COUNTY HOME LOAN PROMISSORY NOTE

Santa Barbara, California

$1,209,957.00 _____, 2014

FOR VALUE RECEIVED, Casas de las Flores, L.P., a California limited partnership ("Borrower"), whose address is 3533 Empleo Street, San Luis Obispo, California, 93401, hereby promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California ("Lender"), whose address is 105 E. Anapamu Street, Room 105, Santa Barbara, California 93101, the principal amount equal to One Million Two Hundred Nine Thousand Nine Hundred Fifty Seven Dollars ($1,209,957), or so much thereof as may be advanced by Lender to Borrower, together with interest thereon, as set forth below.

1. **PURPOSE.** In order to assist Borrower in developing forty two (42) affordable rental housing units and a manager's unit located at 4096 Via Real, Carpinteria ("Project"), Lender has agreed to loan the amount of One Million Two Hundred Nine Thousand Nine Hundred Fifty Seven Dollars ($1,209,957) to Borrower, all of which is derived from funds received by the Lender from the United States Department of Housing and Urban Development through the HOME Investment Partnerships Program.

2. **BORROWER'S OBLIGATION.** This promissory note ("County HOME Loan Promissory Note") evidences Borrower's obligation to pay Lender the principal amount of One Million Two Hundred Nine Thousand Nine Hundred Fifty Seven Dollars ($1,209,957), ("County HOME Loan") for the HOME Funds loaned to Borrower by Lender for the specific uses designated in a loan agreement between Borrower and Lender dated February ___, 2014 ("County HOME Loan Agreement").

3. **INTEREST.** Subject to Section 4, this County HOME Loan Promissory Note shall bear simple interest at the rate of three percent (3%) per annum from the date of the County HOME Loan Promissory Note. Interest is not compounding.

4. **DEFAULT INTEREST.** In the Event of Default by Borrower of any of its obligations under this County HOME Loan Promissory Note or the Loan Documents, Borrower shall pay to Lender interest on the outstanding principal of this County HOME Loan Promissory Note, at an annual rate equal to the lesser of (i) ten percent (10%) or (ii) the highest interest allowed by law, from the date of the Event of Default until the date that the Event of Default is cured or the County HOME Loan is repaid in full.

5. **AMOUNT AND TIME OF PAYMENT.** The principal and interest of the County HOME Loan shall be due and payable on the earlier of: (a) fifty-five (55) years from the date of the recordation of a notice of completion issued for the Project, or (b) the date the Property is sold or otherwise transferred, except, if Borrower is a limited partnership and the affordability covenants are maintained for the duration of the original loan period, for a transfer to the General Partner of the Borrower or, a Lender approved affiliate thereof, or (c) Borrower has failed to

commence construction as set forth in Section 4.1 of the County HOME Loan Agreement, or (d) an event of default by Borrower, as defined in Section 8.1 of the County HOME Loan Agreement, which has not been cured as provided for in Section 8.2 of the County HOME Loan Agreement. In the event of default by Borrower, as defined in Section 8.1 of the County HOME Loan Agreement, which has not been cured as provided for in Section 8.2 of the County HOME Loan Agreement, the principal and all current and accrued interest shall be due and payable in accordance with Section 9 of this County HOME Loan Promissory Note. See also Section 8.3 Lenders Remedies in the County HOME Loan Agreement. In any event, the principal and all current and accrued interest shall be due and payable no later than July 31, 2070.

6. **DEFINITIONS.** All initially capitalized terms in this County HOME Loan Promissory Note shall have the definition ascribed to such terms in the County HOME Loan Agreement. The following terms are defined in the County HOME Loan Agreement and repeated here for convenience of reference:

a. "Annual Financial Statement" means the financial statement of Operating Expenses and Revenue, prepared at the Borrower's expense, by an independent certified accountant reasonably acceptable to Lender, which shall be provided as part of Borrower's annual reporting to Lender.

b. "County HOME Loan Deed of Trust" means that deed of trust, assignment of rents, and security agreement placed on the Property and the improvements to be constructed thereon as security for the County HOME Loan by Borrower as trustor with Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said County HOME Loan Deed of Trust.

c. "County HOME Loan Regulatory Agreement" means the agreement executed by Borrower and Lender and recorded against the Property which regulates the use of the seven (7) HOME-Assisted Units in the Project.

