

EXHIBIT C
PROMISSORY NOTE

See Attached

NOTICE TO BORROWER: THIS NOTE IS SECURED BY A DEED OF TRUST AND CONTAINS PROVISIONS RESTRICTING TRANSFERS AND INCLUDES A BALLOON PAYMENT PROVISION.

**COUNTY OF SANTA BARBARA
DEPARTMENT OF BEHAVIORAL
WELLNESS
MHSA PROMISSORY NOTE
(Permanent Financing)**

\$2,410,379.91

Lompoc, California
August , 2018

FOR VALUE RECEIVED, the undersigned, The Residences at Depot Street, L.P., a California limited partnership, with its principal office at 815 West Ocean Avenue, Lompoc, California 93436 (the "**Borrower**"), hereby promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California, 300 Camino Del Remedio Road, Building 3, Santa Barbara, California 93110 (the "**County**") or holder hereof ("**Holder**"), a principal amount equal to Two Million Four Hundred Ten Thousand Three Hundred Seventy-Nine Dollars and Ninety-One Cents (\$2,410,379.91), or so much of that amount that the County shall have advanced to or for the benefit of the Borrower (the "**MHSA Loan**"). The obligation of the Borrower is subject to the terms of all the MHSA Loan Documents as such term is defined in that certain loan agreement entitled "Loan Agreement (\$2,410,379.91) Between County of Santa Barbara Department of Behavioral Wellness and The Residences at Depot Street, L.P. (201 & 205 N. Depot Street)" between Borrower and County (the "**MHSA Loan Agreement**"), including but not limited to: (a) this promissory note ("**MHSA Promissory Note**"); (b) the MHSA Loan Agreement, (c) that certain deed of trust entitled "County of Santa Barbara Department of Behavioral Wellness, MHSA Deed of Trust With Assignment of Rents, Security Agreement and Fixture Filing" of even date herewith and executed by the Borrower for the purpose of securing this MHSA Promissory Note ("**MHSA Deed of Trust**"); and (d) that certain document entitled "County of Santa Barbara Department of Behavioral Wellness, MHSA Regulatory Agreement (Mental Health Services Act Housing Program)" executed between the Borrower and the County and imposed upon the Project as defined below (the "**MHSA Regulatory Agreement**"). The Borrower also promises to pay to the order of the Holder interest at the rates, in the amounts and at the times hereinafter provided. All sums owing hereunder are payable in lawful money of the United States of America, in immediately available funds.

(Capitalized words and phrases used without definition in this Promissory Note and defined in the MHSA Loan Agreement shall have the meanings ascribed to them in the MHSA Loan Agreement).

1. Borrower's Obligation. This MHSA Promissory Note evidences the obligation of the Borrower to the County for the repayment of funds in the amount of Two

Million Four Hundred Ten Thousand Three Hundred Seventy-Nine Dollars and Ninety-One Cents (\$2,410,379.91) loaned to the Borrower by the County (the "**MHSA Loan**") to finance the real property described in the MHSA Loan Documents and operation thereon of a rental housing development (the "**Project**") pursuant to the MHSA Loan Documents.

2. Prohibition Against Transfer of Interest. Except as otherwise permitted under the terms of the MHSA Loan Documents, the Borrower shall not make any sale, assignment, conveyance or transfer in any other form, nor any further pledge, encumbrance or mortgaging of the Project or any part thereof or of any of its interest therein, without the prior written consent of the County.

3. Interest. Commencing on the day of the advance of funds by the County, simple interest shall accrue on the outstanding principal balance at the rate of three percent (3%). Interest is not compounding.

4. Default Interest. In the event of a default by Borrower of any of its obligations under this Agreement and expiration of applicable cure periods, Borrower shall pay to County interest on the outstanding principal of the MHSA 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 MHSA Loan is repaid in full. The default interest shall be paid monthly and is due to the County on the first day of each month.

