

AGREEMENT
between
THE CITY OF LOS ANGELES
and
HARRIS & HARRIS, LTD.
FOR COLLECTION SERVICES OF THE CITY'S
DELINQUENT ACCOUNTS RECEIVABLE

This Agreement is made between the CITY of Los Angeles (hereinafter referred to as the "CITY"), a municipal corporation, acting by and through its Los Angeles Fire Department (hereinafter referred to as the "LAFD") and Harris & Harris, Ltd., (hereinafter referred to as the "CONTRACTOR").

WITNESSETH:

WHEREAS, CITY utilizes outside collection agency services as a best practice in delinquent debt collection and revenue generator to the CITY; and

WHEREAS, CITY prepared and released a Request for Proposals (RFP) for Primary and/or Secondary Collection Services to pursue collection of the CITY's delinquent accounts; and

WHEREAS, the CONTRACTOR recognizes that the CITY may contract with multiple agencies for collection services and may utilize any account allocation process that it deems appropriate; and

WHEREAS, the RFP Evaluation Committee has evaluated the proposals received and recommended approval of the CONTRACTOR to the CITY Council; and

WHEREAS, the CITY Council has approved the CONTRACTOR as one of the agencies for collection services to pursue collection of the CITY's delinquent accounts; and

WHEREAS, the parties hereto wish to enter into an Agreement by which the CONTRACTOR will perform the work and furnish all labor, materials and equipment necessary to recover the monies due the CITY as a result of active pursuit of outstanding accounts receivables; and

WHEREAS, the Los Angeles Fire Department is a Covered Healthcare Entity within the CITY of Los Angeles organization, in accordance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), must enter into a separate agreement with the CONTRACTOR to ensure the security and segregation of accounts containing Protected Healthcare Information (PHI).

NOW THEREFORE, in consideration of the above premises and the covenants, representations and agreements herein contained, the parties hereby covenant and agree as follows:

ARTICLE I - SERVICES TO BE PROVIDED

The CONTRACTOR is an independent organization that will provide primary and/or secondary collection services on delinquent accounts referred to it by CITY the Los Angeles Fire Department (hereinafter referred to as "LAFD") pursuant to the terms and conditions of this Agreement.

Services to be performed by the CONTRACTOR for primary and/or secondary collection services herein include, but are not limited to, locating debtors, arranging for payments, mailing dunning notices, skip-tracing delinquent accounts, contacting debtors by telephone, filing delinquent notifications with credit bureaus and verifying assets. All correspondence between the CONTRACTOR and the LAFD and CITY debtors shall be sent by first class mail.

Primary collection services include collection efforts on initial referrals of delinquent Emergency Medical Services (EMS) Billing accounts (hereinafter referred to as "delinquent accounts") to the CONTRACTOR by the LAFD. The LAFD may refer delinquent accounts at the time reasonable collection efforts have failed, which is generally within nine (9) months of the date of initial billing.

For primary level services, the CONTRACTOR shall have a period of nine (9) months to effect collection. If the CONTRACTOR is unable to collect on the referred account within nine (9) months from assignment, the CONTRACTOR shall return the account to the LAFD and cease all collection efforts. For the purposes of this Agreement, the term "assignment" means the date that the account is referred to the CONTRACTOR. In no event shall the CONTRACTOR be entitled to any payment on the account once it has been returned to the LAFD. In limited circumstances, the LAFD, as directed by the CITY, may, at its sole discretion, elect to extend the time that the CONTRACTOR may retain said account in writing.

Secondary collection services include collection efforts on referrals of delinquent accounts that were previously assigned to a collection agency at the primary level and were returned to the CITY department by the primary level agency after at least nine (9) months from initial assignment and uncollected. For secondary level collection services, the CONTRACTOR shall have a period of six (6) months to effect collection. If the CONTRACTOR is not able to collect on the referred account within six (6) months from assignment, the CONTRACTOR shall return the account to the LAFD and cease all collection efforts. In no event shall the CONTRACTOR be entitled to any payment on the account once it has been returned to the LAFD, or the CITY. In limited circumstances, the LAFD, as directed by the CITY, may, at its sole discretion, elect to extend the time that the CONTRACTOR may retain said account in writing.

The CONTRACTOR shall only perform primary level or secondary level collection services on any particular account that is referred to it by the LAFD and shall not under any circumstance perform both primary and secondary level collections on the same account.

