

County of Humboldt
Headwaters Revolving Loan Fund
Participation Certificate

Lender

Arcata Economic Development Corporation
 707 K Street
 Eureka, CA 95501

Participant

County of Humboldt
 825 5th Street
 Eureka, CA 95501

Borrower

Nick Wilde and Elizabeth Wilde, dba Salyer Store

50 Salyer Ln.

Salyer, CA 95563

Proposed Use Of Loan

Purchase of Salyer Store business, property, inventory, renovation costs, and working capital

Note Date	Note Number	Principal Amt. Outstanding	Lender Investment	Participant Investment
TBD	TBD	\$640,000.00	\$320,000.00	\$320,000.00

Note Due Date	Lender Interest Rate	Participant Interest Rate	Date of First Borrower Payment	Monthly Payment from Borrower
TBD	7.00%	7.00%	TBD	~\$4,524.00

Lender has agreed to sell and assign, and Participant has agreed to purchase, for the amount of Participant's Investment shown above, which shall be paid by Participant upon written notification of loan closing from the Lender, an undivided interest in the principal amount outstanding of that certain promissory note or notes (the "Note") of Borrower to Lender

described above equal in amount to that percentage of the Principal Amount Outstanding which Participant's Investment is of the Principal Amount Outstanding; and Lender certifies that upon the date of such payment by Participant, Participant will be the owner of such an interest in the Note and will be entitled, under the circumstances and to the extent provided herein, to enforce and collect the Note. For purposes of this Agreement, the loan will be considered closed when all loan and security instruments have been duly executed, filed and recorded all of which is evidenced by executed security agreements, guarantees, assignments, mortgages and/or financing statements in favor of Lender.

1. Collections and Expenses

Lender shall receive all Collections, as defined in Section 3C, and apply them on the day of receipt as follows: Collections shall be applied first to interest which is due on the Note at the Lender Interest Rate and Lender shall remit to Participant, from the Interest Collected, an amount of interest computed at Participant's Interest Rate on the unpaid balance of Participant's Investment less an agreed service fee as indicated in Section 1C. Such service fee shall be retained by Lender from each Collection. Collections in excess of Interest Collected are "Principal Collected" and Lender shall remit to Participant Participant's Percentage of Principal Collected, less Participant's Percentage of Expenses, as indicated below, not previously paid by Participant. Participant's Percentage of Principal Collected is:

A. Participant's share of collections.

\$320,000.00 Prorata. 50.00% of Principal Collected.
None Reimbursed Expenses. Participant's Percentage of expenses paid by Participant to Lender and recovered by Lender.

B. Participant's percentage of expenses.

None Shared Expenses. None % of Expenses.

C. Participant's payment to Lender for Servicing.

Forty percent (40%) of interest collected on the Participating Interest as a Service Fee.

Lender shall retain n/a % of the unpaid balance of the Participant's Investment, or Lender shall retain \$ none per transaction.

2. Administration and Servicing

Lender will service and manage the loan in accordance with its usual practices and will exercise the same degree of care to protect Participant's interest as it does its own. So long as Lender exercises such care in the servicing and management of the loan, it shall not be under any liability to Participant with respect to anything it may do or refrain from doing in the exercise of its judgment or which may seem to Lender to be necessary or desirable in the servicing and

management of the loan, except for its willful misconduct. Subject to the limitations set forth in the Master Participation Agreement, the Lender Agreement, and the Lender Manual, Lender may take any action determined by it in its sole discretion to be appropriate to enforce payment. Lender shall immediately notify Participant of any material default of Borrower of which it becomes aware and of any other matters, which, in its judgment, materially affect the interest of the parties in the loan. In the event of default by the Borrower, it is hereby agreed that if either party to this agreement deems foreclosure a necessary remedy, foreclosure of both parties' interests in the loan will be required. In the event adequate funds are not available to meet regular installments of the loan therein described, the funds available will be apportioned to the parties hereto based upon their respective current installments of principal and interest due.