5. Amount and Time of Payment. The principal and interest of the MHSA Loan shall be due and payable on the earlier of: (a) fifty-five (55) years from the date of this MHSA Promissory Note evidencing the MHSA Loan, or (b) the date the Property is sold or otherwise transferred, except, if Borrower is a limited partnership and the affordability covenants are maintained for the duration of the original loan period, for a transfer to the General Partner of the Borrower or a County approved affiliate thereof or (c) Borrower has failed to commence construction as set forth in Section 4.1 of the MHSA Loan Agreement, or (d) an event of default by Borrower, as defined in Section 8.1 of the MHSA Loan Agreement, which has not been cured as provided for in Section 8.2 of the MHSA Loan Agreement. In the event of such a default by Borrower which has not been cured as provided for in Section 8.2 of the MHSA Loan Agreement, the principal and all current and accrued interest shall be due and payable immediately.

6. Place and Manner of Payment. All amounts due and payable under this MHSA Promissory Note and the MHSA Loan Documents are payable at the principal office of the County set forth above, or at such other place or places as the County may designate to the Borrower in writing from time to time, in any coin or currency of the United States of America which on the respective dates of payment thereof shall be legal tender for the payment of public and private debts and which on the respective dates on which such payments are due shall be immediately available funds.

7. Borrower's Waiver. The Borrower and every guarantor of this MHSA Promissory Note, if applicable, or of the obligation represented by this MHSA Promissory Note, hereby waives: (a) notice of default or delinquency; (b) notice of acceleration; (c) notice of non-payment; (d) notice of costs, expenses and losses and interest thereon; (e) notice of late charges; (f) diligence in taking any action to collect any sums owing under the

MHSA Promissory Note or in proceeding against any of the rights and interests in and to properties securing payment of the MHSA Promissory Note; (g) presentment for payment, demand, protest, and notices of dishonor and of protest; and (h) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this MHSA Promissory Note, in whole or in part, whether before or after maturity and with or without notice.

8. Attorney Fees, Costs. In any nonjudicial foreclosure process or other action to enforce or relating to any provision of the MHSA Loan Documents, the prevailing party shall be entitled to recover from the other party, its costs and expenses including attorney fees. The term "*costs and expenses*" as used herein shall include all costs and expenses actually and reasonably incurred including but not limited to attorney fees and cost of suit; filing, motion, and jury fees; juror food and lodging; taping, videotaping, and transcribing depositions and travel expenses to attend depositions; service of process by a public officer, registered process server, or other means; expenses of attachment including keeper's fees; premiums on surety bonds; ordinary witness fees pursuant to Section 68093 of the Government Code; fees of expert witness whether or not ordered by the court; transcripts of court proceedings whether or not ordered by the court; court reporters fees as established by statute; investigation expenses in preparing the case for trial; postage, telephone, and photocopying charges; costs in investigation of jurors or in preparation for voir dire; models, blowups and photocopies of exhibits, and any other item that is required to be awarded to the prevailing party pursuant to statute as an incident to prevailing in the action at trial or on appeal. Such costs and expenses shall be recoverable whether the services were rendered by a salaried employee of the party or by an independent contractor. In addition, Borrower agrees to pay reasonable costs, expenses, and attorney fees paid or incurred in connection with representing the County or Holder in any bankruptcy, reorganization, receivership or other proceedings affecting creditors' rights and involving a claim under the MHSA Loan Documents.

9. Default Under Other Loan Documents and Acceleration. All covenants, conditions and agreements contained in the MHSA Loan Agreement, MHSA Deed of Trust, MHSA Regulatory Agreement, and the other MHSA Loan Documents are hereby made a part of this MHSA Promissory Note. Borrower agrees that the unpaid balance of the then outstanding principal amount of this MHSA Promissory Note, together with all accrued interest thereon and charges owing, shall, at the option of the County, automatically become immediately due and payable, and thereafter until paid bear interest at the rate of ten percent (10%) per annum or, if lesser, at the maximum rate permitted by law upon the failure of Borrower to make any payment hereunder as and when due; upon the failure of the Borrower to perform or observe any other term or provision of this MHSA Promissory Note, or upon the occurrence of any event (whether termed default, event of default or similar term) which under the terms of the MHSA Loan Agreement, MHSA Deed of Trust, MHSA Regulatory Agreement, or of the other MHSA Loan Documents shall entitle the County to exercise rights or remedies thereunder, after any notice and cure period if provided for in the MHSA Loan Agreement, MHSA Deed of Trust or MHSA Regulatory Agreement.

