failure to timely furnish information reasonably requested by the Franchise Tax Board or GO-Biz which relates to validating Taxpayer's compliance with the requirements set forth in Exhibit A.

(b) The reasonable determination by GO-Biz, after consulting with the Taxpayer, that Taxpayer intentionally provided documents to GO-Biz or the FTB containing material inaccuracy.
(c) Failure to materially satisfy, by December 31, 2018, the Milestones as set forth in Exhibit A, the materiality of which shall be determined by GO-Biz.

10. **Recapture.** In the event of a material breach of the requirements of this Agreement, GO-Biz will notify Taxpayer in writing of the breach and provide Taxpayer with the opportunity to cure the breach within thirty (30) business days or such longer period as may be reasonably required to cure the breach. If Taxpayer fails to cure the breach within the prescribed timeframe, GO-Biz will notify the Taxpayer of the failure, the amount of the Allocation that it will recommend to the Committee be recaptured and may recommend termination of this Agreement to the Committee. In the event Taxpayer has satisfied the applicable Milestone in a particular tax year, in no event shall a recapture under this Agreement include any allocation or allocations that Taxpayer has previously earned, except in the event that Taxpayer fails to maintain the Milestones for three (3) years following the year in which such Milestones were satisfied as required under Section 4 upon which GO-Biz may recommend to the Committee that the portion of the Credit attributable to such year be recaptured. Upon receipt of recommendations from GO-Biz, the Committee will determine whether to accept or reject GO-Biz's recommendation of recapture, and the amount thereof, and the termination of this Agreement, based on the Taxpayer's material breach of this Agreement. Upon approval of the Committee to recapture some or all of the Allocation of credit awarded for the material breach by Taxpayer of this Agreement, GO-Biz will notify the Franchise Tax Board in writing as required under the applicable regulations and the Franchise Tax Board shall treat the recapture as a mathematical error appearing on the return. Any amount of additional tax resulting from that recapture shall be assessed by the Franchise Tax Board in the same manner as provided by RTC section 19051. The additional tax resulting from a recapture will be assessed in the taxable year of the Taxpayer in which the Committee's recapture determination occurred.

11. **Public Records.** Taxpayer acknowledges that GO-Biz is subject to the California Public Records Act (PRA) (Government Code section 6250 et. seq.). This Agreement and the report described in Section 6(a) submitted by Taxpayer to GO-Biz may be subject to a PRA request; provided, however, that the information described in Section 6(b) and Section 7(e) that constitutes confidential taxpayer records shall not be subject to disclosure pursuant to a PRA request or otherwise. In such an event, GO-Biz will notify the Taxpayer, as soon as practicable that a PRA request for the Taxpayer's information has been received, but not less than five (5) business days prior to the release of the requested information to allow the Taxpayer to seek an injunction. GO-Biz will work in good faith with the Taxpayer to protect the information to the extent an exemption is provided by law, including but not limited to notes, drafts, proprietary information, financial information and trade secret information. GO-Biz will also apply the "balancing test" as provided for under Government Code section 6255 to the extent applicable. Taxpayer acknowledges that this Agreement in whole or in part will be made available to the public at least ten (10) calendar days prior to the Committee hearing. Pursuant to RTC 17059.2 and 23689, in the event of approval by the Committee of this Agreement, Taxpayer acknowledges and agrees that GO-Biz will post on its website the following information:

    (a) The name of each taxpayer allocated a Credit
    (b) The estimated amount of the investment by each taxpayer
    (c) The estimated number of jobs created or retained

(d) The amount of the credit allocated to the taxpayer
(e) The amount of the credit recaptured from the taxpayer, if applicable

12. **Media Release**. Upon award of a Credit, Taxpayer agrees to cooperate in good faith with GO-Biz, if requested in connection with any publicity, outreach or press release related to the Credit, provided that any such publicity, outreach or press release involving or mentioning the Taxpayer shall be subject to Taxpayer's prior written consent, which consent shall be at Taxpayer's sole discretion. Taxpayer may elect to issue a press release related to this Agreement, but any release shall be approved by GO-Biz in writing prior to such release, which approval shall not be unreasonably withheld.

