

A. MASTER NON-RECOURSE PARTICIPATION AGREEMENT

ANY LOAN PARTICIPATION PURCHASED AND SOLD PURSUANT TO THIS AGREEMENT CONSTITUTES A SALE OF A PERCENTAGE OWNERSHIP INTEREST IN THE INDEBTEDNESS, NOTE OR NOTES, COLLATERAL AND OTHER LOAN DOCUMENTS AND SHALL IN NO WAY BE CONSTRUED AS AN EXTENSION OF CREDIT BY THE BUYER TO THE SELLER. THE INTEREST BEING PURCHASED IN THE LOAN PARTICIPATION MAY NOT BE LIQUIDATED IN A TIMELY MANNER IF THE BORROWER IS UNABLE TO REPAY THE LOAN WHEN DUE, AND LOAN COLLECTION ACTIVITY MAY BE REQUIRED TO CONVERT THE LOAN INTO CASH RESOURCES. AS SUCH, THIS PARTICIPATION INTEREST SHOULD NOT BE CONSIDERED READILY LIQUID, AS THE TIME TO LEGALLY COLLECT ON THE LOAN AND CONVERT THE LOAN TO CASH PROCEEDS MAY BE CONSIDERABLE.

This Master Non-Recourse Participation Agreement (hereinafter referred to as "Agreement") is made this ____ day of _____, 2013 by and between **North Island Financial Credit Union, a California chartered credit union** (hereinafter referred to as "Lead Lender, Originator, Servicer or Seller"), and **XXXXXX, a XXXXX chartered credit union** (hereinafter referred to as "Buyer").

THE ABOVE PARTIES ACKNOWLEDGE THAT BY EXECUTING THIS AGREEMENT, EACH PARTY IS AGREEING TO BE BOUND BY THE TERMS OF THIS AGREEMENT WHENEVER IT ENGAGES IN A LOAN PARTICIPATION TRANSACTION, AND THE PARTICIPATION CERTIFICATE REFLECTS THAT THE PARTICIPATION TRANSACTION IS SUBJECT TO THIS AGREEMENT.

A. Background

1. The Parties desire to enter into this Agreement wherein Seller may sell and Buyer may buy a portion of any qualifying loan. Seller, Buyer, Servicer and Borrower (as those terms, with others, are hereinafter defined) of a particular loan (hereinafter the "Loan") will be identified in the Loan Participation Certificates and which are incorporated by reference into this Agreement. The Loan Participation Certificates will also set forth all the economic terms of the Participation Interest (as hereinafter defined) in the particular transaction negotiated between Seller and Buyer, and the identity of borrower (hereinafter "Borrower"). Buyer, Seller and any other buyers of participation interests in the Loan are collectively referred to as "Participants". Buyer and Seller are collectively and individually referred to as "Parties" or "Party." Seller shall service the Loan and in such role shall be referred to as the "Servicer." The duties and rights of the respective Parties are more specifically described within this Agreement.
2. The promissory note (hereinafter referred to as the "Note") for the Loan is attached to each Loan Participation Certificate as Exhibit "A" thereto. If the interest rate on the Note is variable, the amount of interest received by Seller and by Buyer shall vary and will increase or decrease based upon changes in the interest rate on the Note.
3. Borrower's performance of its obligations under the Note and Loan Agreement (if applicable) is to be secured by a Deed of Trust (hereinafter referred to as the "Deed of Trust"), a copy of which will be provided to Buyer, which Deed of Trust shall constitute a first lien on the real property described therein, unless otherwise fully disclosed by the Seller; such priority to be assured by an ALTA policy of title insurance in favor of Seller.
4. Participants have reviewed the Loan Documents (which are comprised of the Note, the Deed of Trust, all the business and personal financial statements, tax returns, collateral

information and other supporting documents) and have made an independent investigation into and determination of the Borrower's financial condition and credit worthiness and the value and lien status of the collateral securing the Loan.

