

**PROMISSORY NOTE**  
(Mission Heritage)

\$3,000,000

\_\_\_\_\_, 2017  
Riverside, California

**FOR VALUE RECEIVED, MISSION HERITAGE LP**, a California limited partnership (“Borrower”) promises to pay to the **HOUSING AUTHORITY OF THE CITY OF RIVERSIDE**, a public body corporate and politic (“Authority”), or order, the principal sum of Three Million Dollars (\$3,000,000), or so much of such principal as may be disbursed pursuant hereto and in accordance with that certain Loan Agreement by and between the Authority and Borrower dated for identification purposes only as of \_\_\_\_\_, 20\_\_ (the “Agreement”). The record of such disbursements shall be recorded on Exhibit “A” to this Promissory Note by Authority and acknowledged by the Borrower. This Note evidences the obligation of Borrower to Authority for the repayment of certain funds (the “Authority Loan”) loaned to Borrower by Authority and required to be paid by Borrower pursuant to the Agreement, in connection with the acquisition, development and construction of certain real property located at 3901 and 3922 Mission Inn Avenue and 3942 Sixth Street, in the City of Riverside, California and identified with Assessor Parcel Numbers 214-212-007 -008, -009, -010, -011, -012, and -013 (the “Property”). All capitalized terms unless otherwise defined herein shall have the same meaning as set forth in the Agreement.

1. Source of Funds.

The Authority contemplates that it shall utilize funds set aside by the Authority for affordable housing to fund the Authority Loan.

2. Interest.

2.1 Basic Interest. Except as provided in section 2.2 below, the disbursed and unpaid principal balance of the Authority Loan shall bear interest for the period of time commencing on the date on which the Authority Loan proceeds are first disbursed for the account of Borrower and ending on the date upon which the Authority Loan is repaid in full at the rate of three percent (3.0 %) per annum, simple interest. Interest shall be computed on the basis of actual number of days elapsed and a 360-day year.

2.2 Default Rate. Any amounts (including but not limited to amounts of principal and interest on the Authority Loan) which Borrower does not pay when otherwise due under the terms of this Note, shall bear interest at the rate of ten percent (10%) per annum (“Default Rate”), simple interest, from the date which is ten (10) days after such amount would otherwise be due until the date paid.

3. Payment Dates and Amounts.

Except as otherwise provided in this Authority Promissory Note, Borrower shall repay the Authority Loan with interest in arrears in annual installments on April 1 of each calendar year for the

previous calendar year, commencing on April 1 in the calendar year immediately following the calendar year in which the Release of Construction Covenants is recorded in the official records of Riverside County. Absent prepayment or acceleration, the Borrower agrees to pay the indebtedness of the Authority Loan to the Authority in annual payments equal to fifty percent (50%) of the Residual Receipts (the “Authority Share of Residual Receipts”) for the prior fiscal year.

3.1 Definition of Annual Project Revenue. “Annual Project Revenue” shall mean all gross income and all revenues of any kind from the Development in a fiscal year, including without limitation, Development rents, Section 8 housing assistance payments, if any, late charges, vending machine income, and any other revenues of whatever kind or nature from the Development, except that interest on security deposits, required reserves, capital contributions, insurance proceeds, and, condemnation proceeds, shall not be considered Annual Project Revenue.

3.2 Definition of Asset Management Fee. “Asset Management Fees” shall mean the asset management fee payable pursuant to the terms of the Developer’s limited partnership agreement.

3.3 Definition of Completion Loan. “Completion Loan” means a loan provided by any partner of the Developer or any party obligated to guaranty the obligations of the Developer to the Developer’s limited partners to pay for completion of the Project as may be required under the Developer’s limited partnership agreement, if applicable.

3.4 Definition of Debt Service. “Debt Service” means payments made in the fiscal year pursuant to the terms and conditions of the Construction and Permanent Loan or any subsequent promissory note and loan agreement with a private lender and excluding payments made pursuant to the Authority promissory note and notes made with other sources of subsidy financing.

3.5 Definition of Deferred Developer Fee. “Deferred Developer Fee” shall mean any developer fee remaining unpaid at the time the Development receives its certificate of occupancy for a period not to exceed fifteen (15) years thereafter.

3.6 Definition of General Partner Loan. “General Partner loan” shall mean a loan, if any, provided by the general partner of the Developer, or any entity which is obligated to guaranty the obligations of the general partner, as may be required by the Developer’s limited partnership agreement.

3.7 Definition of Investment Limited Partner Asset Management Fees. “Investment Limited Partner Asset Management Fees” shall mean the asset management fee, if any, payable to the investment limited partner of the Developer.

