

AMENDED AND RESTATED PROMISSORY NOTE SECURED BY DEED OF TRUST
TO THE COUNTY OF MONTEREY, CALIFORNIA

\$959,580

Salinas, California

_____, 2014

FOR VALUE RECEIVED, SOUTH COUNTY HOUSING CORPORATION, a California nonprofit public benefit corporation, (“Borrower”), hereby promises to pay to THE COUNTY OF MONTEREY, CALIFORNIA (“County”), a public body, corporate and politic, the principal amount of NINE HUNDRED FIFTY NINE THOUSAND FIVE HUNDRED EIGHTY DOLLARS (\$959,580.00) pursuant to the Agreement Concerning the Use of CDBG Funds (Camphora Highlands) dated March 27, 2012, between the Borrower and the County (the “Loan Agreement”), and Amendment # 1 to the Loan Agreement dated _____ and incorporated herein by this reference. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the Loan Agreement. The obligation of the Borrower to the County hereunder is subject to the terms of the Loan Agreement, Amendment # 1 to the Loan Agreement, Regulatory Agreement and Declaration of Restrictive Covenants (“Regulatory Agreement), this Note, and a deed of trust (the “County Deed of Trust”) given by the Borrower to the County for the purpose of securing this Note. Said documents are public records on file in the offices of the County, and the provisions of said documents are incorporated herein by this reference. This Note amends and restates in its entirety that certain promissory note secured by that deed of trust dated November 4, 2013 and recorded November 8, 2013 as Recorder’s Document No. 2013069276 which promissory note is hereby cancelled and of no further force and effect.

1. This Note evidences the terms of the obligation of the Borrower to the County for the repayment of funds loaned by the County (“County Loan”) to finance the acquisition of property and make improvements to the water system relating to the affordable housing on that property (the “Property”) as described in the Loan Agreement. The Regulatory Agreement and Declaration of Restrictive Covenants incorporated herein by this reference, contain requirements which restrict the use of certain units on the Property to rental housing restricted to extremely low, very low, and low income households at a cost that is affordable to such households (the “Low Income Housing Requirements”).
2. The principal balance of this Note shall accrue simple interest at the rate of three percent (3%) per annum.
 - a. In the event of a Default, interest on the Loan shall begin to accrue, as of the date of Default and continuing until such time as the Loan funds are repaid in full or the Default is cured, at the default rate of the lesser of ten percent (10%) per annum or the highest rate permitted by law (the “Default Rate”).
3. This Note shall mature 57 years from the close of escrow of the construction loan for the Property, but in no event later than December 31, 2071. The Borrower is not obligated to

make any periodic payments on this Note prior to maturity except as provided for in Paragraph 6 of this Note.

4. This Note is payable at the office of the County located at 168 W. Alisal Street, Salinas, California 93901, or at such other place as the holder hereof may inform the Borrower in writing, in lawful money of the United States.
5. Except as provided below, BORROWER shall not have any direct or indirect personal liability for payment of the principal of, and interest on, the Loan or the performance of the covenants of the BORROWER under the Deed of Trust. Following recordation of the Deed of Trust, the sole recourse of the County with respect to the principal of, and interest on, the Note and defaults by BORROWER in the performance of its covenants under the Deed of Trust shall be to the Property described in the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for the Note of all the rights and remedies of the COUNTY there under, or (b) be deemed in any way to impair the right of the COUNTY to assert the unpaid principal amount of the 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 Note and the performance of the BORROWER's obligations under the Note, except as hereafter set forth; nothing contained herein is intended to relieve the BORROWER of its obligation to indemnify the COUNTY under Section 8.10 of the Loan Agreement, or liability for (i) fraud or willful misrepresentation or (ii) any breach by BORROWER of any covenant in the Deed of Trust or the Loan Agreement regarding Hazardous Materials.
6. In addition, the County, at its option, may declare the County Loan immediately due and payable, in the event that Borrower:
 - a. fails to fulfill its obligations to the County under the Loan Agreement, this Note or the County Deed of Trust, or any agreement or instrument executed in connection herewith (including applicable cure periods);
 - b. refinances the Property other than that refinance approved pursuant to Section 5.20 of the Loan Agreement.
 - c. Transfers the Property without prior written consent by the County, as provided in Section 5.15 of the Loan Agreement.
7. In the event that Borrower sells, transfers, assigns or refinances the Property, the affordable housing units, or any portion thereof or interest therein without the prior written approval of the County or designee, the County Loan shall immediately be due and payable. The foregoing shall not apply to the transfer of a limited partner interest to a tax credit investor, or a subsequent transfer by the tax credit investor, or the removal of the general partner for a default under Borrower's partnership agreement provided any replacement general partner is reasonably acceptable to the County, if such transfer is part of, or in furtherance of, a Subsequent Agreement with the County, as described in the Loan Agreement.

8. The Borrower agrees for itself, its successors and assigns, that the use of the Property shall be for rental housing designed for occupancy by and affordable to extremely low, very low, and low income farmworker households and for no other purpose, as set forth in the Loan Agreement and associated loan documents.
9. The Borrower waives presentment for payment, demand, protest, and notices of dishonor and of protest; the benefits of all waivable exemptions; and all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice. The Borrower hereby agrees to pay all costs and expenses, including reasonable attorneys' fees, which may be incurred by the holder hereof in the enforcement of this Note, the County Deed of Trust or any term or provision of either thereof.
10. Upon the failure of the Borrower to perform or observe any other term or provision of this Note, or upon the occurrence of any event of default under the terms of the County Deed of Trust or the Loan Agreement (after the expiration of applicable cure periods), the County may exercise its rights or remedies thereunder.
11. The Borrower shall have the right to prepay the obligation evidenced by this Note, or any part thereof, without penalty.

BORROWER

SOUTH COUNTY HOUSING CORPORATION,
a California nonprofit public benefit corporation

By: _____
Its: Dennis Lalor, President/CEO