5. As a result of said independent investigation into and determination of Borrower's financial condition and credit worthiness and the value and lien status of the collateral securing the Loan and based on the representations and warranties provided by Seller and Servicer herein, Buyer desires to purchase an undivided interest in the Loan on the terms and conditions hereinafter set forth.

B. Purchase and Sale

1. Seller agrees to sell, assign, and transfer to Buyer and Buyer agrees to purchase from Seller a Participation Interest in the Loan subject to the terms and conditions of this Agreement. Seller may sell undivided interests in the Loan to more than one buyer.
2. The respective Participation Interest of Buyer shall be evidenced by the Loan Participation Certificate, which shall be executed by Seller and delivered to Buyer.
3. As reflected on the Loan Participation Certificate, the Parties agree that (a) Buyer will buy the percentage of the Loan(s) that is set forth in the Loan Participation Certificate and will adjust its principal payment accordingly, if required; or (b) Buyer will not be obligated to pay more than the dollar amount set forth in the Loan Participation certificate for the Participation Interest and the percentage purchased shall be adjusted accordingly, if required.
4. The Originator must remain a Participant in the Loan throughout the life of the Loan.
5. The Originator must retain a minimum of 5% ownership interest in any participated Loan or group of Loans, unless a higher percentage is required under state law consistent with other risk retention standards, such as Dodd-Frank requirements for securitizers

C. Participation Interest

Such undivided interest in the Loan is hereinafter referred to as the "Participation Interest."

D. Buyer's Payment

Upon demand by Seller either verbally or written, as appropriate, Buyer will make available to Seller at its main office, located **5898 Copley Drive, San Diego, California**, in immediately available funds, an amount equal to the Participation Interest and/or each advance to be made under the Loan Agreement.

E. Limitation of Parties

The Parties to the Agreement are limited to federally chartered credit unions, state chartered credit unions, federally chartered financial institutions and federally insured financial institutions.

F. Non-Recourse Element of Sale

1. To comply with true sale of asset accounting rules, all participations are without recourse. Each Participant bears the risk of Borrower default on the Loan in proportion to the Participation Interest held by the respective Participant. The Loan also carries the risk of accelerated principal pay down up to and including Loan pay off.
2. However, Seller is obligated to immediately repurchase a Participation Interest, but only if its Buyer can demonstrate that there was a material misrepresentation of fact by Seller within one hundred and eighty (180) days of the sale, as set forth in Paragraph P. Seller is not obligated to repurchase a Participation Interest sold on a non-recourse basis merely because the Loan goes into default.

G. Resale of Participation Interests

Subject to regulatory compliance, and in accordance with Paragraph M herein, Buyer may sell to, or purchase a Participation Interest or portion thereof from any other Participant, or any eligible Party under Paragraph E above, at any time. If Buyer of the resold Participation interest is not a signatory on this Agreement, such Buyer's signature on the Loan Participation Certificate shall serve as agreement to assume and be bound by the terms of this Agreement and evidences such Buyer's consent to be so bound. A copy of this Agreement shall be provided to such Buyer. Seller shall not be bound by any representations or agreements made by a secondary seller to Buyer.

H. Servicer

1. Duties. Servicer will be responsible for segregating, reporting, and delivering to each Participant and any successors and assignees its pro-rata share of actual principal collections and its interest, separately designated, in a manner consistent with the respective Participation Interests then outstanding on or before the date of the month stated in the Participation Certificate. The accounting cut-off date for remittance shall be the date of the month stated in the Loan Participation Certificate. Servicer shall take collection actions in accordance with the terms of this Agreement.
2. Fees. Servicer's fee for its services is set forth in the Loan Participation Certificate. Servicer shall also receive all default penalties, extension fees, forbearance fees and late charges payable by the defaulting Borrower.
3. Financial Disclosure. Servicer shall provide on an annual basis or at the reasonable request of a Participant, current financial information on the Servicer. A financial package and other due diligence information has been compiled to meet Participant's reasonable requirements and is available at www.myisland.com/partners.