13. **Indemnification/Warranty Disclaimer/Limitation of Liability**. Taxpayer shall defend, indemnify and hold GO-Biz, the Franchise Tax Board and the State of California, and their agents or assigns, harmless from and against all claims, damages, and liabilities (including reasonable attorneys' fees) arising from this Agreement that are the direct result of a material breach by the Taxpayer under this Agreement. UNDER NO CIRCUMSTANCES WILL THE STATE OF CALIFORNIA, GO-BIZ, ITS AGENTS OR EMPLOYEES, THE COMMITTEE MEMBERS, THE FRANCHISE TAX BOARD OR ANYONE ELSE INVOLVED IN THIS AGREEMENT BE LIABLE TO TAXPAYER FOR ANY DIRECT, INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES THAT ARISE FROM THIS AGREEMENT.

14. **Waiver**. Neither Party shall be deemed by mere lapse of time (without giving notice or taking other action) to have waived any action by the party of any of the provisions of this Agreement.

15. **Integration.** This Agreement (including the exhibits hereto and any written amendments hereof executed by the Parties) constitutes the entire Agreement and supersedes all prior agreements and understandings, oral and written, between the Parties with respect to the Allocation.

16. **Record Retention**. The Parties agree to maintain this Agreement, any exhibits related to this Agreement or any other documents specifically provided to GO-Biz by the Taxpayer in connection with the Credit for a period of no less than four (4) years from the end of the last taxable year identified in Exhibit A.

17. **Notice**. Any notices required or permitted to be given under this Agreement shall be given in writing and shall be delivered (a) in person, (b) by certified mail, (c) by facsimile with confirmed receipt required, electronic communication with confirmed receipt required, or (d) by commercial overnight courier that guarantees next day delivery and provides a receipt, and such notices shall be address to:

If to GO-Biz:

1325 J Street
18th Floor
Sacramento, California, USA 95814
Attention: Deputy Director, California Competes Tax Credit Program
Phone: (916)322-0694
Email: Calcompetes@gov.ca.gov

If to Taxpayer:

410 Terry Avenue North
Seattle, Washington 98109
Attention: Corporate Tax (Chief Operating office of Tax)

With a copy to:

Attention: General Counsel (Real Estate, Economic Development)
410 Terry Avenue North
Seattle, Washington 98109

18. **Modification**. This Agreement may be amended or modified only by mutual agreement of the Parties in written addendum. If Committee approval is necessary, the modification of the agreement will not be valid until the addendum is approved by the Committee.

19. **Time of the Essence.** Time is of the essence in respect to all provisions of this Agreement that specify a time for performance; provided, however, that the foregoing shall not be construed to limit or deprive a Party of the benefits of any cure period allowed in this Agreement.

20. **Ambiguities**. Each Party has had the opportunity to seek the advice of counsel or has refused to seek the advice of counsel. Each Party and its counsel, if appropriate, have participated fully in the review and revision of this Agreement. Any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not apply in interpreting this Agreement. The language in this Agreement shall be interpreted as to its fair meaning and not strictly for or against any Party.

21. **Necessary Acts, Further Assurances**. The Parties shall at their own cost and expense execute and deliver any further documents and shall take such other actions as may be reasonably required or appropriate to carry out the intent and purposes of this Agreement.

22. **Sections and Other Headings**. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

23. **Consultants and Attorney's Fees**. Each of the Parties shall be responsible for and pay in their entirety its respective attorney's fees, auditors and consultant fees, costs and expenses in connection with the subject matter of the Agreement and any audit that may be conducted as a result of the transaction contemplated herein. Notwithstanding RTC section 19717, under no circumstances is any Party to this contract entitled to attorney's fees with regard to litigation resulting from this Agreement.