In the event of foreclosure, sale or liquidation of the secured real or personal property, fixed assets, or other obligations due to the parties hereto, from the Borrower, such sums received from foreclosure, sale, or liquidations shall be paid to each of the parties hereto in direct proportion to the original principal amounts advanced by the parties following the partial reimbursement of the direct collection costs incurred by the Lender. These costs shall only include direct payment to non-staff professionals and legal fees for recouping the funds. These costs shall be shared in proportion to the blended interest rate being earned by each of the two parties. (For example, if there is a fifty/fifty participation on a \$200,000 loan at ten percent interest, Lender is earning thirteen and a half percent interest (13.5%) on lenders funds loaned and participant is earning six and one half percent (6.5%) on participant funds loaned. This means lender is earning sixty-eight percent (68%) of the interest and Participant is earning thirty-two percent (32%) of the interest. Thus collection costs would be split at that rate among the Lender and the Participant before the remaining funds collected are paid in proportion to the original amount advanced by the parties.)

3. Additional Terms

This certificate includes the following additional terms:

- A. **Documentation.** Lender will retain for itself and Participant the Note, all possessory collateral securing the Note, and all agreements, guarantees and other documents relative to or securing the Note (the "Agreement"). Lender will furnish to Participant copies of the Note and Agreement and all annual financial statements of Borrower received by Lender and will furnish to Participant copies of all notices and other financial statements of Borrower received by Lender. Participant may, upon request and at any time during normal business hours, examine the records of Lender relating to the loan evidenced by the Note.
- B. **Collateral.** The collateral, if any, for the loan, shall be evidenced by executed security agreements, guarantees, assignments, mortgages and/or financing statements in favor of the Lender. The parties hereto agree that their respective positions as secured creditors with reference to the loan herein described will be considered to be in a parity position as between the parties hereto. As used herein, parity shall mean equal rights with reference to the collateral, which is the security for the loan, so that in the event of default by the Borrowers, each of the parties will be affected on a proportionate basis.
- C. **Collections.** "Collections" means all payments of principal and interest received

by Lender on the Note, including payments by or on behalf of Borrower, payments received from guarantors or sureties, payments received by means of set-off by Lender and net proceeds received from the disposition of collateral for the Note. In the event any Collections remitted to Participant are not finally collected by Lender or are required to be repaid by Lender to or for the account of Borrower, Participant shall return such Collections to Lender, but only if Lender has requested them in writing within sixty (60) days of the Collections being remitted to Participant.

- D. Other Loans. Any amounts advanced or additional loans made to the Borrower which are in excess of the original amount of the loan as herein described will not be covered by the Agreement; provided, however, that “protective advances” made by either party hereto, for the mutual protection of both parties, shall receive first priority in the apportionment of funds as herein described. “Protective Advances” by any party shall only be made after written consent by Participant. For the purpose of this Agreement, the parties agree that “protective advances” are payments made by one of the parties hereto for the purpose of protection of the financial interests of the parties, which are added to the principal amount due from the Borrower.
- E. Term. This agreement shall commence on the Note Date indicated above and shall terminate upon full repayment of Participant’s interest in the Note.
- F. Miscellaneous.
1. Lender will not transfer its interest in the Note without the prior written consent of the Participant.
 2. Any notice or consent required or permitted to be given hereunder must be in writing and may be served personally or by mail; if served by mail, it shall be registered or certified mail with evidence of post office mailing and return receipt requested. If served by mail, it shall be addressed as follows:

Lender

Arcata Economic Development Corporation
Attn: Executive Director
707 K Street
Eureka, CA 95501

Participant

County of Humboldt
County Administrative Officer
Attn: Headwaters Fund
525 5th Street
Eureka, CA 95501

3. This Agreement binds and insures to the benefit of the successors and assigns of the parties hereto and is governed by the laws of the State of

California. This Agreement shall remain in full force and effect until such time as the loan herein described has been satisfied of record or this Agreement is otherwise terminated in accordance with the provisions of the Master Participation Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the following date.

DATED: _____

Lender

Signature

Ross Welch, Executive Director

Name and Title

Participant

Signature

Name and Title

Draft