I. Covenants, Warranties and Representations

1. By Seller. Seller makes the following representations and warranties to Buyer:
 - a. Seller is authorized to sell the Participation Interest in the Loan.
 - b. The Originator is qualified to underwrite loans of the type that have been offered for sale and the Loans have been underwritten to at least the same standard as loans maintained in the Originator's direct portfolio in regards to underwriting policies and procedures.

- c. The Loan has been made by Seller pursuant to and in compliance with all applicable federal and state laws, regulations, and rules as from time to time amended, including and to the extent applicable: usury limitations, the Truth-in-Lending Act of 1968, the Equal Credit Opportunity Act, the Real Estate Settlement Procedures Act, the Fair Housing Act and the NCUA rules & Regulations.
- d. At Buyer's request, Seller will provide Buyer with copies of all relevant credit and other information currently in the possession of Seller, that were used by Seller as a basis of and for its decision to make the Loan to the Borrower.
- e. At Buyer's request, Seller will provide Buyer with copies of the Loan Documents that were executed (and/or that are to be executed) by the Borrower as well as by other co-makers, guarantors and endorsers, as applicable, under the Loan.
- f. All Borrowers are credit union members of Seller or are other persons to whom Seller was permitted by law to make the Loan.
- g. There are no events of default under the Loan and/or under the Loan Documents known to Seller.
- h. The Loan has not been classified on the books of Seller and has been properly reflected on Seller's books (and timely and properly charged off or written down) in accordance with NCUA Letter to Credit Unions 03-01 and GAAP.
- i. The Loan is presently on accrual status.
- j. The terms of the Loan have not previously been renegotiated as a result of a prior deterioration in the Borrower's financial condition.
- k. To Seller's knowledge, the Loan Documents were validly executed by the Borrower, as well as, to the degree applicable, by the co-makers, guarantors and / or endorsers under the Loan.
- l. To the extent required under applicable law, the security agreements under the Loan were (and/or will be) properly recorded in order to result in the valid perfection of a security interest on the collateral subject to such agreements.
- m. To the extent required under applicable law, Seller has taken (and/or will take, and/or will continue to take) whatever additional actions may be necessary and proper to validly perfect and maintain a security interest on the collateral securing the Loan.
- n. No conduct by Seller, not apparent on the face of written matter provided to Buyer, violates applicable law or rights of the Borrower so as to affect the full collectability of the Loan, or provide Borrower or co-maker (s) or guarantor(s) with any defense to their obligations under the Loan Documents.
- o. Except as otherwise disclosed in writing to Buyer, Seller is the sole owner of the Loan, has the full right to transfer the Participation Interest sold herein, and the same is not pledged, hypothecated or encumbered for any indebtedness of Seller or for any other purpose.
- p. Seller has no knowledge of any fact, not apparent on the face of the written matter provided to Buyer, which would materially and adversely affect the Loan. All material facts known to Seller regarding credit, character and/or financial condition of Borrower have been disclosed.
- q. Seller shall promptly notify Buyer should Seller, whether acting as Seller or in any other capacity, learn or have any knowledge of the occurrence of an event of default under the Loan Documents that remains uncured after the giving of any notice, if required under the Loan Documents, and expiration of any period in which to cure, if provided for under the Loan Documents.
- r. Seller (or its designee) has in its possession all original Loan Documents representing each such loan and all records required to be maintained for such loans and will provide, upon request, access thereto at any reasonable time during normal business hours pursuant to applicable law and regulations and will deliver copies of any such instructions and records to Buyer at Buyer's request.

- s. Seller shall promptly notify Buyer should Seller, whether acting as Seller, or in any other capacity, learn or have any actual knowledge of the following:
- i. Any material change in the financial condition of the Borrower, or of any co-maker, guarantor or endorser under the Loan, which may have a material adverse affect upon continuation of payments under the Loan or the Loan's ultimate collectability.
 - ii. Any material decrease in the value of collateral securing the Loan.
 - iii. Any change in the lien status affecting the collateral having an adverse affect on Seller's lien priority.
 - iv. Any request by Borrower, or by any co-maker, guarantor or endorser under the Loan, for any material change in the terms and conditions of the Loan, or in the terms of the Note, Deed of Trust or any other Loan document.
 - v. Any request by Borrower, or by any co-maker, guarantor or endorser under the Loan for the release, substitution or exchange of any collateral securing the Loan differing materially from any release provisions of the Loan Documents.
 - vi. Any request by Borrower, or by any co-maker, guarantor or endorser under the Loan, for the release of any personal obligations of any such party under the Loan.
 - vii. Any failure by Borrower to pay principal and/or interest payments under the Loan more than thirty (30) days past due.
 - viii. The occurrence of any other event which, with the passage of time and/or failure to cure, would constitute an event of default under the Loan, or under the Note, or under the Deed of Trust.