24. **Limitation of Remedy**: The remedy that the Taxpayer shall have in the event of breach or alleged breach by GO-Biz, shall be limited to the normal administrative and judicial rights and remedies accorded to a taxpayer in the State of California who has been denied a tax credit

claimed on their California income tax return. The remedies set forth in Section 10 shall be the sole remedy in the event that the Taxpayer fails to achieve one or more of the Milestones.

25. **Information Security.** GO-Biz agrees to use adequate physical and technical measures to maintain the security of all electronic and tangible records relating to this Agreement including at a minimum: a working network firewall to protect data accessible via the Internet; up-to-date security patches; up-to-date anti-virus software; policies restricting access to information (and physical records embodying information) to those with a need to know; unique user identifications and credentials for each person with access to information, and; a policy requiring the use of "strong passwords" on all computer systems. GO-Biz agrees to promptly notify Taxpayer in the event GO-Biz experiences a security breach that could have impacted any electronic or tangible records relating to this Agreement. GO-Biz acknowledges and agrees that Taxpayer must comply with its information security policies in performing its obligations under this Agreement and that to the extent Taxpayer is required to deliver sensitive employment related information (such as compensation information, employee names, employee addresses, job titles and hours worked) in connection with this Agreement, Taxpayer may deliver such information in password protected and encrypted files.

26. **Representation on Authority of Parties/Signatories**. Each person signing this Agreement represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Agreement. Each Party represents and warrants to the other that the execution and delivery of the Agreement and the performance of such Party's obligations hereunder have been duly authorized and that the Agreement is a valid and legal agreement binding on such Party and enforceable in accordance with its terms.

27. **Severability.** If any term of this Agreement is to any extent invalid, illegal, or incapable of being enforced, such term shall be excluded to the extent of such invalidity, illegality, or unenforceability; all other terms hereof shall remain in full force and effect.

28. **Approval**. This Agreement shall not be binding until it has been approved by the Committee during a duly noticed Committee meeting.

29. **Execution**. This Agreement (or any exhibit or addendum to it) may be executed by facsimile or using an e-signature format such as DocuSign, and in counterparts, each of which (including signature pages) will be deemed an original, but all of which together will constitute one and the same instrument.

30. **Limitation of Liability.** In no event will Taxpayer be liable (including as a result of indemnification obligations under Section 13) for any damages, liabilities, fees, costs, expenses, penalties, diminishments in value, losses or payments (including any portion of the Credit that is recaptured) that exceed, in the aggregate, the amount of the Credit set forth in Section 2. TAXPAYER SHALL NOT BE LIABLE FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES THAT ARISE FROM THIS AGREEMENT.

*Remainder of the page is intentionally left blank. Signature page immediately follows.*

**Governor's Office of Business and Economic Development**

By: _____

Name: Panorea Avdis

Its: Chief Deputy Director

Date: 6/9/2014

**A2Z Development Center, Inc.**

By: _____

Name: Richard J Prem

Its: Vice President

Date: 6/6/2014

Federal Employer Identification Number ("FEIN"): [redacted]

California Secretary of State Identification Number: C2668471

**Exhibit "A"**

**Milestones**

| | 2013 Tax Year (Base) | 2014 Tax Year | 2015 Tax Year | 2016 Tax Year | 2017 Tax Year | 2018 Tax Year | |
|---|---|---|---|---|---|---|---|
| **Total Statewide Taxpayer Full-time employees, determined on an annual full-time equivalent basis** | 2959 | 3134 | 3268 | 3416 | 3638 | 3757 | |
| **Net Increase of Full-time employees compared to Base Year** | | 175 | 309 | 457 | 679 | 798 | |
| **New Full-time employees Minimum Annual Salary** | | $17,500 | $17,500 | $17,500 | $17,500 | $17,500 | |
| **Cumulative average annual salary of Full-time employees** | | $120,000 | $120,000 | $120,000 | $120,000 | $120,000 | |
| | **Investment 1 Year Prior to Application Date** | **2014 Tax Year** | **2015 Tax Year** | **2016 Tax Year** | **2017 Tax Year** | **2018 Tax Year** | **Total** |
| **Investments** | $0.00 | $11,000,000 | $11,000,000 | $11,000,000 | $11,000,000 | $11,000,000 | $55,000,000 |
| **Tax Credit Allocation** | | $240,000 | $240,000 | $240,000 | $240,000 | $240,000 | $1,200,000 |

