

DRAFT PENDING COUNTY COUNSEL REVIEW

PROMISSORY NOTE

Mercy Housing California 55, a California Limited Partnership

\$483,000.00

_____, 2012

PLACERVILLE, EL DORADO COUNTY, CALIFORNIA

FOR VALUE RECEIVED, MERCY HOUSING CALIFORNIA 55, a California Limited Partnership (the "Maker") promises to repay to the COUNTY OF EL DORADO, A POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA ("Payee") all amounts loaned to Payee. The amount loaned shall not exceed the sum of FOUR HUNDRED EIGHTY THREE THOUSAND (\$483,000) (the "Loan"). The loan shall not bear interest.

1. This loan is made pursuant to that certain Loan Agreement between Maker and Payee of even date herewith. The loan will be used by Maker for the completion of required off-site infrastructure improvements in support of the project described in the Loan Agreement (the "Project"). This Promissory Note is intended to be fully consistent with the terms of the Standard Agreement Number 10-STBG-6711 dated March 15, 2011, between the Payee and State of California (Standard Agreement) (Exhibit B to the Loan Agreement). To the extent that there are inconsistencies between this Promissory Note and the Standard Agreement, the Standard Agreement shall govern.
2. Payment of this Note will be secured by a Deed of Trust With Assignment of Rents and Security Agreement under the provisions of the California Uniform Commercial Code (the "Deed of Trust") from Maker to Payee and a regulatory agreement which sets forth the limitations on household incomes and rent for the rental units (the "Regulatory Agreement"), each to be recorded against the Project.
3. Maker agrees to repay the sum of \$483,000, or so much principal as has been disbursed. Unless the loan is forgiven under the terms of the Loan Agreement, this Note shall be due and payable in full on June 30, 2018, unless terminated earlier pursuant to the terms of this Note, and shall be made in lawful money of the United States to Payee at 3057 Briw Road, Suite A, Placerville, California 95667, Attn: Health and Human Services Agency. The place of payment may be changed from time to time as the Payee may from time to time 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:

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- a. Maker uses these funds for purposes not approved by the Payee; or
 - b. Maker's fails to comply with the occupancy and rent requirements for the Project as stated in the Loan Agreement and fails to cure within any applicable cure period; or
 - c. Any sale, exchange, transfer, assignment or other conveyance of the Project or Real Property to any party other than Maker without prior written consent of Payee; or
 - d. Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against the Maker(s); or
 - e. Proceedings for the appointment of a receiver, trustee, or liquidator of the assets of the Maker(s) or a substantial part thereof, being authorized or instituted by or against the Maker(s); or
 - f. Maker ceases to operate as a business, or otherwise becomes unable to substantially perform any term or condition of this Note and/or attached Loan Agreement; or
 - g. Maker transfers a majority ownership interest in or control of the business to a third party; or
 - h. Any material misrepresentation with respect to the Maker's warranties and representations under this Note or the Loan Agreement; or
 - i. Maker fails to maintain and pay insurance, taxes and/or assessments when due; or
 - j. The occurrence of any other event (whether termed default, event of default or otherwise) which under the terms of this Note or Loan Agreement shall entitle the Payee to exercise rights or remedies hereunder, provided that the Payee shall give written notice to the Maker of any of the foregoing events and the Maker shall have thirty (30) days to cure before any acceleration of the unpaid balance. No notice of default shall be required if the Payee has previously notified the Maker of the same breach on a prior occasion. In the event that the Maker uses disbursed Loan funds for a purpose which is not authorized or approved under this Agreement, or otherwise by the Payee in writing, the Payee may demand and the 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 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 Loan Agreement;
 - c. The Payee, as beneficiary under the Deed of Trust 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 Project, or against the

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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 Project, 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 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 Project 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

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Project 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.

PAYEE

MAKER

County of El Dorado

Mercy Housing California 55,
A California Limited Partnership

By: _____
Daniel Nielson, M.P.A.
Director, Health and Human
Services Agency

By: Sunset Lane Apartments, LLC ,
its general partner

By: Mercy Housing Calwest,
member/manager)

By: _____
Its: _____

By: _____
Its: _____