2. Mutual Warranties. Each Participant warrants to the other as follows:

- a. By entering into this Agreement such Participant does not violate any provision of State or Federal law applicable to it;
- b. By participating in the Agreement it is not exceeding its maximum credit limits. .
 - a. All Participants will limit purchases from one originator to not more than the greater of Five Million Dollars (\$5,000,000) or 100% of the Participant's net worth.
 - b. Unless Participant obtains a waiver from the NCUA, all Participants shall adhere to the maximum loans to one borrower, including associated borrowers, to 15% of the Participant's net worth

J. Acknowledgment of Limitation of Seller's Warranties

Buyer acknowledges that Seller has made no representation or warranty of any kind, whether expressed or implied, with respect to the validity, collectability, or enforceability of the Loan, the financial condition of Borrower, or the validity and enforceability of the Loan Documents except as expressly set forth in this Agreement. Upon Buyer's request either prior to or after a Loan Participation Interest purchase, Seller shall provide Buyer with copies of any and all Loan Documents requested by Buyer.

K. Additional Covenants of Seller

1. Legal Title to Loan

Seller shall hold legal title to the Loan with respect to which the Participation Interest is sold under this Agreement. Seller as Servicer or another Servicer agreed to by the

Participants is to act in all Loan administration and servicing matters hereunder for the other participants as an independent contractor, and to hold the Participation Interest in the Loan, and the Loan receipts hereunder, and to make the remittances as specified in this Agreement. Seller shall not transfer legal title to the Loan except in accordance with the terms of this Agreement.

2. Custody of Original Loan Documents

Servicer (or its designee) shall retain the physical possession of the original Loan Documents (or copies thereof, if Servicer is not Seller) and shall be responsible for seeing that all title evidence and policies of insurance for the account of all Participants are properly maintained. Seller and Servicer will keep all such documents in segregated files (which may include electronic media) appropriately marked to show that a Participation Interest has been sold, and all envelopes and files pertaining to such documents shall be so marked. Seller and Servicer shall hold the Loan and documents for the benefit of all owners of Participation Interests to the extent of their beneficial interests. Any Participant, or Participant's representative or regulator, including, but not limited to the National Credit Union Administration (NCUA) or the California Department of Financial Institutions and their examiners or supervisory agents, has the right at any reasonable time during normal business hours to request and have access to and examine any and all books, records and documents relating to the Loan or relating to any of the matters covered by this Agreement.

3. Seller Representations regarding Participation Interests Sold

Seller will not represent to any person that Seller owns any portion of the Participation Interest sold under this Agreement. Each Participant will reflect the transaction hereunder on its balance sheet and other financial statements in accordance with Generally Accepted Accounting Practices. Seller will reflect the transaction hereunder on its balance sheet and other financial statements as a purchase of assets by Buyer and a sale of assets by Seller.

4. Buyer as Holder of Equitable Title and Beneficial Owner of Participation Interests in Loans

Upon Buyer's payment of the purchase price for any Participation Interest in the Loan, Buyer shall immediately become vested, to the extent of its Participation Interest, with beneficial ownership of its pro rata share of the Loan and any and all of the documents of every nature in the possession of Seller relating to the Loan. Each Participant is the holder of the equitable title to that Participant's pro rata share of each Loan.