## Exhibit "B"

**CALIFORNIA COMPETES TAX CREDIT – FRANCHISE TAX BOARD REVIEW OF BOOKS AND RECORDS TO ENSURE COMPLIANCE WITH THE WRITTEN AGREEMENT -- GUIDELINES AND PROCEDURES**

(a) General.

(1) The purpose of the review is to determine if the taxpayer is in compliance with the written agreement (herein referred to as contract) with the Governor's Office of Business and Economic Development (GO-Biz) with respect to the California Competes Tax Credit as set forth in Revenue and Taxation Code section 17059.2 / 23689.

(2) In general, the review of the contract must be completed in a timely manner to allow Franchise Tax Board to provide timely information that the taxpayer is, or is not, in substantial compliance with the contract. A review of a contract may take place once or multiple times depending on the terms of the contract. Franchise Tax Board in consultation with GO-Biz will determine the timing and frequency of the reviews. To facilitate the timely and efficient completion of a review and contract compliance or non-compliance to GO-Biz, the taxpayer should have the expectation that the a review of the contract would be conducted in a manner so that a resolution will be achieved within a one-year period commencing with the date of "initial contact" as subsequently defined. This timeframe is a guideline only and reviews may be completed in a shorter or longer time period depending on the facts and circumstances.

(3) Power to Examine. Notwithstanding the fact that these reviews are not an audit of a tax return; Franchise Tax Board has the power to examine the books and records of the taxpayer to ensure that the taxpayer is in compliance with the contract as set forth in Revenue and Taxation Code section 17059.2(d) / 23689(d). Franchise Tax Board maintains its power to examine or review the contract for compliance in accordance with Revenue and Taxation Code section 19504 as applicable to the review of the contract.

(4) Taxpayer's Duty to Respond. A taxpayer or the taxpayer's representative has the duty to make a timely response to requests for information or documents by the Franchise Tax Board that are relevant and reasonable or provide an explanation as to why additional time is necessary to respond or state why the request is not relevant or reasonable.

(5) Duty of Franchise Tax Board Staff. Franchise Tax Board staff has the duty to:

(A) Conduct the review of the contract in a reasonable, practical manner consistent with applicable federal and California law.

(B) make relevant and reasonable information requests for the contract terms or milestones under examination as provided for in Revenue and Taxation Code section 19504.

(C) timely analyze information received or responses submitted and to request additional relevant information.

(6) Duty to Maintain Records. Generally, it is the taxpayer who will be in possession or control of the necessary information, documents, books and records and who will have the knowledge regarding the circumstances of the relevant activities related to its

business and the terms of the contract. The inability, or failure, of a taxpayer to supply requested relevant information in support of the contract terms under review, may result in FTB notifying GO-Biz that there is a possible breach. A taxpayer has a duty to maintain relevant records and documents pursuant to normal accounting or regulatory guidelines set forth in the Revenue and Taxation Code or the Internal Revenue Code as applicable contract items under review. The Franchise Tax Board recognizes that taxpayers are sometimes not able to respond to each and every request for information. The auditor should work with the taxpayer to resolve difficult information requests.

(7) Application of Time Limits. These guidelines are intended to provide for an orderly process that leads to a quick conclusion to the Review.

(A) The Franchise Tax Board recognizes that some Information Document Requests can be responded to in less than 20 days while other responses will require time in excess of 20 days. The auditor has discretion to take into account the taxpayer's facts and circumstances in establishing the original response time or to allow reasonable extensions of time to respond.

(B) The auditor shall take into account responses to Information Document Requests received after the established date for a response, provided that Franchise Tax Board has not notified GO-Biz of a possible breach.

(b) Reviews.

