

DRAFT PENDING COUNTY COUNSEL REVIEW

PROMISSORY NOTE

Mercy Housing California 55, a California Limited Partnership

\$1,400,000.00

_____, 201__

PLACERVILLE, EL DORADO COUNTY, CALIFORNIA

FOR VALUE RECEIVED, MERCY HOUSING CALIFORNIA 55, a California Limited Partnership (the "Maker") promises to repay to the EL DORADO COUNTY PUBLIC HOUSING AUTHORITY ("Payee") all amounts loaned to Payee. The amount loaned shall not exceed the sum of ONE MILLION FOUR HUNDRED THOUSAND DOLLARS (\$1,400,000) (the "Loan"). The loan shall bear simple interest at a per annum rate of three and one half percent (3.5%).

1. This Loan is made pursuant to that certain Loan Agreement between Maker and Payee of even date herewith (the "Loan Agreement"). The Loan will be used by Maker for the development (the "Development") of the real property described in the Loan Agreement and pursuant to the terms and conditions contained therein.
2. Maker agrees to repay the sum of \$1,400,000, or so much principal as has been disbursed, with interest from the date of disbursement on unpaid principal at the rate of three and one half percent (3.5 %) simple interest per annum. Payments shall be made according to the following terms:

This Promissory Note shall become immediately due and payable in full with accrued interest upon the earliest of the following events:

- a. After an Event of Default described in the Loan Agreement and failure to cure within the applicable cure period; or
- b. Five (5) years from the date of execution of this Promissory Note; or
- c. Within sixty (60) days of Maker obtaining permanent loan funding.

In addition to any other default remedies that the Payee may have as provided herein, the Payee may, upon thirty (30) days written notice to the Maker, increase the rate of interest charged on any outstanding principal amount disbursed to the Maker and not used in accordance with the terms of this Loan Agreement, or not paid back when due, to a rate not to exceed ten percent (10%) per annum. Such rate adjustment shall occur commencing on the first (1st) day of the first (1st) month following expiration of such thirty (30) day notice. Such increased interest rate shall only be charged so long as the Maker remains in default.

DRAFT PENDING COUNTY COUNSEL REVIEW

3. Payment shall be made in lawful money of the United States to Payee at 3057 Briw Road, Suite A, Placerville CA 95567, Attn: Housing, Community and Economic Development Programs. The place of payment may be changed from time to time as the Payee may designate in writing.
4. Maker shall have the right to prepay this Promissory Note in whole or in part without penalty or premium.
5. The occurrence of any of the following shall constitute an event of default under this Promissory Note:
 - a. Maker fails to fully expend disbursed funds within 30 days from the date of disbursement from Payee; or
 - b. Maker fails to pay any outstanding sums within a period of thirty (30) calendar days after receipt of notice that payment was due; or
 - c. Maker uses these funds for purposes not approved by the Payee; or
 - d. Maker fails to execute a Deed of Trust With Assignment of Rents pursuant to the Loan Agreement at the time of acquisition of the real property described in the Loan Agreement; or
 - e. Maker fails to comply with the occupancy and rent requirements for the Development as stated in Loan Agreement, Recital E and fails to cure within any applicable cure period; or
 - f. Any sale, exchange, transfer, assignment or other conveyance of the Development or Real Property to any party other than Maker without prior written consent of Payee; or
 - g. Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Maker(s) that is not dismissed within ninety (90) days; or
 - h. Proceedings for the appointment of a receiver, trustee, or liquidator of the assets of Maker(s) or a substantial part thereof, being authorized or instituted by or against Maker(s) that is not stayed within ninety (90) days; or
 - i. Maker ceases to operate as a business, or otherwise becomes unable to substantially perform any term or condition of this Promissory Note and/or the attached Loan Agreement; or
 - j. Maker transfers a majority ownership interest in or control of the business to a third party other than a transfer of a limited partner interest; or
 - k. Any material misrepresentation with respect to Maker's warranties and representations under this Promissory Note, the attached Loan Agreement or the Loan Application that has a material adverse effect on Payee; or
 - l. Maker fails to maintain and pay insurance, taxes and/or assessments when due and fails to cure within ten (10) days of receipt of notice from Payee; or
 - m. The occurrence of any other event (whether termed default, event of default or otherwise) which under the terms of this Promissory Note or the attached Loan Agreement shall entitle the Payee to exercise rights or remedies hereunder, provided that the Payee shall give written notice to Maker of any

DRAFT PENDING COUNTY COUNSEL REVIEW

of the foregoing events and Maker shall have thirty (30) days to cure or if the cure cannot be reasonably accomplished in thirty (30) days, such additional time as is necessary provided Maker has commenced the cure in thirty (30) days and is diligently pursuing the cure to completion, before any acceleration of the unpaid balance. Maker's limited partner shall receive notice of any such event and shall have an additional 30 days to cure. In the event that Maker uses disbursed Loan funds for a purpose which is not authorized or approved under this Promissory Note or the attached Loan Agreement, or otherwise by the Payee in writing, the Payee may demand and Maker shall immediately repay such funds to the Payee.

