

SERVICES AGREEMENT

ALLIANCEONE RECEIVABLES MANAGEMENT, INC — CITY OF BELLINGHAM

The **CITY OF BELLINGHAM**, a first-class municipal corporation of the State of Washington (hereinafter the "City"), with offices located at City Hall, 210 Lottie Street, Bellingham, Washington, 98225, and **ALLIANCEONE RECEIVABLES MANAGEMENT, INC.**, 6565 Kimball Dr., Ste. 200, Gig Harbor, WA 98335 (hereinafter the "Contractor"), in consideration of the mutual covenants herein, do hereby agree as follows:

1. Scope of Services:

1.1 The parties enter into this Agreement for the purpose of having the Contractor provide collection services to the City as authorized in RCW 19.16.500. The Contractor agrees to provide to the City services and any materials as set forth in the project narrative identified as Exhibit "A". The City will furnish no material, labor, or facilities, unless otherwise specifically provided for in this Agreement.

1.2 This Agreement consists of this Services Agreement ("Agreement") and Exhibits A and B, which are attached hereto and incorporated herein by this reference. To the extent any conflict among the various documents arises, the terms of the Agreement shall control, followed by Exhibit A and then Exhibit B.

2 Term:

2.1 Notwithstanding the date of execution hereof, this Agreement shall be in effect from January 1, 2009 to December 31, 2009, both dates inclusive. The term of this Agreement may be extended by mutual agreement of the parties; provided, however, that the Agreement is in writing and signed by both parties.

2.2 The duration of this Agreement may be extended by mutual written consent of the parties, for a period of up to one year at a time, and for a total of no longer than four one year extensions.

3. Termination:

3.1 *For Default:* If the Contractor defaults by failing to perform any of the obligations of the contract and after notice per section 13 or if the Contractor becomes insolvent or is declared bankrupt or commits any act of bankruptcy or insolvency or makes an assignment for the benefit of creditors, the City may, by depositing written notice to the Contractor in the U.S. mail, first class postage prepaid, terminate the contract, and at the City's option, obtain performance of the work elsewhere. Termination shall be effective upon Contractor's receipt of the written notice, or within three (3) days of the mailing of the notice, whichever occurs first. If the contract is terminated for default, the Contractor shall not be entitled to receive any further payments under the contract until all work called for has been fully performed. Any extra cost or damage to the City resulting from such default(s) shall be deducted from any money due or coming due to the Contractor. The Contractor shall bear any extra expenses incurred by the City in completing the work, including all increased costs

for completing the work, and all damage sustained, or which may be sustained by the City by reason of such default.

3.2 *For Public Convenience:* The City may terminate the Agreement in whole or in part whenever the City determines, in its sole discretion, that such termination is in the interests of the City. Whenever the Agreement is terminated in accordance with this paragraph, the Contractor shall be entitled to payment for actual work performed at unit contract prices for completed items of work. An equitable adjustment in the contract price for partially completed items of work will be made, but such adjustment shall not include provision for loss of anticipated profit on deleted or uncompleted work. Termination of this Agreement by the City at any time during the term, whether for default or convenience, shall not constitute breach of contract by the City.

4. Accounting and Payment for Contractor Services:

4.1 Payment to the Contractor for services rendered under this Agreement shall be as set forth in Exhibit "B". Where Exhibit "B" requires payments by the City, payment shall be based upon written claims supported, unless otherwise provided in Exhibit "B," by documentation of units of work actually performed and amounts earned, including, where appropriate, the actual number of days worked each month, total number of hours for the month, and the total dollar payment requested, so as to comply with municipal auditing requirements.

4.2 Unless specifically stated in Exhibit "B" or approved in writing in advance by the official executing this Agreement for the City or her designee (hereinafter referred to as the "Administrative Officer") the City will not reimburse the Contractor for any costs or expenses incurred by the Contractor in the performance of this contract. Where required, the City shall, upon receipt of appropriate documentation, compensate the Contractor, no more often than monthly, in accordance with the City's customary procedures, pursuant to the fee schedule set forth in Exhibit "B."

