

COUNTY HOME LOAN PROMISSORY NOTE

\$2,000,000

Santa Barbara, California
_____, 2024

FOR VALUE RECEIVED, The Village Senior LP, a California limited partnership (“Borrower”), whose address is 702 Country Square Drive, Suite #200, Ventura, California 93003, 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 Two Million Dollars (\$2,000,000), 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 developing a total of fifty (50) residential housing units, comprised of forty-nine (49) affordable rental housing units and one (1) manager’s unit, located at 332 and 334 Valley Vineyard Circle, in the City of Buellton, Santa Barbara County, California (“Project”), Lender has agreed to loan to Borrower the amount of Two Million Dollars (\$2,000,000) (the “County HOME Loan”), derived from funds received by the Lender from the United States Department of Housing and Urban Development through the HOME Investment Partnerships Program (“HOME Funds”).

2. **BORROWER’S OBLIGATION.** This promissory note (“County HOME Loan Promissory Note”) evidences Borrower’s obligation to pay Lender the principal amount of Two Million Dollars (\$2,000,000) for the HOME Funds loaned to Borrower by Lender for the specific uses designated, and subject to the terms and conditions set forth, in that certain loan agreement by and between Borrower and Lender of even date herewith (“County HOME Loan Agreement”).

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

4. **DEFAULT INTEREST.** In the event of an Event of Default by Borrower of any of its obligations under this County HOME Loan Promissory Note or any of the other County HOME Loan Documents, interest shall accrue on the outstanding principal of this County HOME Loan Promissory Note at an annual rate equal to the lesser of (i) ten percent (13%), or (ii) the highest interest allowed by law, from the date of such Event of Default until the date that such Event of Default is cured, if subject to cure pursuant to Section 8.2 of the County HOME Loan Agreement, or the County HOME Loan is repaid in full, and such default interest shall be due and payable by Borrower to Lender monthly on the first day of each month.

5. **AMOUNT AND TIME OF PAYMENT.** All unpaid principal and accrued and unpaid interest hereunder shall be due and payable on the earlier of: (a) the date that is fifty-five (55) years after the date of the recordation of the Notice of Completion issued for the Project, or (b) the date the Property is sold or otherwise Transferred, unless Lender expressly consents in

advance in writing to such Transfer in each instance or such Transfer is expressly permitted under the County HOME Loan Agreement, and each such Transfer is completed in accordance with all conditions imposed by Lender in connection with such consent, including, but not limited to, such transferee expressly assuming, in writing duly executed by such transferee in form approved by Lender, all of Borrower's obligations hereunder and under the other County HOME Loan Documents, 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 the County HOME Loan Agreement, which, if subject to cure, has not been cured as provided for in Section 8.2 of the County HOME Loan Agreement. Annual payments on the County HOME Loan hereunder shall be made in accordance with Section 7, below. In the event of an Event of Default by Borrower, as defined in the County HOME Loan Agreement, which, if subject to cure, has not been cured as provided for in Section 8.2 of the County HOME Loan Agreement, all unpaid principal and all accrued and unpaid interest hereunder shall immediately be due and payable in accordance with Section 9 of this County HOME Loan Promissory Note. In any event, all unpaid principal and all accrued and unpaid interest hereunder shall be due and payable by Borrower to Lender no later than December 31, 2081.

6. DEFINITIONS. All capitalized terms used but not defined in this County HOME Loan Promissory Note shall have the respective meanings ascribed to such terms in the County HOME Loan Agreement.

7. PAYMENTS; ANNUAL FINANCIAL STATEMENTS. All accrued interest and principal hereunder shall be due and payable in accordance with the terms set forth in Section 5, above, and this Section 7. Annual payments on the County HOME Loan shall be made on each Annual Payment Date, until the principal of the County HOME Loan and all unpaid interest thereon has been repaid in full, from Residual Receipts, which Residual Receipts shall be paid in the following order and priority: *First* to fund and replenish the Reserve Accounts; *second* to mandatory Bank Loan debt service; *third* to the deferred Developer Fee; *fourth* to asset management, partnership management and similar fees, including fees paid to investors, in an aggregate amount not to exceed, for the then-current year, \$39,505 for 2024 and increased at the rate of 3.5% for each subsequent year; *fifth*, of the remaining Residual Receipts, (i) fifty percent (50%) to Borrower for Distributions (including loan repayments and fees paid to Borrower's partners and affiliates of any entity that has an ownership interest a partner of Borrower or the Project), and (ii) fifty percent (50%) to HCD and Lender for repayment of the HCD Loans, the County HOME Loan, and \$150,000 loan from the City of Buellton ("City") in amounts proportional to such agencies' respective assistance amounts until repaid in full, which respective assistance amounts, as of the Effective Date, are as follows: twenty-two and eighty-six hundredths percent (22.86%) to HCD in connection with its HHC loan to Borrower; fourteen and seventy-three hundredths percent (14.73%) to HCD in connection with its VHHP loan to Borrower; eleven and fifty-five hundredths percent (11.55%) to Lender for repayment of the County HOME Loan, and eighty-seven hundredths percent (0.87%) to the City of Buellton for repayment of the loan from the City of Buellton to Borrower in connection with the Project. All payments made by Borrower to Lender hereunder 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 either of Borrower or Lender determines that there has been an understatement or underpayment of the amount of Residual Receipts reported or paid to Lender, Borrower shall promptly pay to Lender the full amount of such understatement or underpayment, but in any event, no later than the date that is twenty (20) days after the earlier of (a) the date of Borrower's determination of such understatement or underpayment, or (b) Lender's notice to Borrower of Lender's determination of such understatement or underpayment. In the event that Lender determines that there has been an overpayment of Residual Receipts to Lender, Lender shall promptly pay to Borrower the amount of such overpayment, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest and request and pay for an audit by an independent certified public accountant. For each Fiscal Year during the Term, Borrower shall submit an Annual Financial Statement to Lender no later than 60 days after the end of such Fiscal Year.