L. Administration and Servicing of Loans

1. Identity of Servicer

Seller shall initially service the Loan. The Participants agree that if a credit union Participant is acting as Servicer through the credit union Participant's wholly owned credit union service organization ("CUSO") then the CUSO must sign a counterpart to this Agreement. Servicer may be changed, but only with the agreement of the current Servicer, absent its breach. In the event that Servicer fails to timely carry out its duties and responsibilities pursuant to this Agreement in any material respect, any Participant may provide written notice thereof to Servicer. If Servicer fails to cure such breach within thirty (30) days of receipt of such notice, Servicer shall be released of any further duties under this Agreement and shall immediately forward the original Loan documents and all loan-related information to the Party as directed by the Participant(s) holding a majority Interest (51%) in the Loan, and such Participant shall become Servicer of the Loan ("Successor Servicer"), pursuant to the terms of this Agreement. Upon the occurrence of

the termination of its appointment as Servicer for any reason, Servicer irrevocably constitutes and appoints the Successor Servicer its true and lawful attorney-in-fact, with full power of delegation, substitution and assignment, and with full and irrevocable power and authority in its place and stead, and in Borrower's name, or in the name of original Servicer, or otherwise, to execute and deliver on behalf of original Servicer, and to file or record such instruments and documents, with or without the signature of original Servicer, as the successor agent, at its option, may deem appropriate, and to perform all other acts which the Successor Servicer may deem appropriate to protect and preserve the rights of all the parties under this Agreement, and the Loan Documents.

2. Servicing Responsibilities

Servicer represents to the Participants that, in undertaking responsibility for performance of the services specified in this Agreement to be performed by Servicer, it will exercise that degree of care that Servicer exercises with respect to the administration and servicing of loans for Servicer's own account. Except as expressly provided herein, Servicer disclaims the existence of any heightened degree of care with respect to the servicing and administration of the Loan. Seller, as Servicer, shall have no duties or responsibilities except those set forth in this Agreement and those duties and liabilities shall be subject to the limitations and qualifications set forth herein. The duties of Seller shall be mechanical and administrative in nature. Servicer shall be responsible for the execution of all appropriate notices and all other acts reasonably necessary to perfect title in Buyer, Buyer's successors and assignees, as the case may be, as to the ownership of the respective Participation Interests in the loans sold under this Agreement and for preserving all rights (including without limitation, the amount and priority of any lien) in said loans and administering them in all respects consistent with applicable law and regulations, and for servicing the same in a manner consistent with good lender practice. Servicer shall establish a custodial account at a federally insured financial institution for the deposit of principal and interest and a separate custodial account for tax and insurance escrow funds if required in the loan terms, which account will be administered in the same manner as Servicer manages its own custodial accounts. PARTICIPANT IS FURTHER ADVISED THAT, NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, WITH THE EXCEPTION OF SERVICER ACTING AS TRUSTEE SOLELY FOR THE PURPOSE OF HOLDING FUNDS ON BEHALF OF PARTICIPANTS, SERVICER IS NOT AND WILL NOT ACT AS A FIDUCIARY OF PARTICIPANTS, AND THAT CIRCUMSTANCES MAY ARISE DURING THE ADMINISTRATION OF THE SUBJECT LOAN WHERE THE INTEREST OF SERVICER MAY NOT AGREE WITH THE INTEREST OF PARTICIPANTS.

Servicer warrants and represents that it has all licenses necessary to fulfill its obligations pursuant to this Agreement. Servicer shall, at Servicer's expense, obtain and keep in force a policy of Comprehensive General Liability Insurance and comprehensive Dishonesty, Disappearance and Destruction Insurance with an insurance carrier(s) rated at least "A" by A.M. Best, each in an amount of not less than \$1,000,000 per occurrence.

3. Remittance

Each month, Servicer will be responsible for segregating, reporting, and delivering to all Participants by or before the remittance due date set forth in the Loan Participation Certificate as follows:

- a. Buyer's pro rata share of all interest received and applied to the Loan by the agreed cut-off date calculated at the Buyer's Interest Rate (as set forth in the Loan Participation Certificate) for the current contractual period using the average outstanding loan balance over the current period.