4.3 *Taxes:*

4.3.1 The Contractor understands and acknowledges that the City will not withhold federal or state income taxes. Where required by State or Federal law, the Contractor authorizes the City to withhold for any taxes other than income taxes (i.e., Medicare). All compensation received by the Contractor will be reported to the Internal Revenue Service at the end of the calendar year in accordance with the applicable IRS regulations. The City will pay sales and use taxes imposed on goods or services acquired hereunder as required by law. The Contractor must pay all other taxes, including, but not limited to, Business and Occupation Tax, taxes based on the Contractor's gross or net income, or personal property to which the City does not hold title.

4.3.2 The Contractor is responsible to make the necessary estimated tax payments throughout the year, if any, and the Contractor is solely liable for any tax obligation arising from the Contractor's performance of this Agreement. The Contractor hereby agrees to defend and indemnify the City against any demand to pay taxes arising from the Contractor's failure to pay taxes on compensation earned pursuant to this Agreement.

5. Relations:

5.1 The Contractor agrees to comply with state and federal requirements, as applicable, pertaining to payment of wages and working conditions, in accordance with RCW 39.12.040, the Prevailing Wage Act; the Americans with Disabilities Act of 1990; the Davis-Bacon Act; and the Contract Work Hours and Safety Standards Act providing for weekly payment of prevailing wages, minimum overtime pay, and providing that no laborer or mechanic shall be required to work in surroundings or under conditions which are unsanitary, hazardous, or dangerous to health and safety as determined by regulations promulgated by the Federal Secretary of Labor and the State of Washington.

5.2 The Contractor's services shall be furnished by the Contractor as an independent contractor, and nothing herein contained shall be construed to create a relationship of employer-employee or master-servant, but all payments made hereunder and all services performed shall be made and performed pursuant to this Agreement by the Contractor as an independent contractor. The Contractor represents that it maintains a separate place of business, serves clients other than the City, will report all income and expense accrued under this contract to the Internal Revenue Service on a Schedule C, and has a tax account with the State of Washington Department of Revenue for payment of all sales and use and Business and Occupation taxes collected by the State of Washington.

5.3 The performance of all or part of this contract by the Contractor shall not operate to vest any employment rights whatsoever and shall not be deemed to guarantee any employment of the Contractor or any employee of the Contractor or any subcontractor or any employee of any subcontractor by the City at the present time or in the future.

6. Confidentiality: The Contractor, its employees, subcontractors, and their employees shall maintain the confidentiality of all information provided by the City or acquired by the Contractor in performance of this Agreement, except upon the prior written consent of the City or an order entered by a court after having acquired jurisdiction over the City. Contractor shall immediately give to the City notice of any judicial proceeding seeking disclosure of such information. Contractor shall, however, be permitted to disclose information as is customarily disclosed in the ordinary course of collection activity, such as when skiptracing or credit reporting, if not otherwise prohibited by applicable law. Contractor shall indemnify and hold harmless the City, its officials, agents or employees from all loss or expense, including, but not limited to, settlements, judgments, setoffs, attorneys' fees and costs resulting from Contractor's breach of this provision.

7. Audit/Review: This contract is subject to review and audit by any Federal, State or City auditor. The Contractor agrees to maintain its financial records pertaining to this Agreement in accordance with generally accepted accounting principles. The Contractor's records, financial and otherwise, shall be made available to representatives of the City or any other governmental agency with jurisdiction for audit or review at such reasonable times and places as the City may designate. The Contractor shall preserve and maintain all financial records and records relating to the performance of work under this Agreement for three (3) years after contract termination, and shall make them available for such review, within Whatcom County, State of Washington, upon request. Contractor also agrees to notify the Administrative Officer in advance of any inspections, audits, or program review by

any individual, agency, or governmental unit whose purpose is to review the services provided within the terms of this Agreement. If no advance notice is given to the Contractor, then the Contractor agrees to notify the Administrative Officer as soon as it is practical.

8. Insurance:

8.1 Contractor agrees to obtain and maintain in force at least \$1,000,000 broad form comprehensive general liability insurance covering all activity under this Agreement with the City specifically named as an additional insured. Contractor will comply with all requirements of the Washington State Worker's Compensation laws.

8.2 With respect to the performance of this agreement and as to claims against the City, its officers, agents and employees, the Contractor expressly waives its immunity under Title 51 of the Revised Code of Washington, the Industrial Insurance Act, for injuries to its employees and agrees that the obligations to indemnify, defend and hold harmless provided in this Agreement extend to any claim brought by or on behalf of any employee of the Contractor. The parties mutually negotiate this waiver to this agreement.

9. Defense & Indemnity Agreement: The Contractor agrees to defend, indemnify, and save harmless the City, its appointed and elective officers and employees, from and against all loss or expense, including, but not limited to, judgments, settlements, attorneys' fees and costs by reason of any and all claims and demands upon the City, its elected or appointed officials or employees for liability arising from the acts or work of the Contractor, its employees, subcontractors, or agents pursuant to this Agreement, except only such injury or damage, or portion thereof, as shall have been occasioned by the sole negligence of the City or its appointed or elected officials or employees. It is further provided that no liability shall attach to the City by reason of entering into this contract, except as expressly provided herein.

10. Compliance with laws: Contractor shall be duly licensed, including properly registering with the City of Bellingham and shall comply with all applicable federal, state, and local laws, rules and regulations, including, but not limited to, those pertaining to non-discrimination and debt collection practices.

11. Conflict of Interest: If at any time prior to commencement of, or during the term of this Agreement, Contractor or any of its employees involved in the performance of this Agreement shall have or develop an interest in the subject matter of this Agreement that is potentially in conflict with the City's interest, then Contractor shall immediately notify the City of the same. The notification to the City shall be made with sufficient specificity to enable the City to make an informed judgment as to whether or not the City's interest may be compromised in any manner by the existence of the conflict, actual or potential. Thereafter, the City may require the Contractor to take reasonable steps to remove the conflict of interest. The City may also terminate this contract according to the provisions herein for termination.

12. Contract Administration:

12.1 The City hereby appoints, and the Contractor hereby accepts, the City Finance Director, or her designee, as the City's representative, hereinafter referred to as the

Administrative Officer, for the purposes of administering the provisions of this Agreement, including the City's right to receive and act on all reports and documents, and any auditing performed by the City related to this Agreement.

12.2 Except as expressly set forth elsewhere in the Agreement, for all purposes under this Agreement except service of process, written notice shall be delivered to the addresses provided at the beginning of this Agreement. Notice may be given by delivery or by depositing in the U.S. Mail, first class postage prepaid.

13. Dispute Resolution:

13.1 *Additional Compensation Disputes:* Differences between the parties arising under this Agreement shall be brought to the attention of the City at the earliest possible time in order that such matters may be settled or other appropriate action promptly taken. Except for such objections as are made of record in the manner hereinafter specified and within the time limits stated, the records, orders, rulings, instructions, and decisions of the Administrative Officer shall be final and conclusive.

13.1.1 The Contractor shall not be entitled to additional compensation which otherwise may be payable, or to extension of time for (1) any act or failure to act by the Administrative Officer or the City, or (2) the happening of any event or occurrence, unless the Contractor has given the City a written Notice of Potential Claim within ten (10) days of the commencement of the act, failure, or event giving rise to the claim, and before final payment by the City. The written Notice of Potential Claim shall set forth the reasons for which the Contractor believes additional compensation or extension of time is due, the nature of the cost involved, and insofar as possible, the amount of the potential claim. Contractor shall keep full and complete daily records of the work performed, labor and material used, and all costs and additional time claimed to be additional.

13.1.2 The Contractor shall not be entitled to claim any such additional compensation, or extension of time, unless within thirty (30) days of the accomplishment of the portion of the work from which the claim arose, and before final payment by the City, the Contractor has given the City a detailed written statement of each element of cost or other compensation requested and of all elements of additional time required, and copies of any supporting documents evidencing the amount or the extension of time claimed to be due.

13.2 *Notice:* Should either party hereto believe the other has failed to substantially perform its obligations hereunder, it shall deliver written notice to that effect to the other specifying the alleged default and giving the other party fifteen (15) calendar days to cure such default. Thereafter, should the identified default not be remedied to the satisfaction of the non-defaulting party, this Agreement may be terminated pursuant to section 3 above.

14. Contractor's Studies, Reports and Work Product:

14.1 The Contractor may be required to prepare such information and studies as may be pertinent and necessary, or as may be requested by the City, in order that the City may pass critical judgment on the work. This item does not constitute additional work as described in this Agreement.

14.2 All documents, maps and other materials of whatever kind prepared by the Contractor pursuant to this Agreement shall be deemed property of the City upon completion or termination of the Agreement. The Contractor may keep file copies of its work product but shall retain no other rights of ownership therein.

15. Miscellaneous Provisions:

15.1 *Modifications:* Either party may request changes in the Agreement. With the exception of the automatic changes in compensation as provided by Exhibit B hereto, any and all other modifications, to be valid and binding upon either party, shall be in writing and signed by authorized representatives of both parties. Work in addition to, or different from, that provided for in Exhibit A shall only be allowed by prior authorization in writing and as a modification hereto.

15.2 *Severability:* If any term or condition of this contract or the application thereof to any person(s) or circumstances is held invalid, such invalidity shall not affect other terms, conditions or applications which can be given effect without the invalid term, condition or application. To this end, the terms and conditions of this contract are declared severable.

15.3 *Waiver:* Waiver of any breach or condition of this contract shall not be deemed a waiver of any prior or subsequent breach. No term or condition of this contract shall be held to be waived, modified or deleted except by a written instrument, signed by the parties hereto. The failure of a party hereto to insist upon strict performance of any of the covenants and agreements of this Agreement, or to exercise any option herein conferred in any one or more instances, shall not be construed to be a waiver or relinquishment of any such, or any other covenants or agreements, but the same shall be and remain in full force and effect.

15.4 *Venue and Choice of Law:* In the event that any litigation should arise concerning the construction or interpretation of any of the terms of this Agreement, the venue of such action of litigation shall be in the courts of the State of Washington in and for the County of Whatcom. The laws of the State of Washington shall govern this Agreement.

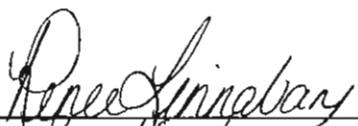
15.5 *Survival:* The provisions of section 4, 5, 6, 7, 9, and 14, if utilized, shall survive, notwithstanding the termination or invalidity of this Agreement for any reason.

15.6 *Assignment and Subcontracting:* The performance of all activities contemplated by this Agreement shall be accomplished by the Contractor. No portion of this contract may be assigned or subcontracted to any other individual, firm or entity without the express and prior written approval of the City.

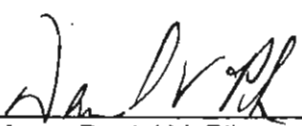
15.7 *Representations:* The parties represent that they are authorized to enter into this Agreement and that the signatories hereto are authorized representatives of the parties.

15.8 *Entire Agreement:* This written Agreement, comprised of the writings signed or otherwise identified and attached hereto, represents the entire Agreement between the parties and supersedes any prior oral statements, discussions or understandings between the parties.

Executed this 19 day of Nov, 2008 for AllianceOne Receivables Management, Inc.:

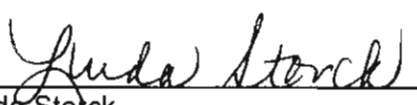

By: Renee Annabery
Title: VP

Executed this 24th day of December, 2008 for City of Bellingham:


Mayor Daniel V. Pike

Departmental Approval:

Attest:


Linda Storck
Director, Judicial & Support Services


John R. Carter, Finance Director

Approved as to Form:

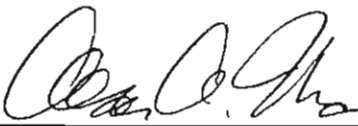

Office of the City Attorney

EXHIBIT "A"

Service Specifications and Scope of Work:

1. Collection Efforts

- 1.1. The City is customer service oriented and firmly believes in a positive approach in dealing with debtors. The Contractor shall not use tactics that may be interpreted as harassment or as demeaning or that may reflect poorly on the City's efforts. The City prohibits any collection enforcement procedures not consistent with the City's requirements. The City requires the Contractor to exercise high ethical standards in their collection philosophy and techniques. The Contractor shall conduct its collection business in a professional manner, which will preserve the dignity of the City and its relationship with its citizens.
- 1.2. The Contractor shall meet with the City Finance Director at least annually to review collection methodology and performance.