6. Should Maker fail to satisfy or adhere to the terms of this Promissory Note or the attached Loan Agreement and fail to cure as provided in Section 5 of this Promissory Note, the Payee may exercise any and all legal remedies available to it, including, but not limited to:
 - a. Accelerating payment under the Promissory Note;
 - b. Increasing the rate of interest charged on any outstanding principal amount disbursed under this Promissory Note and the attached Loan Agreement;
 - c. The Payee, as beneficiary under the Deed of Trust With Assignment of Rents may proceed by a suit or suits in equity or at law, whether for a foreclosure hereunder or (to the extent permitted by law) for the sale of the Real Property and Development, or against the Maker on a recourse basis for the Promissory Note balance, or for the specific performance of any covenant or agreement contained herein or in aid of the execution of any power granted herein, or for the appointment of a receiver pending any foreclosure under the Deed of Trust or the sale of the Real Property and Development, or for the enforcement or any other appropriate legal or equitable remedy.
 - d. Instituting against Maker, or other parties, a civil action for declaratory relief, injunction or any other equitable relief, or relief at law, including, without limitation, an action to rescind a transaction and/or to require repayment of any funds received in connection with such a violation;
 - e. Where one or more persons have received financial benefit as a result of violation of this Promissory Note, the Payee may assess, and institute legal action to recover, as necessary, a penalty in any amount up to and including the amount of financial benefit received not to exceed 5% of the outstanding principal amount, in addition to recovery of the benefit received;
 - f. Any other means authorized under law.
7. Payee's failure in the exercise of any other right or remedy hereunder or under any agreement which secures the indebtedness or is related thereto shall not affect any right or remedy and no single or partial exercise of any such right or remedy shall preclude any further exercise thereof.
8. Maker and any endorsers hereof and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and

DRAFT PENDING COUNTY COUNSEL REVIEW

protest and notice of protest, and of dishonor and nonpayment of this Promissory Note, and expressly consent to any extension of the time of payment hereof or of any installment hereof, to the release of any party liable for this obligation, and any such extension or release may be made without notice to any of said parties and without in any way affecting or discharging this liability.

9. Maker agrees to pay immediately upon demand all costs and expenses of Payee including reasonable attorneys' fees, (i) if, after default and failure to cure, this Promissory Note is placed in the hands of an attorney or attorneys for collection, (ii) if after default and failure to cure hereunder or under the Loan Agreement, Payee finds it necessary or desirable to secure the services or advice of one or more attorneys with regard to collection of this Promissory Note against maker, any guarantor or any other party liable therefor or to the protection of its rights under this Promissory Note, the Loan Agreement, or other loan document, or (iii) if Payee seeks to have the Development abandoned by or reclaimed from any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Promissory Note or prohibiting the enforcement of any other agreement evidencing or securing this Promissory Note lifted by any bankruptcy or other court.
10. If Payee shall be made a party to or shall reasonably intervene in any action or proceeding, whether in court or before any governmental agency, affecting the Development or the title thereto or the interest of the Payee, including without limitation, any form of condemnation or eminent domain proceeding, Payee shall be reimbursed by Maker immediately upon demand for all costs, charges, and reasonable attorneys' fees incurred by Payee in any such case.
11. Any notices provided for in this Promissory Note shall be given by mailing such notice by certified mail, return receipt requested at the addresses set forth in the Loan Agreement or at such address as either party may designate by written notice.
12. This Promissory Note shall be binding upon Maker, its successors and assigns.
13. This Promissory Note shall be construed in accordance with and be governed by the laws of the State of California.
14. If any provision of this 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.

DRAFT PENDING COUNTY COUNSEL REVIEW

PAYEE:

County of El Dorado Public Housing
Authority

BY:

Daniel Nielson, M.P.A.
Executive Director

MAKER:

Mercy Housing California 55,
a California Limited Partnership

BY: Sunset Lane Apartments LLC,
its general partner
By: Mercy Housing Calwest,
member/manager

BY:

Name:
Title: