

## PROMISSORY NOIE

Santa Barbara, California

\$75,000

June , 2008

FOR VALUE RECEIVED, Good Samaritan Shelters, Incorporated, a California nonprofit public benefit corporation, (the "Borrower"), hereby promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California (the "Lender"), the principal amount equal to Seventy Five Thousand Dollars (\$75,000), or so much thereof as may be advanced by the Lender to the Borrower, together with interest thereon, as set forth below.

1. **PURPOSE** In order to assist Borrower in acquiring real property in order to provide sixteen (16) Transitional Housing Spaces and associated supportive services including drug and/or alcohol addiction treatment, perinatal treatment, case management and related programming, Lender has agreed to lend the amount of Seventy Five Thousand Dollars (\$75,000) to Borrower. Such funds have been received by the County from the United States Department of Housing and Urban Development under the HOME Investment Partnership Program (the "HOME Funds").

2. **BORROWER S OBLIGATION** This promissory note (the "Note") evidences the Borrower's obligation to pay the Lender such amount as has been disbursed under the Loan Agreement but not to exceed the principal amount of Seventy Five Thousand Dollars (\$75,000) (the "Loan") plus any current or accumulated interest thereon for the funds loaned to the Borrower by the Lender to finance the acquisition of certain real property, as more particularly described in Exhibit A, (the "Property") upon which the Borrower will provide a sixteen- (16) bed transitional housing facility and attendant recovery and treatment programs and services (the "Project").

3. **INIEREST.** Subject to Section 4, this Note shall bear three percent interest (3%) per annum.

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

5. **AMOUNT AND TIME OF PAYMENT.** The principal and all current and accrued interest of the Loan shall be due and payable on the earlier of: (a) thirty (30) years from the date of the Note, or (b) the date the Property is sold. In the Event of Default by Borrower, which has not been cured as provided for in this Loan Agreement, all current and accrued interest shall be due and payable.

6. **DEFINITIONS.** The following shall have the meanings as defined below. All initially capitalized terms in this which are not defined below shall have the definition ascribed to such term in Loan Agreement:

- a. "Annual Financial Statement" means the financial statement of Operating Expenses and Revenues, prepared at the Borrower's expense, by an independent certified accountant reasonably acceptable to Lender, which shall form the basis for determining the Residual Receipts.
- b. "Operating Expenses" shall mean, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including without limitation painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender, cash deposited into an operating reserve in an amount not to exceed the amount reasonably required by any lender, 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 senior loans. The Operating Expenses shall be reported in the Annual Financial Statement.
- c. "Payment Date" shall mean April 1, 2009 for the first payment and April 1st for each year thereafter until the loan is paid in full or otherwise terminated.
- d. "Residual Receipts" shall mean Revenues reduced by Operating Expenses.
- e. "Revenue" shall mean all income derived from the Project, including but not limited to rent from the units, laundry operations, and parking fees.

7. **PAYMENTS.** Borrower shall make annual payments to Lender on the Loan from Residual Receipts. On or before each Payment Date the Borrower shall submit its Annual Financial Statement to Lender for the preceding calendar year together with an amount equal one hundred percent (100%) of the Residual Receipts for the preceding calendar year. Lender shall review and approve such statement, or request revisions, within sixty (60) days after receipt. In the event Lender fails to approve or disapprove the Annual Financial Statement within the sixty (60) day period, Borrower may request a written determination of approval or disapproval following the expiration of such period. In the event Lender fails to provide a written determination to Borrower within ten (10) days following the receipt of Borrower's request for determination, the Annual Financial Statement shall be deemed approved. 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, within twenty (20) days of notice of such understatement. In the event that Lender determines that there is an overpayment in the amount and payment of Residual Receipts due to

Lender, Lender shall promptly pay to Borrower the amount of overpayment, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest. Any payments made by Borrower pursuant to this Section shall be applied first to pay current annual interest due, if any, then the cumulative interest owed, if any, then to reduce the principal amount of the Loan. In any event all principal owed and all current and accrued interest of the Loan shall be due and payable as provided in Section 5 above.

Once the amount of Residual Receipts has been finally determined as set forth above, the Lender shall deposit all funds received under this Agreement in conformity with its HOME Consortium Agreement.

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

County of Santa Barbara  
105 E Anapamu Street, Room 105  
Santa Barbara, CA 93101  
Attn: Director, Housing and Community Development.

9. **DEFAULT AND ACCELERATION** This Note is secured by a Deed of Trust. All covenants, conditions and agreements contained in the Deed of Trust and the Loan Agreement are hereby made a part of this Note. Borrower agrees that the unpaid balance of the then principal amount of this Note and any default interest as set forth in Section 4, shall, at the option of Lender, become immediately due and payable upon any Event of Default as defined in the Loan Agreement which has not been cured pursuant to that Loan Agreement. Upon any Event of Default, Lender may exercise any other right or remedy permitted under the Loan Agreement, this Note and the Deed of Trust (collectively, the "Loan Documents"). Notwithstanding the above, Borrower's limited partner may, but is not obligated to, cure any default of Borrower hereunder which cure will be accepted by Lender as if it was made by Borrower.

10. **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 Note.

11. **WAIVERS.** Presentment, notice of dishonor, and protest are waived by all makers, sureties, guarantors, and endorsers of this Note, if any.

12. **CONSENTS AND APPROVALS.** Any consent or approval of Lender required under this Note shall not be unreasonably withheld or delayed.

13. **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 the Borrower at the principal office of the Borrower set forth below, or at such

other place or places as the Borrower shall designate in writing, from time to time, for the receipt of communications from Lender.

Good Samaritan Shelters, Incorporated  
731 South Lincoln Street  
Santa Maria, CA 93458  
Attn: Executive Director

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

15. **GOVERNING LAW** This 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.

16. **SEVERABILITY.** Every provision of this Note is intended to be severable. If any provision of this 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.

17. **TIME** Time is of the essence in this Note.

18. **ATTORNEYS' FEES AND COSTS.** In the event any legal action is commenced to interpret or to enforce the terms of this Note, the prevailing party in any such action shall be entitled to recover all reasonable attorneys' fees and costs incurred in such action.

19. **WAIVER** Any waiver by Lender of any obligation in this Note must be in writing. No waiver shall be implied from any failure of Lender to take, or any delay or failure by Lender to take action on any breach or default by the Borrower or to pursue any remedy allowed under this Note or applicable law. Any extension of time granted to the Borrower to perform any obligation under this Note shall not operate as a waiver or release from any of its obligations under this Note.

20. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this Note must be in writing, and shall be made only if executed by both the 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 Note. The sole recourse of the Lender with respect to the principal of, or interest on, the Note shall be to the property securing the indebtedness evidenced by the Note. However, nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against all such security for the 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 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 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 Borrower in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the 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 Borrower other than in accordance with the Deed of Trust or other Loan Documents; (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 Article 6 and Article 7 of the 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 Deed of Trust.

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

IN WITNESS WHEREOF, the parties hereby have executed this Note as of the date first above written.

**BORROWER:**

Good Samaritan shelters, Incorporated  
A California nonprofit public benefit corporation

By: \_\_\_\_\_  
Its: \_\_\_\_\_

And

By: \_\_\_\_\_  
Its: \_\_\_\_\_