(1) Type of Review. The Franchise Tax Board staff will determine if the review will be a field review or a desk review based on the size of the business, dollar amounts involved and complexity of the contract terms and which type of review will be more conducive under the circumstances. The taxpayer may offer input on the determination of the type of review for the Franchise Tax Board staff to consider.

(2) Field Review.

(A) Definition of "Field Review". A "field review" is a review that takes place at the taxpayer's residence, place of business or some other location that is not an office of the Franchise Tax Board. For field reviews, "initial contact" is the date of the first meeting between the taxpayer and/or the taxpayer's representative and a member of the Franchise Tax Board audit staff.

(B) Location of Field Review. A field review will generally take place at the location where the taxpayer's original books, records, and source documents pertinent to the review are maintained. In the case of a sole proprietorship or business entity, this will usually be the taxpayer's principal place of business. Field reviews can be moved to a Franchise Tax Board office, or the taxpayer's representative's office, if the taxpayer (or the taxpayer's representative) does not have the appropriate work area available or as circumstances of the taxpayer (or the taxpayer's representative) warrant.

(C) Site Visitations. Regardless of where the review takes place, the Franchise Tax Board staff may visit the taxpayer's place of business or residence to establish facts that can only be established by direct visit, such as asset verification. The Franchise Tax Board staff generally will visit for these purposes on a normal workday of the Franchise Tax Board during normal business hours.

(D) Requests by Taxpayers to Change Place of Review. The Franchise Tax Board staff will consider, on a case-by-case basis, written requests by taxpayers or their representatives

to change the place that the Franchise Tax Board has set for a review. Reasonable requests to move a review to another of the taxpayer's offices or to the taxpayer's-representative's office will be granted unless doing so would impose an unreasonable burden to the Franchise Tax Board staff or significantly interrupt the review schedule.

If the taxpayer requests that the review be conducted at a Franchise Tax Board office, or the taxpayer's-representative's office, it is the taxpayer's responsibility to deliver all books and records necessary for the review.

(3) Definition of "Desk Review". A "desk review" is a review conducted primarily through mailed correspondence. For desk reviews, "initial contact" is the date of the first letter to the taxpayer regarding the review.

(4) Time of the Review. It is reasonable for the Franchise Tax Board to schedule the day or days of the review during a normally scheduled workday or workdays of the Franchise Tax Board, during the Franchise Tax Board's normal business hours. It is reasonable for the Franchise Tax Board to schedule reviews throughout the year, without regard to seasonal fluctuations in the businesses of particular taxpayers or their representatives. However, the Franchise Tax Board will work with taxpayers or their representatives to try to minimize any adverse effects in scheduling the date and time of the review.

(5) The following procedures may be used either in field or desk reviews depending on the nature of the review.

(A) Opening Conferences. Items to be discussed during the opening conference include, but are not limited to, estimated timeframes to complete the review, the scheduling of future review appointments, discussion of the contract items under review information document requests, and photocopying.

At the opening conference or via mail if no opening conference is held, the auditor shall provide a written document stating the name and phone number of the audit supervisor or manager.

(B) Review Plan. A written review plan may be drafted as appropriate, if agreed to by the auditor and the taxpayer, documenting key dates related to conducting the review, identifying key points of the review, or identifying other items discussed during the opening conference. The review plan should be signed by the auditor and either the taxpayer or the taxpayer's representative. The review plan is considered a guideline for conducting the review and can be amended as circumstances warrant.

(C) Information Document Request (IDR). The Franchise Tax Board may provide a taxpayer an Information Document Request (IDR) requesting single or multiple documents. As a general rule, response times shall be determined on an IDR-by-IDR basis with a maximum response time of 20 days from the date the IDR was hand-delivered to the taxpayer or the taxpayer's representative by the auditor or the date mailed by the auditor.

1. As a general rule, where a reply by the auditor is appropriate or the auditor needs additional information, the auditor will notify the taxpayer or the taxpayer's representative within 20 days of the auditor's receiving the response to the IDR.