d. "County HOME Loan Documents" are collectively the County HOME Loan Agreement, the County HOME Loan Promissory Note, the County HOME Loan Deed of Trust, and the County HOME Loan Regulatory Agreement, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

e. "Operating Expenses" means, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, reasonable property management fee, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for operating expenses and capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender or the Limited Partner, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and any required debt service under

the Senior Loans. The Operating Expenses shall be reported in the Annual Financial Statement.

f. "Payment Date" means the first day of April following recordation of a notice of completion for the Project and each April 1st thereafter until the Loan is paid in full or forgiven.

g. "Project" means the construction, operation and management of the Property and the improvements to be constructed thereon according to the terms of the County HOME Loan Agreement and as defined in 24 CFR 92.2.

h. "Property" means the property located at 4096 Via Real, Carpinteria, California.

i. "Residual Receipts" means the excess of annual Revenue over annual Operating Expenses. The use of Residual Receipts shall be to pay the following items in the order stated: To the limited partner for any unpaid tax credit adjuster amount; to the limited partner to repay any limited partner loans; to the Housing Trust Fund of Santa Barbara County (HTF), in the amount of $16,125 as payment on a loan provided by the HTF in accordance with the HTF loan; to the National Equity Fund for an asset management fee of $5,000 increasing by 3% annually; to the County of Santa Barbara for a $2,500 monitoring fee; to replenish operating reserves if applicable; to pay any deferred developer fee; to repay any loans provided by the general partner; to pay any guaranty advances made by the general partner; to the general partner to pay a partnership management fee of $20,000 increasing by 3% annually; to repay the County's HOME loan pursuant to the County loan documents; and to repay the NeighborWorks loan pursuant to the NeighborWorks loan documents. Any remaining funds will be paid 0.01% to the general partner and 99.99% to the limited partner. In the event annual Operating Expenses exceed annual Revenue for any given year, accounting for that shortfall shall not carry over to the following year's calculation of Residual Receipts.

j. "Revenue" means all gross income received in whole or in part in connection with the Project, as approved by Lender, including but not limited to rents from the units and income from laundry operations, vending machines, meeting space rental, storage, and parking.

k. "Senior Loans" means the JP MorganChase Bank, N.A. construction loan in first position in an estimated amount of Twelve Million Five Hundred Thousand Dollars and No Cents ($12,500,000) which will convert to a permanent loan in the estimated amount of Two Million Six Hundred Thousand Dollars and No Cents ($2,600,000.00) to be purchased by and assigned to California Community Reinvestment Corporation at the time of such conversion.

l. "Term" means the period of time commencing with the date of the County HOME Loan Note and terminating fifty-five (55) years from the date of the recordation of a notice of completion issued for the Project.

7. **PAYMENTS.** All accrued interest and principal shall be due and payable in accordance with the terms set forth in Section 5. No repayment is due under the County HOME Loan until the Payment Date. Payments shall commence on the first day of April following recordation of a notice of completion issued for the Project. Borrower shall make annual payments on the County HOME Loan from Residual Receipts in the manner set forth in Section 6.i herein. On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding calendar year.

All payments made by Borrower shall be applied as follows: first to pay current annual interest due, if any; then to the cumulative interest owed, if any; then to reduce the principal amount of the County HOME Loan.

In the event that Lender determines that there is an understatement in the amount and payment of Residual Receipts due to Lender, Borrower shall promptly pay to Lender such understatement, but in any event, no later than within twenty (20) days of notice of such understatement. In the event that Lender determines that there has been an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall pay to Borrower the amount of overpayment promptly, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest and request an audit by an independent CPA.

8. **PLACE AND MANNER OF PAYMENT.** All amounts due and payable under this County HOME Loan Promissory Note are payable at the office of Lender at the address set forth above, or at such other place as Lender may designate to Borrower in writing from time to time, in any coin or currency of the United States which on the respective Payment Dates thereof shall be legal tender for the payment of public and private debts.

9. **DEFAULT AND ACCELERATION.** This County HOME Loan Promissory Note is secured by a County HOME Loan Deed of Trust. All covenants, conditions and agreements contained in the County HOME Loan Deed of Trust and the County HOME Loan Agreement are hereby made a part of this County HOME Loan Promissory Note. Borrower agrees that the principal and all current and accrued interest , shall, at the option of Lender, be immediately due and payable upon any event of default as defined in the County HOME Loan Agreement which has not been cured pursuant to that County HOME Loan Agreement, including without limitation the failure of Borrower to make any payment when due. Upon any event of default, Lender may exercise any other right or remedy permitted under this County HOME Loan Promissory Note and the Loan Documents. Notwithstanding anything to the contrary contained in the Loan Documents, Lender hereby agrees that any cure of any event of default made or tendered by Borrower's limited partners shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

10. **PREPAYMENT OF COUNTY HOME LOAN**. No prepayment penalty will be charged to Borrower for payment of all or any portion of the County HOME Loan amounts prior to the end of the term described herein. However, prepayment of the County HOME Loan shall not affect Borrower's obligations under the County HOME Loan Regulatory Agreement.

