

## COUNTY HOME LOAN PROMISSORY NOTE

\$1,250,000

Santa Barbara, California

July 11, 2023

FOR VALUE RECEIVED, Buellton Polo Village Partners LP, a California limited partnership (“Borrower”), whose address is 100 Pacifica, Suite 203, Irvine, California 92618, 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, 2<sup>nd</sup> Floor, Santa Barbara, California 93101, the principal amount equal to One Million, Two Hundred Fifty Thousand Dollars (\$1,250,000), 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 forty-nine (49) residential housing units, comprised of forty-eight (48) affordable rental housing units and one (1) manager’s unit, located at 560 McMurray Road in the City of Buellton, Santa Barbara County, California (“Project”), Lender has agreed to loan to Borrower the amount of One Million, Two Hundred Fifty Thousand Dollars (\$1,250,000) (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 One Million, Two Hundred Fifty Thousand Dollars (\$1,250,000) for the HOME Funds loaned to Borrower by Lender for the specific uses designated 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 (10%), or (ii) the highest interest allowed by law, in addition to the interest rate provided in Section 3, above, 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 agrees in advance in writing to such transfer, and the Property and such transferee remain in compliance with the County HOME Loan Regulatory Agreement for the duration of the 20-year Term of the County HOME Loan Regulatory Agreement (“Affordability Period”), 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 Section 8.1 of 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 Section 8.1 of 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 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, 2078.

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. In the event of any conflict between the provisions of this County HOME Loan Promissory Note and the provisions of the County HOME Loan Agreement, the provisions of the County HOME Loan Agreement shall control and prevail.

- a. “Annual Financial Statement” means the audited 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 dated on or about the date hereof and recorded against 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 on or about the date hereof and recorded against the Property which regulates the use of the six (6) HOME-Assisted Units in the Project.
- d. “County HOME Loan Documents” means, collectively, the County HOME Loan Agreement, this 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 hereto and thereto.
- e. “Fiscal Year” means the twelve (12) month accounting period, beginning July 1 and ending June 30, for which annual financial statements are regularly prepared.
- f. “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, annual County Monitoring Fee of \$2,500, increasing 3% annually, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for operating expenses and capital replacements pursuant to Section 2.12 of the County HOME Loan Agreement, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and reasonable and actual costs of staff salaries for the delivery of social services and/or case management. The Operating Expenses shall be reported in the Annual Financial Statement.
- g. “Payment Date” means ninety (90) days after the end of each fiscal year until the County HOME Loan is paid in full.

- h. “Project” means the construction, 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.
- i. “Property” means the property located at 560 McMurray Road, in the City of Buellton, in the County of Santa Barbara, California, as is more fully described in Exhibit A to the County HOME Loan Agreement and County HOME Loan Deed of Trust.
- j. “Residual Receipts” means the excess of annual Revenue over the sum of annual Operating Expenses, and any required debt service under the Senior Loans pursuant to Section 7.
- k. “Revenue” means all income received in whole or in part in connection with the Project, as approved by Lender, including, but not limited to, rents from the Units and income from the following in connection with the Property: laundry operations, vending machines, meeting space rental, storage, and parking.
- l. “Senior Loans” means those certain construction loans to be made by Banner Bank, a Washington corporation, as agent for California Statewide Communities Development Authority, in the original aggregate principal amount not to exceed Twenty-One Million, One Hundred Seventy-Five Thousand, Eight Hundred and Six Dollars (\$21,175,806), which will convert to a permanent loan in an amount not to exceed Thirteen Million, One Hundred Eighty-Nine Thousand, Two Hundred and Eighty-Eight Dollars (\$13,189,288).
- l. “Term” means the period of time commencing with the date of this County HOME Loan Note and terminating fifty-five (55) years from the date of the recordation of a Notice of Completion issued for the Project.

