

COUNTY COMMUNITY CORRECTIONS PARTNERSHIP (CCP)
LOAN PROMISSORY NOTE

Santa Barbara, California

\$1,500,000

December 13, 2022

FOR VALUE RECEIVED, Sanctuary Centers of Santa Barbara, Inc., a California non-profit public benefit corporation (“Borrower”), whose mailing address for notice purposes is P.O. Box 551, Santa Barbara, California 93102, 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 One Million Five Hundred Thousand Dollars (\$1,500,000), or so much thereof as may be advanced by Lender to Borrower as set forth below (“County CCP Loan”).

1. **PURPOSE.** In order to assist Borrower in constructing a thirty-four (34) unit residential apartment building, including sixteen (16) affordable housing studio apartment rental units (the “Project”) on the property located at 115 West Anapamu Street, Santa Barbara, California (the “Property”), Lender has agreed to loan the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) to Borrower, all of which is derived from funds received by the Lender under the County of Santa Barbara Community Corrections Partnership (“CCP”).

2. **BORROWER’S OBLIGATION.** This promissory note (“County CCP Loan Promissory Note”) evidences Borrower’s obligation to pay Lender the principal amount of One Million Five Hundred Thousand Dollars (\$1,500,000), loaned to Borrower by Lender (“County CCP Loan”) for the specific uses designated in that certain Loan Agreement by and between Borrower and Lender dated December 13, 2022 (“County CCP Loan Agreement”).

3. **NO INTEREST LOAN.** This County CCP Loan Promissory Note shall bear no (0%) interest.

4. This paragraph is left intentionally blank.

5. **AMOUNT AND TIME OF PAYMENT.** The unpaid principal amount of the County CCP Loan shall be due and payable on the earlier of: (a) thirty (30) years after the date of Project completion in conformance with 24 CFR 400, 24 CFR 576, and State regulations (Chapter 5 (commencing with Section 50210 of Part 1 Division 31 of the Health and Safety Code)), and evidenced by a written notice of completion provided to the Borrower by the County of Santa Barbara; (b) the date the Property is sold or otherwise transferred; (c) the date that is six (6) months after the Effective Date of the County CCP Loan Agreement, if Borrower has failed to commence construction as set forth in Section 4.1 of the County CCP Loan Agreement; or (d) an event of default by Borrower, as defined in Section 8.1 of the County CCP Loan Agreement, which default has not been cured as provided for in Section 8.2 of the County CCP Loan Agreement. In the event of default by Borrower, as defined in Section 8.1 of the County CCP Loan Agreement, which has not been cured as provided for in Section 8.2 of the County CCP Loan Agreement, the principal shall be due and payable in accordance with Section 9 of this County CCP Loan Promissory Note.

The foregoing notwithstanding, if Borrower remains compliant with the terms of the County CCP Loan Regulatory Agreement, as determined by Lender through periodic inspections of the Project and tenant files documenting occupancy by Qualifying Households, and as indicated with monitoring close-out letters from Lender to Borrower indicating compliance with the County CCP Loan Regulatory Agreement, for the entirety of the thirty (30) year term of the County CCP Loan Regulatory Agreement, then the unpaid principal amount of the County CCP Loan evidenced by this County CCP Loan Promissory Note shall be forgiven.

6. **DEFINITIONS.** All initially capitalized terms in this County CCP Loan Promissory Note shall have the definition ascribed to such terms in the County CCP Loan Agreement. The following terms are defined in the County CCP 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 CCP Loan Deed of Trust" means that certain Deed of Trust, Assignment of Rents, and Security Agreement recorded against the Property and the improvements to be constructed thereon as security for the County CCP Loan by Borrower as trustor with Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said County CCP Loan Deed of Trust.
- c. "County CCP Loan Regulatory Agreement" means that certain Regulatory Agreement executed by Borrower and Lender on or about the date hereof and recorded against the Property, which regulates the use of the sixteen (16) CCP-Assisted Units in the Project.
- d. "County CCP Loan Documents" means, collectively, the County CCP Loan Agreement, the County CCP Loan Promissory Note, the County CCP Loan Deed of Trust, and the County CCP Loan Regulatory Agreement, as they may be duly amended or restated from time to time in accordance with the provisions herein and therein, along with all exhibits and attachments hereto and thereto.
- 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 with respect to the Project, not to exceed an amount equal to three (3) months' operating expenses, 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, and fees and expenses of accountants, attorneys, consultants and

other professionals. The Operating Expenses shall be reported in the Annual Financial Statement.

- f. "Project" means the construction, operation and management of the Property and the improvements to be constructed thereon according to the terms of the County CCP Loan Agreement.
- g. "Property" means the property located at 115 West Anapamu Street, Santa Barbara, California, Assessor's Parcel Number 039-222-002, and as more particularly described in Exhibit A to the County CCP Loan Agreement.
- h. "Revenue" means all income derived from the Project, including, but not limited to, rents from the units located on the Property, and income from laundry operations, vending machines, meeting space rental, storage, and parking. Revenue shall be reported in the Annual Financial Statement.

"Senior Loans" means (i) that certain construction loan from First Republic Bank, in an amount not to exceed \$8,900,000, which will convert to a permanent loan upon completion of Project construction and issuance of Certificates of Occupancy in an amount not to exceed Four Million, Five hundred thousand, forty-nine thousand, Three hundred Dollars (\$4,549,300), (ii) a State of California, Division of Housing and Community Development, No Place Like Home (NPLH), financing in the original principal amount of Four Million Three Hundred Fifty Thousand Seven Hundred Dollars (\$4,350,700), (iii) a State of California Health and Human Services Agency, Department of Health Care, Behavioral Health Continuum Infrastructure Program (BHCIP) funding in the amount of Two Million Nine Hundred Fourteen Thousand Two Hundred and Twenty-Four Dollars (\$2,914,224), and (iv) a State of California Department of Social Services Community Care Expansion Grant in the amount of Seven Million Dollars (\$7,000,000), and any other financing to be made to Borrower in accordance with Section 9.22 of this Agreement, which financing shall be senior in priority to the County CCP Loan.