3.8 Definition of Operating Deficit Loan. “Operating Deficit loan” shall mean a loan, if any, provided by the general partner of the Developer, or any entity which is obligated to guaranty the obligations of the general partner to pay for Development operating deficits, as may be required by the Developer’s limited partnership agreement.

3.9 Definition of Operating Expenses. “Operating Expenses” shall mean actual, reasonable and customary costs, fees and expenses directly incurred, paid, and attributable to the operation, maintenance and management of the Project in a fiscal year, including, without limitation: painting, cleaning, repairs, alterations, landscaping, utilities, refuse removal, certificates, permits and licenses, sewer charges, real and personal property taxes, assessments, insurance, security,

advertising and promotion, janitorial services, cleaning and building supplies, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings which are not paid from the capital replacement reserve, fees and expenses of property management, fees and expenses of accountants, attorneys and other professionals, and other actual, reasonable and customary operating costs and capital costs which are directly incurred and paid by the Borrower, but which are not paid from the operating reserve or other reserve accounts. The Operating Expenses shall not in any event include expenses not related to the Development's operations, including without limitation, depreciation, amortization, non-cash expenses, and accrued principal and interest expense on deferred payment debt.

3.10 Definition of Residual Receipts. "Residual Receipts" means Annual Project Revenue less the sum of actual reasonable payments made on the following:

- (a) Operating Expenses;
- (b) Debt Service;
- (c) Reserve Deposits;
- (d) Reasonable and customary Asset Management Fee consistent with the Developer's pro forma upon the acquisition of the Project plus interest thereon;
- (e) A Reasonable and customary Investment Limited Partner Asset Management Fee consistent with Developer's pro forma upon the acquisition of the Project plus interest thereon;
- (f) A Deferred Developer Fee not to exceed the amount of Developer Fee approved by the California Tax Credit Allocation Committee;
- (g) General Partner Loan plus interest thereon;
- (h) Operating Deficit Loan plus interest thereon; plus
- (i) Completion Loan plus interest thereon.

3.11 Interest accrued on items set forth in Section 2.1 and in Section 6 shall not exceed a reasonable and customary rate of interest accrued on similar debt associated with similar affordable housing projects in Southern California.

4. Annual Financial Statement.

Not later than May 1, 2019 and each May 1st thereafter throughout the term, Borrower shall submit to Authority its Annual Financial Statement for the preceding year together with payments, if any, pursuant to Section 3 hereof. Residual Receipts shall be calculated by Borrower (and certified by an authorized officer of Borrower) and reported by Borrower to Authority annually for each calendar year no later than May 1st of the following calendar year on forms specified and provided by Authority from time to time but no later than June 30th of each year. All calculations and records shall be based upon Borrower's Annual Financial Statement and shall be subject to audit by Authority. In connection with any audit, Borrower shall provide to Authority for inspection and copying any records, receipts, account books, ledgers, checks, or other documents or other evidence requested by Authority for the purpose of verifying Borrower's calculation of Residual Receipts, and

shall promptly pay to Authority any further amount due but not paid as a result of any miscalculation by Borrower. Authority shall promptly pay Borrower any overpayments made by Borrower as shown by such audit.

5. Maturity Dates.

Notwithstanding any other provision hereof, unless due sooner by virtue of the acceleration of the balance hereof in accordance with Section 7, the outstanding principal balance together with any accrued and unpaid interest due thereon and any other sums payable under this Note shall be due and payable in full on the date which is fifty-five (55) years from the date of the recording of the Release of Construction Covenants (the "Maturity Date").

6. Additional Payments.

Unless waived by the Authority's Executive Director, in addition to the payments provided in Section 3 above, and subject to the terms of any senior financing, Borrower shall pay to Authority towards (but not to exceed) any outstanding amounts related to the Authority Loan: (a) no later than the date of close of escrow or other consummation of any Assignment other than a Minor Assignment, the Net Proceeds of such Assignment multiplied by the Authority Percentage; and (b) no later than the recording of a Refinancing, (x) an amount equal to (i) fifty percent (50%) of the Net Refinancing Proceeds received from any such Refinancing, multiplied by (ii) the Applicable Percentage; multiplied by (y) the Authority Percentage.

A "Minor Assignment" means any lease of an individual unit in the Project for occupancy by a residential subtenant and in the ordinary course of business for operation of the Project.