7. **PAYMENTS.** All accrued interest and principal shall be due and payable in accordance with the terms set forth in Section 5, above. No repayment is due hereunder until construction of the Project is complete, as evidenced by the recordation of a Notice of Completion issued for the Project. Payments shall be made ninety (90) days following the end of each fiscal year of the Term until the County HOME Loan is paid in full. Annual payments due hereunder shall be made from Residual Receipts to the extent that they are available. Residual receipts shall be paid in the following order: in the following order: *First*, unless prepaid in the amount of \$75,000 at the time of the Third Installment, to the Investor Limited Partner in an amount equal to the Cumulative Priority Distribution (including any accrued but unpaid Cumulative Priority Distribution from prior Fiscal Years); *Second*, to the Managing General Partner, as payment of the then current Partnership Management Fee whether accrued from prior years’ or currently due; *Third*, to the Investor Limited Partner and the State Limited Partner in an amount equal to any theretofore unpaid Tax Credit Shortfall Payments; *Fourth*, 75% of the balance remaining after Clause Third above shall be applied to the payment of the Deferred Development Fee Note and any accrued interest thereon; *Fifth*, 25% of the balance remaining after Clause Fourth above shall be applied to the payment of the MGP Consulting Fee; *Sixth*, to the Administrative General Partner, as payment of the General Partner Asset Management Fee whether accrued from prior years’ or currently due; *Seventh*, 50% of the balance remaining after Clause Sixth above shall be applied to payment of the County HOME Loan and the City Loan, *pari passu*; *Eighth*, to the Administrative General Partner, as repayment of any Operating Expense Loans made by the Administrative General Partner; *Ninth*, any balance, shall be distributed 10% to the Investor Limited Partner, 1% to the State Limited Partner, 88.995% to the Administrative General Partner (first as payment of the Supervisory Management Fee, not to exceed 6% of effective gross income and then as a distribution) and 0.005% to the Managing General Partner. . On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding fiscal year. All payments made on the County HOME Loan 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.

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, no later than within twenty (20) days of notice of such understatement. In the event that Lender determines that there has been an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall pay to Borrower the amount of overpayment promptly, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest and request an audit by an independent CPA.

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 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 principal and all current and accrued 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 has not been cured pursuant to that County HOME Loan Agreement, if subject to cure thereunder, 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 right or remedy permitted under this County HOME Loan Promissory Note and the Loan Documents. Cure of an Event of Default made or tendered by Borrower's limited partners 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, 2<sup>nd</sup> 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

**Owner:** Buellton Polo Village Partners LP  
c/o Palm Companies LLC  
100 Pacifica, Suite 203  
Irvine, California 92618  
Attention: Danavon L. Horn

With copy to: Banner Bank  
5930 Granite Lake Drive, Suite 170  
Granite Bay, California 95748  
Attention: Andre Massey  
Loan Nos. 14018412 and 14018413

With copy to: BF FRE 2018, Limited Partnership  
c/o Boston Financial Investment Management, LP  
101 Arch Street, 13<sup>th</sup> Floor  
Boston, MA 02110  
Attention: Asset Management – Polo Village Apartments

With a copy to: Holland & Knight LLP  
10 St. James Avenue, 11th Floor  
Boston, MA 02116  
Attention: Kristen Cassetta, Esq.

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

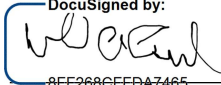
The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the County HOME Loan Promissory Note, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of personal liability to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

**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:**

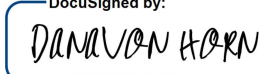
**BUELLTON POLO VILLAGE PARTNERS LP,**  
a California limited partnership

By: Surf Development Company,  
a California nonprofit public benefit corporation,  
its Managing General Partner

DocuSigned by:  
  
By: \_\_\_\_\_  
8FF268CFFDA7465...  
Mark Paul,  
Vice President

By: PC Buellton Developers LLC,  
a California limited liability company,  
its Administrative General Partner

By: Palm Companies, LLC,  
a California limited liability company,  
its Managing Member

DocuSigned by:  
  
By: \_\_\_\_\_  
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Danavon L. Horn,  
President