2. Legal Requirements

- 2.1. The Contractor shall handle and process all accounts referred by the City, in strict conformity with all applicable Federal and Washington State laws, and any applicable laws the City may enact, including but not limited to:
 - 2.1.1. Washington State laws enacted or hereinafter amended governing collection agencies and practices, including but not limited to, RCW 19.36 "Washington State Collection Contractor Act", 1986 and "Unfair Business Practices Act" and RCW 3.02 "Use of Collection Agencies."
 - 2.1.2. Federal laws enacted or hereinafter amended governing collection agencies and practices, including but not limited to, the "Fair Debt Collection Practices Act" (15 USC 1692, et seq.), and all applicable laws and regulations of the United States Postal Service and the Federal Trade Commission.

3. Confidentiality

- 3.1. The Contractor shall maintain confidentiality of all documents and information provided by the City, except as to disclosure required by State and Federal laws and regulations

4. Records

- 4.1. The Contractor must maintain a complete, separate and detailed record of each account (using the City's account, citation, or case number), including all collection actions taken for related transactions and communications, for a period of no less than six years after termination of the collection action or each account. The Contractor shall grant the City access to these records for inspection purposes during reasonable business hours for six years after termination of the collection contract.
- 4.2. The Contractor shall employ a Certified Public Accountant firm to perform an annual financial audit of the Contractor. A copy of the audit report and

any management letters or auditor comments relevant to the Contractor's fiscal/management practices affecting or having the potential to affect the performance of services described in this contract. These documents shall be sent to the City Finance Director on an annual basis for each year covered by the contract for services.

5. Types of Referrals

5.1. General Accounts

5.1.1. General Accounts shall mean fines, assessments, fees, penalties, past due accounts, or other amounts owed the City, excluding all accounts referred by the Bellingham Municipal Court.

5.1.2 The Contractor shall accept referrals from the City only through the Finance Director or her designee for general accounts. The Contractor shall not have full rights to the accounts and shall only be able to pursue collections on behalf of the City. The City shall provide copies of documentation as required by the Contractor to respond to debtors' requests. The City will make every effort to provide all pertinent information to the Contractor through the account referral data in a format approved by the City.

5.1.3. The Contractor shall allow for time payment agreements and place this statement on all collection notices. The Finance Director or her designee shall set parameters in which the Contractor may accept a payment agreement without permission of the City.

5.1.4. The Contractor shall not have authority to accept a compromise settlement on any account without written consent of the Finance Director or her designee. This consent may be accomplished by setting written parameters in which the Contractor may accept a settlement without permission.

5.2. Court Accounts

5.2.1. Court Accounts shall mean fines, fees, penalties, restitution, assessments or other amounts owed the Bellingham Municipal Court.

5.2.2. The Contractor shall only accept referrals from the Judicial Director or her designee or her designee for court accounts. The City shall provide copies of documentation as required by the Contractor to respond to debtors' requests. The City will make every effort to provide all pertinent information to the Contractor through the account referral data in a format approved by the City.

5.2.3. Bellingham Municipal Court may cancel an account at any time without any cost incurred by e-mailing or faxing a cancel and return form identifying specific case names and numbers to the Contractor.

5.2.4. The Contractor shall allow for time payment agreements and place this statement on all collection notices. The Judicial Director or her

designee shall set parameters in writing by which the Contractor may accept payment agreements without permission of the court.

- 5.2.5. The Contractor, at its own expense, shall install and maintain hardware and software necessary to provide the City immediate on-line inquiry on the current status of accounts referred. The Judicial Director or her designee shall designate the locations.
- 5.2.6. The Bellingham Municipal Court participates in a countywide Re-Licensing Program for reinstatement of driver's licenses. The contractor agrees to implement any such program adopted by the Court. The program may include such measures as the timely release of failure to appear (FTA) status on the driving record while monthly payments are made to the contractor, or the reduction or cancellation of accounts.
- 5.2.7. The Contractor shall not have authority to accept a compromise settlement on any account without written consent of the Court. This consent may be accomplished by setting written parameters in which the Contractor may accept a settlement without permission.
- 5.2.8. The Contractor shall file claims and represent the City in any bankruptcy for a Court Account referred to the Contractor. On a monthly basis, the Contractor shall submit to the Judicial Director or her designee a list of new bankruptcy claims filed. The Contractor shall notify the Judicial Director or her designee of any notice or correspondence from the bankruptcy court or trustee.