The CONTRACTOR is prohibited from instituting any legal action on behalf of the LAFD or the CITY against any debtor or performing any service that would constitute the practice of law in the State of California. The CONTRACTOR is also prohibited from using any threats of legal action. The CONTRACTOR may only inform the debtor of

consequences of non-payment, such as reporting to credit bureaus. If the CONTRACTOR determines that legal action or legal services are required, the CONTRACTOR shall make a recommendation for such action and return the account to the LAFD. Under this circumstance, the CONTRACTOR may communicate to debtor that the matter is being returned to the LAFD with a recommendation to consider further legal recourse.

In the event an account assigned to the CONTRACTOR is determined to be uncollectible, by LAFD, CITY, or CONTRACTOR, for reasons that include, but are not limited to, a debtor's bankruptcy filing, court-ordered receivership is granted over debtor's business, debtor is deceased or decedent's estate does not have sufficient assets to satisfy the indebtedness, the CONTRACTOR shall cease all collection efforts on said account upon receipt of this information and return the account to the LAFD with notification of the reason(s) for return of the account, as detailed in Article V of this Agreement.

ARTICLE II - REFERRAL PROCESS

Under no circumstance shall the CONTRACTOR initiate collection on behalf of the LAFD prior to written permission from the LAFD. Execution of this Agreement by the Parties does not obligate or guarantee that the LAFD will actually refer any accounts to the CONTRACTOR. At any time, the LAFD may, at its sole discretion, utilize the services of the CONTRACTOR or another contracted agency. This Agreement only applies to EMS Billing accounts referred by the LAFD. The CONTRACTOR agrees to meet with the LAFD, and in good faith, establish procedures, including, but not limited to, the secure transmittal to CONTRACTOR of all accounts; recording of individual account transactions; processing and documentation of payments against accounts; CONTRACTOR's HIPAA security practices and results of audits; transmittal of account information back to the LAFD; and the return, destruction or retention of account data.

The LAFD may use more than one means/methods to assign accounts to the CONTRACTOR that includes electronic transmission, electronic file, or in writing. For the purposes of this Agreement, the term "assign" means the transfer of accounts by the LAFD to the CONTRACTOR to effect collection. Assigned accounts will include the following information, if available, and any other relevant information that the LAFD may have at the time of referral as deemed appropriate:

- Debtor Name(s)
- Debtor Address
- Type of Account
- Unpaid Balance Outstanding

ARTICLE III - PERFORMANCE REQUIRMENTS

- A. In performing collection services for the LAFD, the CONTRACTOR shall adhere to the highest legal, ethical, and professional standards. The CONTRACTOR shall comply with the Taxpayer Bill of Rights and perform services in a manner that is consistent with all federal and state fair debt collection practices, acts and confidentiality provisions, including, but not limited to California Civil Code Sections 1788 et seq. In addition, all

information and data received by the CONTRACTOR from the CITY shall be regarded as confidential under Section 21.17 of the Los Angeles Municipal Code.

Moreover, for collection of LAFD EMS accounts, the CONTRACTOR shall maintain at all times compliance with all Health Insurance Portability and Accountability Act (HIPAA) regulations and requirements as set forth in Title 45 of the Code of Federal Regulation (Parts 160, 162 and 164) and the American Recovery and Reinvestment Act of 2009 which added the Health Information Technology for Economic and Clinical Health Act of 2009 (Sections 13400 et seq.) throughout the term of the contract. CONTRACTOR agrees to sign the Business Associate Agreement (hereinafter referred to as "BAA", and included in this Agreement as Exhibit A) with the Fire Department prior to receiving any EMS accounts for collection. The CONTRACTOR is required to integrate with existing LAFD HIPAA compliant systems to ensure secure electronic transfer and documentation of EMS related records.

In addition, in performing the services requested, the CONTRACTOR shall:

1. Perform its work as an independent CONTRACTOR and shall, at all times, inform the debtors that it is acting as a collection agency for the CITY but that it is an entity separate and distinct from the CITY;
2. Collect on only amounts authorized by the CITY and shall not add or collect any amounts not authorized by the CITY;
3. Deposit all monies collected for the LAFD into a special trust fund which shall be kept separate and not commingled with other funds of the CONTRACTOR or other clients of the CONTRACTOR. If the trust fund is an interest accruing account, such accruals must be credited to the CITY. All monies collected by the CONTRACTOR for the CITY shall be remitted to the CITY on a monthly basis; as defined in this Article and Article V of this Agreement;
4. Deliver to the LAFD on or before the fifteenth (15th) of each month all monies collected during the previous month. The CONTRACTOR shall not, for any reason, withhold monies collected during the previous month on any account referred to the CONTRACTOR by the LAFD and shall promptly deliver said payments to the LAFD as specified above. Together with the monthly delivery of monies collected during the previous month, the CONTRACTOR shall submit an invoice in duplicate for commission owed and a remittance report summarizing detailed information for payments received in accordance with the requirements outlined in Article V of this Agreement;
5. Obtain approval from the LAFD as to form and content for all letters used by the CONTRACTOR to effect collection before use;
6. Engage in payment plans, when determined appropriate, with the CITY debtors for a term of no longer than one year. Payment plans in excess

of one year require written approval from the CITY Fire Chief or Fire Administrator;