- i. "Term" means the period of time commencing on December 13, 2022 (the "Effective Date"), and terminating on the date that is thirty (30) years after the Effective Date.

7. **PAYMENTS.** The entire principal amount of this County CCP Loan Promissory Note shall be due and payable in accordance with the provisions of Section 5, above.

8. **PLACE AND MANNER OF PAYMENT.** All amounts due and payable under this County CCP 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 CPP Loan Promissory Note is secured by the County CCP Loan Deed of Trust. All covenants, conditions and agreements

contained in the County CCP Loan Deed of Trust and the County CCP Loan Agreement are hereby incorporated herein by this reference and made a part of this County CCP Loan Promissory Note. Borrower agrees that the principal amount of this County CCP Loan Promissory Note shall, at the option of Lender, be immediately due and payable upon any event of default as defined in the County CCP Loan Agreement which has not been cured pursuant to that County CCP 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 CCP Loan Promissory Note and the County CCP Loan Documents.

10. PREPAYMENT OF COUNTY CCP LOAN. No prepayment penalty will be charged to Borrower for payment of all or any portion of the County CCP Loan amounts prior to the end of the Term. However, prepayment of the County CCP Loan shall not affect Borrower's obligations under the County CCP 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 CCP Loan Promissory Note.

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

13. CONSENTS AND APPROVALS. Any consent or approval of Lender required under this County CCP 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 mailing address 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 County CCP Loan Documents shall also be sent to Borrower's address, below.

LENDER: County of Santa Barbara
Department of Probation
117 E. Carillo St.
Santa Barbara, CA 93101
Attn: Chief Financial Officer

With copy to: Office of County Counsel
County of Santa Barbara
105 E Anapamu Street, Room 201
Santa Barbara, CA 93101

BORROWER: Sanctuary Centers
222 West Valerio Street
Santa Barbara, CA 93101
Attn: Chief Executive Officer

With Copy to: Sanctuary Centers

P.O.Box 551
Santa Barbara, CA 93102
Attn: Chief Executive Officer

With copy to: Mullen and Henzel, LLP
12 East Victoria Street
Santa Barbara, CA 93101
Attn: Graham Lyons, Esq.

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

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

17. **SEVERABILITY.** Every provision of this County CCP Loan Promissory Note is intended to be severable. If any provision of this County CCP 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 CCP Loan Promissory Note.

19. **WAIVER.** Any waiver by Lender of any obligation in the County CCP 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 County CCP Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation under the County CCP Loan Documents shall not operate as a waiver or release from any of the Borrower's obligations under the County CCP 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 CCP 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 officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of this County CCP Loan Promissory Note. The sole recourse of the Lender with respect to the principal of the County CCP Loan Promissory Note shall be to the Property securing the indebtedness evidenced by the County CCP 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 CCP 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 CCP 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 on the County CCP Loan Promissory Note, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of 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 CCP 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 CCP 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 CCP 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 CCP Loan Deed of Trust.

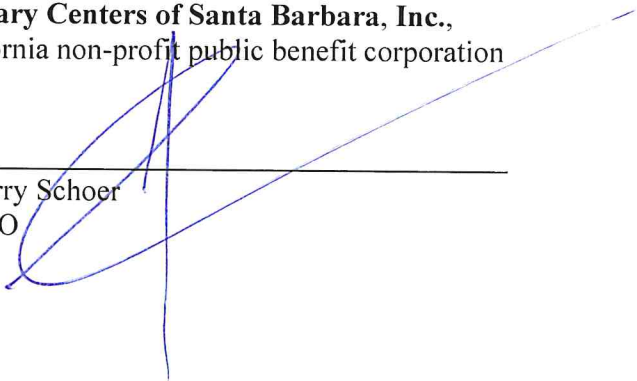
22. **COUNTY CCP LOAN AGREEMENT CONTROLS.** In the event that any provisions of this County CCP Loan Promissory Note and the County CCP Loan Agreement conflict, the terms of the County CCP Loan Agreement shall control.

Signature appears on following page. No further text appears here.

BORROWER:

Sanctuary Centers of Santa Barbara, Inc.,
a California non-profit public benefit corporation

By: _____
Barry Schoer
CEO



SEE ATTACHED CALIFORNIA
ACKNOWLEDGEMENT.
ASU

CALIFORNIA ACKNOWLEDGMENT

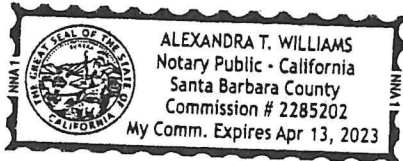
CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of Santa Barbara }

On DECEMBER 1, 2022 before me, Alexandra T. Williams, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared BARRY SCHORER
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Signature]
Signature of Notary Public

Place Notary Seal and/or Stamp Above

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: CELL LOAN PROMISSORY NOTE
Document Date: _____ Number of Pages: _____
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____ Signer's Name: _____
 Corporate Officer – Title(s): _____ Corporate Officer – Title(s): _____
 Partner – Limited General Partner – Limited General
 Individual Attorney in Fact Individual Attorney in Fact
 Trustee Guardian or Conservator Trustee Guardian or Conservator
 Other: _____ Other: _____
Signer is Representing: _____ Signer is Representing: _____