5.3. NSF/Returned Checks

- 5.3.1. NSF/returned checks means any check not honored and returned to the City for any reason, except "Stop Payment" checks. Check may be drawn on U.S. or Canadian banks.
- 5.3.2. Currently, City NSF/returned checks fees are \$25 for U.S. checks and \$25 for Canadian checks.
- 5.3.3. At the sole discretion of the Finance Director, the Contractor shall receive NSF/returned checks directly from the City's bank or from the Finance Director in a timely manner.
- 5.3.4. Within fifteen (15) days of receipt of an NSF/returned check, the Contractor shall provide any notices to the debtors that are required by law and/or necessary to collect the debt owed the City. *If an NSF/returned check and handling fee remains unpaid after any response period provided for in the notice, the Contractor can assess and retain any other amounts permitted by statute.*
- 5.3.5. At the end of the 15-day period, at the sole discretion of the City, collection efforts on the NSF/returned check may be continued as a General Account collection item.

6. Collection Fees/Costs

6.1. General Accounts

- 6.1.1. For all general accounts referred by the City, unless otherwise instructed by the Finance Director, the Contractor fee shall be added by the Contractor to the principal amount of the debt, pursuant to RCW 19.16.500 and Contractor shall post said fee to its account record, collected by the Contractor from the debtor, and deducted by the Contractor prior to remitting the principal amount to the City, as presently authorized by state law.
- 6.1.2. Should there be changes in laws or City policy that allow a different method for recovering collection contractor fees, the Contractor shall modify its methods accordingly, upon instruction from Finance Director.
- 6.1.3. The Contractor shall accrue interest on outstanding balances at the rate of twelve percent per annum upon assignment to collections from the City and only while in active collection status. All interest collected will be remitted to the City.
- 6.1.4. If an account is reduced or cancelled by the City, no collection fee will be due the Contractor for the amount so reduced or cancelled.

6.2. Court Accounts

- 6.2.1. For all court accounts referred by the City, unless otherwise instructed by the Judicial Director, the Contractor fee shall be added by the Contractor to the principal amount of the debt, pursuant to RCW 3.02.045 and enabling court order, and the Contractor shall post said fee to its account records. Collected by the Contractor from the debtor, and deducted by the Contractor prior to remitting the principal amount to the City, as presently authorized by state law and an enabling court order.
- 6.2.2. The Contractor shall accrue interest on outstanding balances at the rate of twelve percent per annum upon assignment to collections from the City and only while in active collection status. All interest collected will be remitted to the City.
- 6.2.3. If an account is reduced or cancelled by the City, no collection fee will be due the Contractor for the amount so reduced or cancelled.
- 6.2.4. Subject to written approval of the court, if the bankruptcy court discharges the Contractor fee, the Contractor shall be entitled to a percentage equal to the Contractor fee of the non-dischargeable debt collected. The Contractor shall deduct this amount prior to remitting the remaining principal amount to the City.

6.3. NSF/Returned Checks

- 6.3.1. For all NSF/returned checks referred by the City, unless otherwise instructed by the Finance Director, the City's NSF/returned check fee shall be added by the Contractor to the principal amount of the debt, collected by the Contractor from the debtor, and deducted by the Contractor prior to remitting the principal amount to the City.

7. Remittance

- 7.1. The Contractor shall, on the last day of each month, remit to the City monies collected for the City between the first (1st) and the fifteenth (15th) day of the same month. All monies collected for the City between the sixteenth (16th) and the last day of the month, shall be remitted on the fifteenth (15th) day of the following month.
- 7.2. If a partial payment is collected, the Contractor shall remit a pro-rata share to the City. For example, if the amount owed the City is \$100 and the collection fee is \$19 (total due of \$119) and \$90 is collected, the Contractor would remit \$75.64 to the City ($100/119 \times 90$) and would retain \$14.36 ($19/119 \times 90$).
- 7.3. If the Contractor receives payment from a debtor who owes money to other parties not related to the City, the Contractor will make every effort to pay the City first, unless specifically directed otherwise by the debtor. For court accounts, the City agrees that the Contractor may pay the oldest court account in its database first. The oldest court account is to be determined by the date of violation.