2. Failure to provide a timely and complete response to a request from the Franchise Tax Board for additional information may result in notifying GO-Biz that there is a possible breach. Before informing GO-Biz of a possible breach the auditor will exercise

discretion in a reasonable manner that is appropriate under the relevant circumstances related to that particular review.

(D) Photocopying. The Franchise Tax Board has the authority pursuant to the provisions of Revenue and Taxation Code section 19504, to require either the submission of relevant photocopied documents, or that relevant information be made available for photocopying, scanning or other electronic reproduction at a specified time and place for the purposes determining compliance with the agreement with GO-Biz. Photocopying is a benefit to both the Franchise Tax Board and the taxpayer as the photocopy provides objective evidence supporting a contract term under review.

(E) Review Conferences. Conferences may be held as necessary throughout the review to discuss the status of IDRs or to discuss findings and to ensure that the review is on track to finish in a timely manner.

(G) Closing the Review: At the conclusion of the review, a closing conference may be held at the discretion of the auditor. If held, items discussed will generally include an explanation of the auditor's findings and recommendation to GO-Biz.

(H) Closing Letters. At the close of a review, the auditor will notify GO-Biz and the taxpayer or the taxpayer's representative of the results of the review:

(1) If the review finds substantial compliance with the agreement, a letter to this effect will be sent to the taxpayer or taxpayer's representative. The auditor will also notify GO-Biz of its findings.

(2) If the auditor determines there is a possible breach, the auditor will notify GO-Biz and provide detailed information regarding the basis for that determination as required by Revenue and Taxation Code section 17059.2(d)(2)(B) / 23689(d)(2)(B). The auditor will also notify the taxpayer or taxpayer's representative of these findings.

**Exhibit "C"**

**FORM OF RELEASE**

GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

STATE OF CALIFORNIA • OFFICE OF GOVERNOR EDMUND G. BROWN JR.

**AUTHORIZATION TO RELEASE INFORMATION**

I, Richard Prem, Vice President (TITLE), the authorized representative for A2Z Development Center, Inc. (TAXPAYER), Taxpayer ID No. [redacted],

hereby grant to employees or agents of the Governor's Office of Business and Economic Development (GO-Biz), CCTC Division, located at:

Address: 1400 10th St.

City, State and ZIP code: Sacramento, CA 95874

Phone (Area code & number): 916-322-0661 E-mail address: william.koch@gov.ca.gov

the right to receive information from the California State Franchise Tax Board (FTB), and give information to FTB, for the following limited and special purposes related to California Revenue & Taxation Code sections 17059.2 and 23689:

- To provide and receive information as requested for the purpose of proper determination and administration of the California Compete Tax Credit allocated to this taxpayer, including determination of the amount of any recapture of a credit.
- To provide and receive documentation as requested for the purpose of proper determination and administration of the California Compete Tax Credit allocated to this taxpayer, including determination of the amount of any recapture of a credit.

To discuss relevant issues pertaining to proper determination and administration of the California Compete Tax Credit allocated to this taxpayer, including determination of the amount of any recapture of a credit.

The above listed rights apply only to the taxable years: 2013-2022.

Notwithstanding anything to the contrary, this Release permits FTB to share only such information and documents as are reasonably necessary for Go-Biz to verify Taxpayer's compliance, or confirm Taxpayer's non-compliance, with the terms of its California Compete Tax Credit agreement with Go-Biz; and, as provided in the agreement, any such information and documents shared with Go-Biz shall remain confidential taxpayer records and shall not be disclosed to any third party for any reason.

If you are a corporation officer, partner, owner, member, tax matter representative, executor, receiver, administrator, or trustee on behalf of the taxpayer(s), you certify that you have authority to execute this by signing the Release on behalf of the taxpayer(s).

Entity/ Taxpayer name (print): A2Z Development Center, Inc.

Authorized Representative name (print): Richard Prem

Authorized Representative title (print): Vice President

Authorized Representative (sign): Richard J. Prem

Date 4/4/2014