- b. Buyer's pro rata share of all principal payments that have been received and applied to the Loan principal by the agreed cut-off date for the Loan.
- c. All remittances will be wired to the Buyers within two business days of receipt by Servicer.
- d. If the Loan is more than ninety (90) days past due, or Borrower has declared bankruptcy, or the collateral has been repossessed or written off, Servicer shall place the Loan on a non-accrual status.

4. Loan and Other Prepayments; Notices

In the event that a prepayment is made on the Loan, Seller will be responsible for segregating and delivering to all Participants their pro-rata portion of the amount of principal prepaid. Funds received on the account of the Loan for the purpose of paying taxes, assessments, insurance premiums, or other similar purposes will be retained and timely disbursed by Servicer to such third parties, in accordance with applicable law. Servicer will provide all initial and ongoing federal and state mandated notices to the Borrower, including without limitation, all notices regarding transfer of servicing and escrow accounts.

5. Allocation of Funds Recovered Under the Statutory Lien

In the event that (1) the Borrower is in default on the Loan participated under this Agreement and has other real estate secured loans with the respective Seller herein; (2) said loans are in default; (3) funds are recovered from Borrower's account(s) pursuant to a statutory lien, any other similar lien or other assets not specifically pledged as collateral for a specific loan; and (4) the funds recovered are not sufficient to cure all loans in default, Seller shall remit such funds to Servicer and Servicer shall apply the amount received on a pro rata basis in relationship to the amount of the defaults on each loan. This sharing of collateral does not apply to collateral and shares specifically pledged to secure a particular loan, in which case the lien and the lien priority of the collateral and shares will be honored by Seller. Notwithstanding the foregoing, Servicer shall notify all Participants regarding such "excess" funds and, given some states "one action rule" limitations, will not automatically apply any such "excess" funds to the Loan.

6. Servicer's Authority Regarding Loan Modifications and Collections

Subject to the specific provisions and limitations set forth herein, it is agreed that the exclusive right to decide how the Loan shall be serviced and collected is hereby vested exclusively in Servicer. Other Participants are not authorized to give directions to Servicer in connection with these matters, except that the Participants having ninety percent (90%) of the Participation Interests in the Loan as reflected on Servicer's books and records, may (but shall not be obligated to) direct that a particular collection action be taken. Servicer shall not, however, without consent of Participants holding percentage interests in the Loan of at least fifty-one percent (51%), do any of the following:

- a. Make or consent to any material amendments in the terms and conditions of the Loan or Loan Documents.
- b. Waive or release any claim against any Borrower and/or against any co-maker, guarantor endorser under the Loan.
- c. Make or consent to any substitution, release or exchange of collateral.
- d. Accelerate payment under the Loan and/or under any Loan Document.
- e. Commence any type of legal proceeding against the Borrower and/or against any co-maker, guarantor or endorser under the Loan.
- f. Seize, substitute, exchange, sell, transfer, assign, foreclose or attempt to exercise against any collateral securing the Loan.

- g. Exercise any right of setoff against Borrower's deposit accounts.
 - h. Commingle acquired collateral with any other property held by Seller.
 - i. Except for a variable rate loan, decrease the interest rate and then only in accordance with the terms of the Note.
 - j. Modify the payment schedule.
 - k. Modify the amount of credit.
- Notwithstanding the foregoing, unless expressly authorized and approved by all Participants, Servicer will not approve an assumption of the Loan.

7. Records Maintenance

Servicer is responsible for maintaining, or requiring the maintenance of, a complete set of books and records, meeting industry standards as to the Loan, including but not limited to a record of each receipt and each disbursement. Participants and Servicer acknowledge that the indirect relationship between Borrower and the Participants makes it difficult for the Participants to assess the quality of the Loan without ongoing information from the Servicer. Therefore, Servicer shall permit any Participant reasonable access to the Loan Documents upon reasonable notice to Servicer. Furthermore, Servicer agrees on an ongoing basis to make a reasonable effort to induce the Borrower to provide updated financial information and to deliver all available credit information on the Borrower to the Participants. Servicer shall provide Participant with all material financial and non-financial information bearing on the quality of the Loan, which information may be furnished by Borrower from time to time under the Loan Documents. Such information shall ordinarily include, but is not limited to:

- a. Current financial statement of the Borrower as well as of all co-makers, guarantors and endorsers under the Loan;
- b. The records of Servicer reflecting the amounts and dates of receipt of principal and interest payments under the Loan;
- c. Any information and/or documents in possession of the Servicer applicable to the existence, value and lien status of collateral securing the Loan or continuing credit worthiness of Borrower.
- d. Any reviews or reports concerning the Loan issued by a regulatory agency or audit entity.