11. **NO OFFSET.** Borrower hereby waives any rights of offset it now has or may hereafter have against Lender, its successors and assigns, and agrees to make the payments called for herein in accordance with the terms of this County HOME Loan Promissory Note.

12. **WAIVERS.** All presentments, notices of dishonor, and protests are waived by all makers, sureties, guarantors, and endorsers of this County HOME Loan Promissory Note, if any.

13. **CONSENTS AND APPROVALS.** Any consent or approval of Lender required under this County HOME Loan Promissory Note shall not be unreasonably withheld or delayed.

14. **NOTICES.** Except as may be otherwise specifically provided herein, any approval, notice, direction, consent request or other action by Lender shall be in writing and may be communicated to Borrower at the principal office of Borrower set forth below, or at such other place or places as Borrower shall designate in writing, from time to time, for the receipt of communications from Lender. Copies of all notices which are sent to Borrower under the terms of the Loan Documents shall also be sent to Borrower's limited Partner at the address below.

BORROWER: Casas de las Flores, L.P.
3533 Empleo Street
San Luis Obispo, CA 93401
Attn: Managing General Partner

With a copy to: NEF Assignment Corporation
120 South Riverside Plaza
15th Floor
Chicago, Illinois 60606
Attn: General Counsel

15. **BINDING UPON SUCCESSORS.** All provisions of this County HOME Loan Promissory Note shall be binding upon and inure to the benefit of the successors-in-interest, transferees, and assigns of Borrower and Lender.

16. **GOVERNING LAW.** This County HOME Loan Promissory Note shall be interpreted under and governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

17. **SEVERABILITY.** Every provision of this County HOME Loan Promissory Note is intended to be severable. If any provision of this County HOME Loan Promissory Note shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

18. **TIME.** Time is of the essence in this County HOME Loan Promissory Note.

19. **WAIVER.** Any waiver by Lender of any obligation in these Loan Documents must be in writing. No waiver will be implied from any delay or failure by Lender to take action on any breach or default of Borrower or to pursue any remedy allowed under the Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation under the Loan Documents shall not operate as a waiver or release from any of the Borrower's obligations under the Loan Documents. Consent by Lender to any act or omission by Borrower

shall not be construed to be consent to any other or subsequent act or omission or to waive the requirement for Lender's written consent to future waivers.

20. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this County HOME Loan Promissory Note must be in writing, and shall be made only if executed by both Borrower and Lender.

21 NONRECOURSE. Except as expressly provided in the second paragraph of this Section 21, the Borrower, and the Borrower's partners, officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, this County HOME Loan Promissory Note. The sole recourse of the Lender with respect to the principal of, or interest on, the County HOME Loan Promissory Note shall be to the property securing the indebtedness evidenced by the County HOME Loan Promissory Note. However, nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against all such security for the County HOME Loan Promissory Note of all the rights and remedies of the Lender, or (ii) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of the County HOME Loan Promissory Note as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto.

The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the County HOME Loan Promissory Note, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of personal liability to the extent of actual damages for (i) Borrower's fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges (which are not contested by the Borrower in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the County HOME Loan Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by the Borrower other than in accordance with the County HOME Loan Deed of Trust; (iv) the material misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property; (v) the Borrower's indemnification obligations under the County HOME Loan Agreement; and (vi) payment to the Lender of any rental income or other income arising with respect to the Property received by the Borrower after the Lender has given notice to the Borrower of the occurrence of an Event of Default and after the expiration of all applicable notice and cure periods, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the County HOME Loan Deed of Trust.

22. COUNTY HOME LOAN AGREEMENT CONTROLS. In the event that any provisions of this County HOME Loan Promissory Note and the County HOME Loan Agreement conflict, the terms of the County HOME Loan Agreement shall control.

BORROWER:

Casas de las Flores, L.P.,
a California limited partnership

By: Peoples' Self-Help Housing Corporation, a California nonprofit public benefit corporation, its managing general partner

By:_____
Executive Director

By: _____
Secretary