

EXHIBIT D
PROMISSORY NOTE

Santa Barbara, California

3,760,000

May __, 2007

FOR VALUE RECEIVED, Housing Authority of the County of Santa Barbara, a political subdivision of the State of California (the "Borrower"), whose address is 815 W. Ocean Ave., Lompoc, CA 93436, hereby promises to pay to the order of the Redevelopment Agency of the County of Santa Barbara, a political subdivision of the State of California, a public body corporate and politic (the "Lender"), whose address is 105 E Anapamu Street, Room 406, Santa Barbara, CA 93101, the principal amount of up to Three Million Seven Hundred Sixty Thousand Dollars (\$3,760,000), or so much thereof as may be advanced by the Lender to the Borrower, together with interest thereon, as set forth below.

1. **DEVELOPER'S OBLIGATION.** This promissory note (the "Note") evidences the Borrower's obligation to pay the Lender the principal amount of Three Million Seven Hundred Sixty Thousand Dollars (\$3,760,000) for the funds loaned to the Borrower by the Lender (the "Loan") for the acquisition of certain real property located in at 6682 and 6688 Picasso Road in Isla Vista, Santa Barbara County, California (the "Property").
2. **INTEREST.** Subject to Section 3 of this Note, the Note shall bear simple interest at a rate of five percent (5%) per annum on the outstanding principal balance of the Loan until paid.
3. **DEFAULT INTEREST.** 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 the Loan, 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 default until the date that the default is cured or the Loan is repaid in full.
4. **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) three (3) years from the date of the Note, (b) subject to the provisions of Section 5.10 of the Loan Agreement by and between the Lender and the Borrower of even date herewith (the "Loan Agreement"), the date the Property is sold or (c) an Event of Default by Borrower which has not been cured as provided for in this Loan Agreement.
5. **PAYMENTS.** Payments shall be deferred during the term of the Loan. Full payment shall be made within the time required in Section 4 hereof.

6. **PLACE AND MANNER OF PAYMENT.** All amounts due and payable under this Note are payable at the office of the Lender at the address set forth above, or at such other place as the 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.

7. **DEFAULT AND ACCELERATION.** This Note is secured by a Deed of Trust of even date herewith. All covenants, conditions and agreements contained in the Deed of Trust and the Loan Agreement are hereby made a part of this Note. The following shall constitute an "Event of Default" under this Note: a) Borrower's failure to pay when due any sums payable under this Note which has not been cured within three (3) days following written notice from Lender to Borrower of such failure; b) Borrower's failure to observe or to perform any of its other covenants, agreements or obligations under the Deed of Trust or Loan Agreement after the expiration of applicable cure periods, if any; and c) any other Event of Default (or Borrower Event of Default) as defined in the Loan Agreement or Deed of Trust which has not been cured pursuant to the Loan Agreement or Deed of Trust. Borrower agrees that the unpaid balance of the then principal amount of this Note, shall, at the option of the Lender, become immediately due and payable upon any Event of Default. Upon any Event of Default, the Lender may exercise any other right or remedy permitted under the Loan Agreement, this Note and the Deed of Trust.

8. **PREPAYMENT.** The Borrower may pay the principal and any interest due on the Note in advance of the time for payment thereof as provided in this Note, without penalty or premium.

9. **APPLICATION OF PAYMENTS.** Payments by Borrower pursuant to this Note shall be applied first to accrued interest then to current interest, then to other charges, if any, then to reduce the principal.

10. **NO OFFSET.** Developer hereby waives any rights of offset it now has or may hereafter have against the 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 the 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 the Lender shall be in writing and may be communicated to the Borrower at the principal office of the Borrower set forth above, 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.

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 the 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 the Lender of any obligation in this Note must be in writing. No waiver shall be implied from any failure of the 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 the 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 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 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 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 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 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.

23. **DEFINED TERMS.** Capitalized terms not otherwise defined in this Note shall have the same meaning as defined terms in the Loan Agreement.

BORROWER:

Housing Authority of the County
of Santa Barbara, a public body, corporate and
politic

By: _____
Its: Executive Director