8. Reporting

- 8.1. The Contractor shall have a comprehensive computerized system to report account status, collection statistics and other information as required by the City on a daily, monthly, annual or other basis. Reports shall be received no more than seven (7) days after the completion of the appropriate period. Provided below is the minimum reporting requirements, subject to change at the sole discretion of the Finance Director.

Cash Activity Report – Court and Departments: This report tracks by court and department, on a monthly and annual basis, the total dollars collected, fees collected, interest collected, and dollars remitted to the City.

Referral Report – Court and Departments: This report tracks by court and department, on a monthly and annual basis, the number of accounts and dollars referred into active collection.

Monthly Transaction Journal – Court and Departments: This report tracks all postings to any City account by court and department. Each posting tracks amounts allocated to principal, contractor fees, interest, legal costs or fees and NSF checks.

Suit and Garnishment Report – Court and Departments: This report tracks new suits and garnishments requested during the month and all garnishments or legal fees paid in full during the month.

Aging Report – Court and Departments: This report tracks the current balance owing, amount collected on each account during the previous month and year-to-date, and the age of each account since referral by court and departments.

Client Index Report – Court and Departments: This report tracks the account status at the individual account level by court and department. The report shall include the debtor's name, account number, date assigned, amount assigned, amount collected, balance, and account status.

Monthly Interest Remittance Report – Court and Departments: This report tracks by court and department the amount of interest remitted for the previous month.

Account Acknowledgement – Court and Departments: This report is due within three (3) days of receiving accounts for placement into active collection by the court and department. It shall include the detail for each batch of accounts referred, the name of the referring department, debtor's name, account number, total amount referred, total number of accounts and total dollars listed in the batch.

Monthly Cancellation Report – Court and Departments: This report tracks account status by court and department. It shall include the debtor's name, account number, total dollars collected, dollars remitted to the City, Contractor fee collected, and remaining balance.

Monthly Bankruptcy Report – Court: This report tracks accounts that are in bankruptcy by the court. It shall include the debtor's name, account number, bankruptcy case number, total dollars collected, dollars remitted to the City, Contractor fee collected, and remaining balance.

9. Reporting to Credit Bureaus

9.1. The Contractor shall report all uncollected accounts to the major credit bureaus. Such reporting must be in accordance with all applicable federal and Washington laws including, but not limited to, the Fair Debt Collection Practices Act, Federal Equal Credit Opportunity Act, Regulations and the Consumer Credit Protection Act, as now in effect or hereinafter amended. The Contractor shall not report accounts to the credit bureaus until the Contractor has worked the account for sixty (60) days. At the request of the Finance Director or her designee, the Contractor shall remove an account notification from all affected bureaus and provide a copy of that notification to the Finance Director or her designee. In accordance with the Fair Credit Reporting Act, the City requires that accounts be cancelled from each credit bureau upon request of the Finance Director or her designee.

10. Disputed Accounts

10.1. The Contractor shall accept and process all written disputes in compliance with federal and state laws. The City will work with the Contractor to validate the debt.

11. Garnishments and Legal Suits

11.1 After all efforts of the collection process have been exhausted, the Contractor may garnish active accounts with judgments. For all accounts referred, the Contractor shall be responsible for initiating legal actions to reduce to judgment any debt owed to the City that is not already a judgment and for filing garnishments as necessary. No legal action shall commence on any account without written authorization from the Finance Director or her designee.

12. *Beneficiaries to Contract*

12.1 *This Agreement is entered into for the benefit of the City and the Contractor and no other parties are entitled to enforce its terms. No third-party beneficiaries are intended to be created or are created hereunder, and no other party can derive any benefit or right herefrom.*

13. *Debts Just and Owing.*

13.1 *The City represents that, to the best of its information at the time of referral, each account referred will contain accurate information, and will be a just debt due and owing, and will not be subject to any valid defense, set-off or counterclaim related to the debt, including that such account, or the obligor of such account, will not be subject to any pending bankruptcy proceeding, stay or discharge related to the debt as of the time of referral.*

EXHIBIT "B"

COMPENSATION

All compensation herein referenced shall be subject to the provisions of Sections 6.1, 6.2 and 6.3 of Exhibit A.