10. Notices. Except as may be otherwise specifically provided herein, or in the other MHSA Loan Documents, any approval, notice, direction, consent, request or other

action by the County 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 to the County in writing, from time to time, for the receipt of communications from the County. Copies of all notices sent to Borrower shall be sent concurrently to: Wells Fargo Affordable Housing Community Development Corporation, 301 S. College Street, MAC D1053-170, Charlotte, NC 28288, Attn: Director of Tax Credit Asset Management.

11. Limitations on Recourse.

(a) While the loan of any construction lender for the Project ("**Construction Loan**") is outstanding, the County shall have full recourse to the Borrower in addition to any real or personal property security for repayment of this MHSA Promissory Note.

(b) Upon the County's written acknowledgement of satisfaction of all conditions in the MHSA Loan Agreement, and payoff of all Construction Loans, the following limitations on recourse shall become effective: neither the Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, this MHSA Promissory Note. The sole recourse of the County with respect to the principal of, or interest on, this MHSA Promissory Note shall be to the property securing the indebtedness evidenced by the MHSA Promissory Note. No judgment, or execution thereon, entered in any action, legal or equitable, on this MHSA Promissory Note or the MHSA Deed of Trust shall be enforced personally against the Borrower or, if the Borrower shall be a partnership, any partner of the Borrower, but shall be enforced only against the Project and such other or further security as, from time to time, may be hypothecated for this MHSA Promissory Note; provided, however, that nothing contained in the foregoing limitation of liability shall: (i) limit or impair the enforcement against all such security for this MHSA Promissory Note of all the rights and remedies of the County; or (ii) be deemed in any way to impair the right of the County to assert the unpaid principal amount of this MHSA Promissory Note as a 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 this MHSA Promissory Note; nothing contained therein is intended to relieve the Borrower and, if Borrower is a partnership, any general partner of Borrower of liability for: (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the real property described in the MHSA Loan Documents that are payable or applicable prior to any foreclosure under the MHSA Deed of Trust (to the full extent of such taxes, assessments or other charges), except to the extent this provision would result in all or any portion of the indebtedness evidenced by this MHSA Promissory Note being treated as a recourse liability under Treasury Regulation 1.752-1(a)(1) and 1.752-2, as amended from time to time; (iii) the retention of any rental income or other income arising with respect to the Project collected by Borrower after the County has given any notice that Borrower is in default. to the full extent of the rental income or other income retained and collected by Borrower after the giving of any such notice; (iv) the fair market value as of the time of the giving of any notice referred to in subparagraph (iii) above of any personal property or fixtures removed or disposed of by Borrower other than in accordance with the MHSA Loan

Documents after the giving of any notice referred to above; (v) the misapplication of the Capitalized Operating Subsidy Reserve (if applicable) or 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 Project; (vi) the breach of any environmental covenant or representation made by the Borrower relating to the Project; and (vii) the failure of Borrower to pay to the County, upon its demand, any amounts of the Capitalized Operating Subsidy Reserve (if applicable) outstanding.

12. Prepayment. No prepayment penalty will be charged to Borrower for payment of all or any portion of the MHSA Loan amounts prior to the end of the term described herein. However, prepayment of the MHSA Loan shall not affect Borrower's obligations under the MHSA Regulatory Agreement.

13. Governing Law. This MHSA Promissory Note shall be construed in accordance with and be governed by the laws of the State of California.

14. Severability. If any provision of this MHSA Promissory Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

15. Time. Time is of the essence in this MHSA Promissory Note.

16. Binding upon Successors. All provisions of this MHSA Loan Promissory Note shall be binding upon and inure to the benefit of the successors-in-interest, transferees, and assigns of Borrower and County.

17. No Waiver by the County. No waiver of any breach, default or failure of condition under the terms of the MHSA Promissory Note or the MHSA Loan Documents or the obligations secured thereby shall be implied from any failure of the County to take, or any delay in taking, action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the MHSA Promissory Note or the MHSA Loan Documents or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

Executed at Lompoc, California.

(signatures appear on next page)

BORROWER:

**THE RESIDENCES AT DEPOT STREET, L.P., a
California limited partnership**

By: Surf Development Company, a California nonprofit
public benefit corporation, its managing general partner

Raymond F. Down, President

By: RDSGP LLC, a California limited liability company,
its administrative general partner

By: Housing Authority of the County of Santa Barbara, a
public body, corporate and politic, its managing member

Robert P. Havlicek Jr., Executive Director