

**PROMISSORY NOTE
(Affordable Housing Funds)**

963 Pope Street

\$200,000

County of Napa, California
[DATE]

FOR VALUE RECEIVED, the undersigned, 963 Pope Street LLC, a California limited liability company ("Borrower"), hereby promises to pay to the order of the County of Napa, a political subdivision of the State of California (the "County"), 1195 Third Street, Suite 310, County Administration Building, Napa, California 94559, Attn: Deputy County Executive Officer, the principal amount of **Two Hundred Thousand Dollars (\$200,000)**, or so much thereof as is disbursed to Borrower pursuant to the Loan Agreement (as defined below), plus interest pursuant to Article 2 below.

ARTICLE 1 Borrower's Obligation. This Note evidences Borrower's obligation to pay the County the principal amount of Two Hundred Thousand Dollars (\$200,000), with interest, for the funds loaned to Borrower by the County for construction and permanent financing of the Development pursuant to the Affordable Housing Loan Agreement between Borrower and the County of even date herewith (the "Loan Agreement"). All capitalized terms not otherwise defined in this Note have the meanings set forth in the Loan Agreement.

ARTICLE 2 Interest.

2.1 Subject to the provisions of Section 2.2 below, the outstanding principal balance of the Loan bears simple interest from the date of this Note at 3% annually, until full repayment of the outstanding balance of the Loan.

2.2 If a Default occurs, interest on the Loan will 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 eight percent (8%) per annum, compounded annually and the highest rate permitted by law.

ARTICLE 3 Term and Repayment Requirements. The unpaid principal balance together with accrued interest on the Loan is due and payable on the date that is fifty-five (55) years from date of issuance of the last certificate of occupancy or equivalent certification provided by the Building Division of the City's Community Development Department for the Improvements, provided, however, if a record of the City's certification cannot be located or established, the unpaid principal balance together with accrued interest on Loan is due and payable on the fifty-seventh (57th) anniversary of the date of this Note. Principal and interest under this Note is due and payable as set forth in Section 2.7 of the Loan Agreement.

ARTICLE 4 No Assumption. This Note is not assumable by the successors and assigns of Borrower without the prior written consent of the County, except as set forth in the Loan Agreement.

ARTICLE 5 Security. This Note is secured by the Deed of Trust of even date, wherein Borrower is the trustor and the County is the beneficiary. The terms of the Deed of Trust are hereby incorporated into this Note and made a part hereof.

ARTICLE 6 Terms of Payment. All payments due under this Note shall be paid in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

6.1 All payments on this Note shall be paid to the County at Deputy County Executive Officer, 1195 Third Street, Suite 310, County Administration Building, Napa, California 94559, or to such other place as the County may from time to time designate by notice pursuant to the Loan Agreement.

6.2 All payments on this Note shall be without expense to the County, and Borrower agrees to pay all costs and expenses, including reconveyance fees and reasonable attorneys' fees of the County, incurred in connection with the payment of this Note and the release of any security hereof.

6.3 Notwithstanding any other provision of this Note, or any instrument securing the obligations of Borrower under this Note, if, for any reason whatsoever, the payment of any sums by Borrower pursuant to the terms of this Note would result in the payment of interest which would exceed the amount that the County may legally charge under the laws of the State of California, then the amount by which payments exceed the lawful interest rate shall automatically be deducted from the principal balance owing on this Note, so that in no event shall Borrower be obligated under the terms of this Note to pay any interest which would exceed the lawful rate.

6.4 Upon recordation of the Deed of Trust against the Development, this Note shall become nonrecourse to Borrower, pursuant to and except as provided in the Loan Agreement.

ARTICLE 7 Default.

7.1 Any of the following shall constitute an event of default under this Note:

(a) Any failure to pay, in full, any payment required under this Note when due;

(b) Any failure in the performance by Borrower of any term, condition, provision or covenant set forth in this Note, subject to any notice and cure period set forth in the Loan Agreement;

(c) The occurrence of any event of default under the Loan Agreement, the Deed of Trust, the Regulatory Agreement, or any other instrument securing the obligations of Borrower under this Note or under any other promissory notes hereafter issued by Borrower to the County pursuant to the Loan Agreement or the Deed of Trust, subject to notice and cure periods, if any, set forth therein.

7.2 Upon the occurrence of one or more of the foregoing events of default, the entire unpaid principal balance, together with all interest thereon, and together with all other sums then payable under this Note and the Deed of Trust, shall at the option of the County become

immediately due and payable upon written notice by the County to Borrower without further demand.

7.3 The County's failure to exercise the remedy set forth in Section 7.2 above or any other remedy provided by law upon the occurrence of one or more events of default shall not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other default. The acceptance by the County hereof of any payment which is less than the total of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the foregoing remedies or options at that time or at any subsequent time, or nullify any prior exercise of any such remedy or option, without the express consent of the County, except as and to the extent otherwise provided by law.

ARTICLE 8 Waivers.

8.1 Borrower hereby waives diligence, presentment, protest and demand, and notice of protest, notice of demand, notice of dishonor and notice of non-payment of this Note. Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time, and that the County may accept further security or release any security for this Note, all without in any way affecting the liability of Borrower.

8.2 Any extension of time for payment of this Note or any installment hereof made by agreement of the County with any person now or hereafter liable for payment of this Note shall not operate to release, discharge, modify, change or affect the original liability of Borrower under this Note, either in whole or in part.

8.3 The obligations of Borrower under this Note shall be absolute and Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reason whatsoever.

ARTICLE 9 Miscellaneous Provisions.

9.1 All notices to the County or Borrower shall be given in the manner and at the addresses set forth in the Loan Agreement, or to such addresses as the County and Borrower may therein designate.

9.2 Borrower promises to pay all costs and expenses, including reasonable attorneys' fees, incurred by the County in the enforcement of the provisions of this Note, regardless of whether suit is filed to seek enforcement.

9.3 This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

9.4 This Note shall be governed by and construed in accordance with the laws of the State of California.

9.5 The times for the performance of any obligations hereunder shall be strictly construed, time being of the essence.

9.6 This document, together with the Loan Documents, contains the entire agreement between the parties as to the Loan. It may not be modified except upon written consent of the parties.

9.7 Borrower may not assign its rights and obligations under this Note without the express written consent of the County. The County's rights under this Note may be assigned by the County in its sole discretion.

9.8 This Note shall be binding upon Borrower, its successors and assigns.

9.9 If any term of this Note is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

[Remainder of page intentionally blank.]

[Signatures of following page.]

IN WITNESS WHEREOF, Borrower is executing this Note as of the day and year first written above.

BORROWER:

963 Pope Street, LLC,
A California limited liability company

By: Napa Valley Community Housing,
a California nonprofit public benefit
corporation,
its Managing Member

APPROVED AS TO FORM:

S. Darbinian
Deputy County Counsel

By: 
Erica R. Sklar
CEO