

COUNTY HOME LOAN PROMISSORY NOTE

Santa Barbara, California

\$550,000

FOR VALUE RECEIVED, Good Samaritan Shelter, a California nonprofit organization (“Borrower”), whose address 245 E. Inger Drive, Suite 103B, Santa Maria, California 93454 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 123 E. Anapamu Street, 2nd Floor, Santa Barbara, California 93101, the principal amount equal to Five Hundred Fifty Thousand Dollars (\$550,000), 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 acquiring and rehabilitating a seven-bedroom, single-family residence, located at 310 North School Street in the city of Santa Maria (the “Property”), Lender has agreed to loan the amount of Five Hundred Fifty Thousand Dollars (\$550,000) 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 Five Hundred and Fifty Thousand Dollars (\$550,000), (“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 _____ (“County HOME Loan Agreement”).

3. **INTEREST.** Subject to Section 4, this County HOME Loan Promissory Note shall bear simple interest at the rate of zero percent (0%) per annum from the date of the 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, in addition to the interest rate provided in Section 3 above, 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. The default interest shall be paid monthly and is due to the County on the first day of each month.

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) fifteen (15) years plus six months after the date of project completion in conformance with 24 CFR 92.2 and 24 CFR 92.252(e) and evidenced by a written notice of completion provided to the Borrower by County., (b) the date the Property is sold or otherwise transferred, (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. The foregoing notwithstanding, if Borrower remains compliant with the terms of the County's HOME Regulatory Agreement, as determined by the County through periodic inspections of the Project and tenant files documenting occupancy by Qualified tenants, and as indicated with monitoring close-out letters from Lender to Borrower indicating compliance with the Regulatory Agreement, for the fifteen and one-half (15.5) year term described therein, then the principal amount of the loan, along with all accrued interest, except interest accrued pursuant to Section 2.4 of the County HOME Loan Agreement, shall be forgiven.

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 six 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, County monitoring fee, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for operating expenses with respect to the Project, not

to exceed an amount equal to three (3) months operating expenses, and capital replacements with respect to the Project in an amount not to exceed \$3,000 annually, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals. The Operating Expenses shall be reported in the Annual Financial Statement.

- f. "Monitoring Fee" The County shall charge a monitoring fee, not to exceed \$1,000 to conduct on-site monitoring, in accordance with 24 CFR 92.504 (d)(i) and (ii).
- g. "Project" means the construction, acquisition, 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 310 N. School Street, Santa Maria, California, as described in Section 1.
- i. This paragraph left intentionally blank.
- j. This paragraph left intentionally blank.
- k. "Senior Loans" There are no senior loans.
- l. "Term" means the period of time commencing with the date of the County HOME Loan Note and terminating fifteen (15) years plus six months after the date of project completion in conformance with 24 CFR 92.2 and 24 CFR 92.252(e) and evidenced by a written notice of completion provided to the Borrower by County.

7. PAYMENTS. All accrued interest and principal shall be due and payable in accordance with the terms set forth in Section 5.

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.

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: Good Samaritan Shelter
245 E. Inger Drive, Suite 103B
Santa Maria, CA 93454
Attn: Executive Director

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 intent of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto.

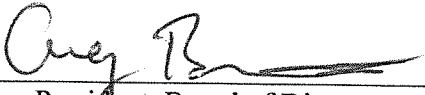
The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the County HOME Loan Promissory Note, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of personal liability to 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:

Good Samaritan Shelter
a California nonprofit organization

By: 

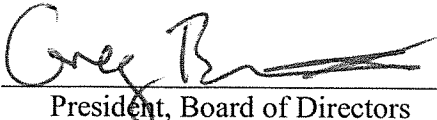
President, Board of Directors

By: 

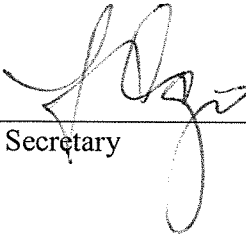
Secretary

BORROWER:

Good Samaritan Shelter
a California nonprofit organization

By: 

President, Board of Directors

By: 

Secretary