7. Agree that any information provided by the LAFD on delinquent accounts will be used solely for the purpose of collection, held in the strictest of confidence and used for no other purpose;
8. Maintain all LAFD information and records separate from information and records related to other clients;
9. Bear all expenses and costs incurred to effect collection of any account referred by the LAFD;
10. Report CITY department accounts to credit bureaus within 45 days of assignment, except for instances when the CITY has approved in writing a change in this time frame. The account may remain on a credit bureau report for the duration of the time in which the account is assigned with the CONTRACTOR and any written extension granted by the CITY, but upon return of the account to the CITY, the CONTRACTOR will instruct credit bureaus to remove any negative data reported relative to the account;
11. Provide electronic payment options to debtors including online, credit or debit card, e-check, ACH, as well as other CITY approved methods;
12. Return to the LAFD, in automated format or other manner specified by the LAFD, all accounts that remain uncollected by the CONTRACTOR upon nine (9) months from assignment for primary collection and six (6) months from assignment for secondary collection, and shall cease all collection efforts, except for instances where payment plans are in affect and active payments are made in accordance with the plan or in limited circumstances where the LAFD, at the direction of the CITY may, at its sole discretion, elect to extend the time that the CONTRACTOR may retain said account in writing. In no event shall the CONTRACTOR be entitled to any payment on the account once it has been returned to the CITY. The CONTRACTOR shall report to the LAFD, as outlined in Article V of this Agreement, on any account returned prior to or retained past the allotted time specified by the CITY to effect collection in this Agreement;
13. Be able to accept account data through various communication methods employed by the LAFD, whether paper-based or electronic. The CONTRACTOR must work with the LAFD and its EMS billing CONTRACTOR(s) to develop systems interfaces for efficient and secured data transfer of their accounts. All costs associated with the development of said systems will be borne by the CONTRACTOR;
14. Comply with any special collection campaigns authorized by the CITY, wherein selected account types may be targeted for specified reductions in balances owed, for example, offer in compromise and debt amnesty programs.

Moreover, in performing the services requested, the CONTRACTOR shall not:

15. Subcontract, assign, refer or transfer any account referred to it by the LAFD, or otherwise assign its rights or delegate its duties under this Agreement to any other person or entity, including any attorney, without the express written consent of the LAFD;
16. Collect more than the amount of the assigned debt and any applicable contingency fees authorized by the CITY to be added to the assigned amount. The CITY's assigned debt may include both the principal amount and any penalties or interest on the unpaid principal amount, including any accrued amounts authorized by the CITY. The CONTRACTOR shall not add and/or collect penalties, interest or fees not authorized by the CITY in writing. Any additional authorized or unauthorized amounts collected by the CONTRACTOR shall be remitted to the LAFD and/or the CITY, as defined in Article V of this Agreement;
17. Threaten or intimidate debtors under any circumstances in the collection of the LAFD's accounts or violate any applicable government laws or regulations;
18. Use or display the official seal of the CITY of Los Angeles or the Los Angeles Fire Department on any of its letterheads or communications with any debtor for any reason;
19. State or suggest, in any verbal or written communication, that the CONTRACTOR intends to pursue legal action against the debtor, or imply that it has any authority to do so;
20. Take any legal action against a debtor on a CITY account;
21. Initiate, negotiate, or reach settlements on any account assigned to it for collection nor directly or indirectly imply that it has such authority, unless authorized by the CITY in writing;
22. Recommend to debtors the use of "payday" loans to satisfy CITY accounts, or any loans through a lender wherein the CONTRACTOR has any financial interest in the lender or where the CONTRACTOR would realize any additional financial gain through referral of business to the lender;
23. Perform secondary level collection services on any account in which it has previously performed primary collection services under this Agreement.

B. Recall of Accounts

The LAFD shall have the right at their sole discretion to recall from the CONTRACTOR without charge or penalty any account(s) assigned to the CONTRACTOR. For purposes of this Agreement, the term "recall" means