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 Annual Payment Dates 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 the 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 amount of principal and all then-accrued and unpaid interest hereunder, 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, if subject to cure in accordance with Section 8.2 of the County HOME Loan Agreement and the applicable Notice of Default, has not been cured in accordance with the County HOME Loan Agreement and the applicable Notice of Default, including, but not limited to, the failure of Borrower to make any payment when due. Upon the occurrence of any Event of Default, Lender may exercise any other rights or remedies permitted under this County HOME Loan Promissory Note, any of the other County HOME Loan Documents, or applicable law. Cure of an Event of Default made or tendered by Borrower's limited partner(s) shall be accepted or rejected as provided in the County HOME Loan Agreement.

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. However, prepayment of the County HOME Loan during the Term of the County HOME Loan Regulatory Agreement shall require Lender's prior written approval, and shall not affect Borrower's obligations under the County HOME Loan Regulatory Agreement.

11. NO OFFSET. Borrower hereby waives any and all 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, no approval, notice, or consent of Lender shall be effective unless in writing signed by Lender. Notices to Borrower hereunder may be delivered to Borrower at the address of Borrower set forth below, or at such other place or places as Borrower may designate in writing, from time to time, in accordance with the Notice provisions of the County HOME Loan Agreement, for the receipt of communications from Lender. A copy of each notice sent to Borrower by Lender hereunder shall also be sent to Borrower's Limited Partner at the address set forth below.

Lender: County of Santa Barbara
Housing and Community Development
123 E Anapamu Street, 2nd Floor
Santa Barbara, CA 93101
Attn: Deputy Director

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

Borrower: The Village Senior LP
702 Country Square Drive, Suite #200
Ventura, CA 93003
Attention: Chief Executive Officer

With copy to Borrower's
Limited Partner: NEF FRE Affordable Housing Fund II LP
c/o National Equity Fund, Inc.
10 S. Riverside Plaza, Suite 1700
Chicago, IL 60606
Attn: General Counsel

15. **ASSIGNMENT; BINDING UPON SUCCESSORS.** All provisions of this County HOME Loan Promissory Note shall be binding upon and inure to the benefit of the permitted successors-in-interest, transferees, and assigns of Borrower and Lender; provided, however, that Borrower shall not assign or otherwise transfer, directly or indirectly, whether by operation of law or otherwise, this County HOME Loan Promissory Note or any of Borrower's rights or obligations hereunder without the prior written consent of Lender in each instance.

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 in the event that any provision of this County HOME Loan Promissory Note shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, in which case, 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.** No waiver by Lender of any provision of this County HOME Loan Promissory Note or any of the other County HOME Loan Documents shall be effective unless in writing signed by Lender. 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 any of the County HOME Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation hereunder or under and of the other County HOME Loan Documents shall not operate as a waiver of or release from any of the Borrower's obligations hereunder or under and of the other County HOME 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.** No amendment or modification to or of this County HOME Loan Promissory Note shall be effective unless in writing and duly 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) fraud or willful misrepresentation or misconduct by or on behalf of Borrower or any of Borrower's officers, agents, partners, or any of Borrower's partner's members, managers, officers, directors, employees, or agents; (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.

21. COUNTY HOME LOAN AGREEMENT CONTROLS. In the event that any conflict or discrepancy between the provisions of this County HOME Loan Promissory Note and the County HOME Loan Agreement, the provisions of the County HOME Loan Agreement shall control and prevail.

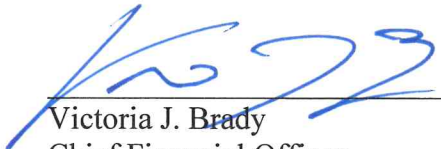
BORROWER

THE VILLAGE SENIOR LP,
a California limited partnership

By: The Village Senior LLC,
a California limited liability company,
its general partner

By: Cabrillo Economic Development Corporation,
a California nonprofit public benefit corporation,
its sole managing member

By:



Victoria J. Brady
Chief Financial Officer