In addition to making sure that the customary monthly reports and remittances are furnished to each Participant, Servicer shall ensure that such reports are accompanied by a monthly report of Loan delinquency.

8. Additional Advances

- a. Advances for Taxes and Insurance. It is agreed that Servicer, in its reasonable discretion may make additional advances with respect to the Loan for taxes and insurance premiums and that, the Participant will have been deemed to have participated pro-rata in the advance and shall promptly pay its pro-rata participation share.
- b. Record of Advances. In the case of every advance, a notation shall be made in the books and records required under this Agreement identifying and describing each advance and each Participant's participation therein. A copy thereof shall be promptly furnished to the Participants.

9. Servicer's Fees and Indemnification

- a. Ordinary Fees. For routine servicing duties, Servicer shall be paid as set forth in Paragraph H.
- b. Extraordinary Expenses. Any necessary extraordinary services which may be proper under this Agreement, such as repossession of collateral, court actions, and similar expenses, shall be contracted or done by Servicer at its customary cost for such services, provided such cost is reasonable. Servicer will be responsible for the prompt billing of each Participant hereunder for its pro rata portion of such expense, and each such Participant shall be required to pay promptly its pro rata share of such extraordinary expenses incurred and billed under this Agreement. To the extent that Servicer is able to recover its costs, the costs of collection shall be reimbursed in the same proportion as contributed by the Participants. For the purposes of this Agreement, it shall be presumed that the order of recovery is (1) costs of collection; (2) interest; (3) principal and (4) late fees.
- c. Indemnification. To the extent Borrower does not reimburse and save harmless the Servicer for and from all costs, expenses and disbursements incurred by Servicer in carrying out its duties under this Agreement, such costs, expenses and disbursements shall be borne by each of the Participants, in proportionate shares and the Participants agree on such basis (i) to reimburse Servicer for all such costs, expenses and disbursements on request and (ii) to indemnify and hold harmless the Servicer against and from any and all losses, obligations, penalties, actions, judgments and suits and other costs, expenses and disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Servicer other than as a consequence of actual gross negligence, willful misconduct or breach of this Agreement on the part of the Servicer arising out of or in connection with this Agreement, including without limitation the costs, expenses and disbursement in connection with defending itself against any claim or liability, or answering any subpoena, related to the exercise or performance of any of its powers or duties under this Agreement, or the taking of any action under or in connection with this Agreement or the Loan Documents.

10. Origination, Modification and Assumption Fees

The Servicer will retain all origination, modification and assumption fees, unless the Participants agree in writing on an alternative arrangement.

11. Notification Requirements

Servicer shall have a duty to use reasonable diligence to ascertain, and forthwith to notify the other Participants of any material failure of any Borrower to perform any obligation under the Loan after the giving of any required notice and the expiration of any period in which to cure, and also of any of the following which might come to the attention of Servicer:

- a. The sale or transfer of any collateral.
- b. The death, bankruptcy, insolvency, or other disability of any Borrower, which might impair Borrower's ability to repay the Loan.
- c. Any loss or damage to any collateral, in which event in addition to notifying the other Participants, Servicer shall use reasonable diligence to ensure that any insurance companies concerned are promptly notified.
- d. Any disrepair or any other deterioration or waste suffered or committed in respect to the collateral in excess of \$5,000.00.
- e. Any significant adverse change in Borrower's financial condition, any requests by Borrower to significantly modify the terms of the Loan, or any request by co-maker or guarantor to be released from the obligation.