General Account collections as a percentage of referred amount:

19% Add-on fee (0.1596 retained) for new accounts assigned to ARMI on or after 11/1/09, 20__.

24% Add-on fee (0.1935 retained) for historical accounts that are aged up to four years from the Effective Date of the Agreement.

29% Add-on fee (0.2248 retained) for secondary/historical accounts that are either (a) transferred to the ARMI from a former collection agency or (b) aged four years or older from the Effective Date of the Agreement.

Court Account collections as a percentage of referred amount:

19% Add-on fee (0.1596 retained) for new accounts assigned to ARMI on or after 11/1/09, 20__.

24% Add-on fee (0.1935 retained) for historical accounts that are aged up to four years from the Effective Date of the Agreement.

29% Add-on fee (0.2248 retained) for secondary/historical accounts that are either (a) transferred to the ARMI from a former collection agency or (b) aged four years or older from the Effective Date of the Agreement.

Previously-assigned accounts will remain at their existing rates.

15-day NSF/returned check collections (US/Canadian): \$25 per check

Monthly Payment Collection Services and Fees: ARMI will offer the Signal Credit Management Services Program for COURT obligors, but COURT is under no obligation to use this program. COURT will assess and ARMI will add fees for this service ("Service Fees") as follows:

1. \$15.00 Account Set-Up Fee: a one-time charge per defendant per court of limited jurisdiction (fee charged only once while defendant remains in an active Signal program, even should new cases be added to the active program; setting up a new Signal program after a program has been completed or discontinued requires another Set-Up Fee).
2. \$4.75 Monthly Fee: one charge per account per defendant with one case.
3. \$8.25 Monthly Fee: one charge per account per defendant with multiple cases.
4. \$7.75 Monthly Fee: one charge per account per defendant with one case who has fallen into "past due status."
5. \$11.25 Monthly Fee: one charge per account per defendant with multiple cases who has fallen into "past due status."

Where a Signal account is assigned to full collection, Service Fees shall not be added to the principal amount of the debt for purposes of calculating ARMI'S Collection Fee authorized in subparagraph B above, but can otherwise be collected.

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
10/16/08

PRODUCER Moreton & Company - Utah 709 East South Temple Salt Lake City, UT 84102 801 531-1234	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
	INSURERS AFFORDING COVERAGE	NAIC #
INSURED Alliance One Holding Company, Inc. And All Subsidiaries More Than 50% Owned 4850 E. Street Road; Suite 300 Treviso, PA 19053	INSURER A: Executive Risk Indemnity Inc.	
	INSURER B: Indian Harbor Insurance Company	
	INSURER C:	
	INSURER D:	
	INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS								
		GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <hr/> GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC				EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$								
		AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$								
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY: EA ACC \$ AGG \$								
		EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <hr/> DEDUCTIBLE RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$								
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<table border="1"> <tr> <td>WC STATU-TORY LIMITS</td> <td>OTH-ER</td> </tr> <tr> <td>E.L. EACH ACCIDENT</td> <td>\$</td> </tr> <tr> <td>E.L. DISEASE - EA EMPLOYEE</td> <td>\$</td> </tr> <tr> <td>E.L. DISEASE - POLICY LIMIT</td> <td>\$</td> </tr> </table>	WC STATU-TORY LIMITS	OTH-ER	E.L. EACH ACCIDENT	\$	E.L. DISEASE - EA EMPLOYEE	\$	E.L. DISEASE - POLICY LIMIT	\$
WC STATU-TORY LIMITS	OTH-ER													
E.L. EACH ACCIDENT	\$													
E.L. DISEASE - EA EMPLOYEE	\$													
E.L. DISEASE - POLICY LIMIT	\$													
A		OTHER Professional	82089529	09/01/08	09/01/09	\$5,000,000 1st Layer								
B		Errors & Omissions	MPE0027157	09/01/08	09/01/09	\$5,000,000 2nd Layer \$100,000 Deductible								

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
Evidence of Coverage Only

CERTIFICATE HOLDER City of Bellingham 2014 C. Street Bellingham, WA 98225	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL <u>30</u> DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE <i>Kerry Oldroyd</i>
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IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.