

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

\$300,000

Salinas, California
_____, 2014

FOR VALUE RECEIVED, SOUTH COUNTY HOUSING CORPORATION INC., a California nonprofit public benefit corporation, (“Borrower”), hereby promises to pay to THE COUNTY OF MONTEREY, CALIFORNIA (“County”), a public body, corporate and politic, through its Successor Housing Agency, or order, the principal amount of THREE HUNDRED THOUSAND Dollars (\$300,000.00) pursuant to the Loan Agreement dated _____, between the Borrower and the County (the “Loan Agreement”), 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, this Note, the Regulatory Agreement and Declaration of Restrictive Covenants (“Regulatory Agreement”), and a Deed of Trust (the “County Deed of Trust”) in favor of the County in connection with the Loan Agreement of even date herewith 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.

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 redevelopment of the Camphora Highlands affordable housing project 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.

3. This Note is payable at the Economic Development Department office located in the County Government Center at 168 W. Alisal Street, 3rd Floor, 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.

4. The County Loan is a limited recourse obligation of the Borrower. Neither Borrower nor any other party shall have any personal liability for repayment of the County Loan. Except as provided in Section 3.8 of the Loan Agreement, the sole recourse of the County under the Loan Agreement, this Note, and the County Deed of Trust for repayment of the County Loan shall be the exercise of its rights against the related security thereunder.

5. 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, the Regulatory Agreement, or the County Deed of Trust, or any agreement or instrument executed in connection herewith (including applicable cure periods);

(b) fails to comply with the Low Income Housing Requirements, specifically the Regulatory Agreement and Loan Agreement, provided that Borrower shall have sixty (60) days to cure this failure and provide satisfactory evidence to the County of such cure;

(c) refinances the Property other than that refinance approved pursuant to Section 5.17 of the Loan Agreement.

6. 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 an interest to an affiliate of Borrower, 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.

7. 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.

8. 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 the Loan Agreement, the Regulatory Agreement, the Note, the County Deed of Trust or any term or provision thereof.

9. 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.

10. The Borrower shall have the right to prepay the obligation evidenced by this Note, or any part thereof, without penalty.

11. No judgment, or execution thereon, entered in any action, legal or equitable on this Note, shall be enforced personally against Borrower or any partner, member, shareholder, director or officer of Borrower, but shall be enforced only against the property described in the County Deed of Trust securing the Note.

BORROWER

SOUTH COUNTY HOUSING CORPORATION INC., a
California nonprofit public benefit corporation

By: _____

Its: _____