"Applicable Percentage" means fifty percent (50%); provided, however, that the term "Applicable Percentage" means one hundred percent (100%) with respect to a payment on the Authority Loan attributable in whole or in part to a condemnation of, or event of damage, destruction or casualty with respect to, the Property, the Project or any portion of either.

"Assignment" means any voluntary or involuntary conveyance, disposition, assignment, taking, casualty, encumbrance (other than a Refinancing as defined below or the creation of the Senior Financing or any other Project Loan, the proceeds of which are used solely for initial acquisition of the Property by Borrower or initial development of the Project), sublease, sale or transfer of the Property, including, without limitation, any transfer by Borrower of all or any portion of its rights under or interest in the Project or the Property, any unpermitted change of ownership or control of Borrower, any condemnation or taking of the Property or the Project or any portion thereof, any event of damage to or destruction of the Property or the Project, any foreclosure of Borrower's interest in the Project or the Property, whether by judicial proceedings, or by virtue of any power contained in a deed of trust, indenture or other instrument creating a lien against the Project or the Property, or any assignment of Borrower's estate in the Project or the Property through, or in lieu of, foreclosure or other appropriate and bona fide proceedings in the nature thereof; provided, however, that the term "Assignment" as used herein shall not include (i) any permitted transfer as set forth in Section 2.2 of the Agreement or (ii) any bonafide transfers of an ownership interest in Borrower to any Affiliate of Borrower, so long as the consideration paid to the selling partner, member or shareholder on account of such transfer shall not exceed the actual amount paid by such partner, member or shareholder for its ownership interest plus reimbursement

for any out-of-pocket expenses incurred by such partner, member or shareholder in connection with its acquisition of such ownership interest.

“Net Proceeds” of an Assignment means (a) the proceeds received, directly or indirectly, by Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower as a result of such Assignment, including, without limitation, cash, the amount of any monetary lien or encumbrance assumed or taken subject to by the assignee, the fair market value of any non-cash consideration, including the present value of any promissory note received as part of the proceeds of such Assignment (such present value to be determined based upon a discount rate reasonably satisfactory to Authority), the entire condemnation award or compensation payable to Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower in connection with a condemnation or taking in eminent domain of any part of the Property or the Project or any interest therein, all insurance proceeds or awards payable to Borrower or any Affiliate or constituent member or partner or majority shareholder of Borrower in connection with any damage to or destruction of the Property or the Project or any part thereof; less (b) the sum of (i) the actual, documented and reasonable expenses of effecting such Assignment, including reasonable brokerage commissions, title insurance premiums, documentary transfer taxes, and reasonable attorneys’ fees, in each case actually paid in connection with the Assignment (provided that no deduction shall be allowed for payments to an Affiliate of the person or entity making the Assignment which are in excess of the amount that would be paid for the same or equivalent services in an arms’ length transaction between unrelated parties acting reasonably), and (ii) the amount of any proceeds of the Assignment paid (excluding voluntary payments) towards the then-outstanding balance of the Senior Financing. Notwithstanding anything above which is or appears to be to the contrary, the permissible deductions for purposes of calculating the Net Proceeds of an Assignment shall not include any foreign, U.S., state or local income taxes, franchise taxes, or other taxes based on income.

“Refinancing” means creation or substantial modification of a loan secured by an encumbrance on the Property, the Project, or any portion thereof. The term “Refinancing” shall not include the creation of the financing and any other project loan, the proceeds of which are used solely for initial acquisition of the Property by Borrower or initial development of the Project or otherwise allowed in the Agreement (the “Senior Financing”).

“Net Refinancing Proceeds” means the gross face amount of the loan proceeds obtained in connection with a Refinancing, after: (a) payment of the actual, documented and reasonable expenses of such Refinancing, including escrow fees, title policy expenses, legal expenses, survey fees, recording fees, commissions, or other usual and reasonable expenses of any such Refinancing (provided, that no deduction shall be allowed for payments in connection with such Refinancing which are in excess of the amounts that would be paid for the same or equivalent services in an arms’ length transaction between unrelated parties acting reasonably); (b) deduction of amounts for any necessary construction to the Project, as approved by Authority, which approval shall not be unreasonably withheld; (c) deduction of amounts repaid (excluding voluntary payments) in connection with the Refinancing towards amounts outstanding under the Senior Financing, any deferred fees (including the Deferred Developer Fee, Asset Management Fees, and Investment Limited Partner Asset Management Fee) General Partner Loan plus interest thereon, Operating Deficit Loan and Completion Loan plus interest thereon, if applicable.

7. Acceleration.

Notwithstanding the payment terms set forth in Section 3 above, upon the occurrence of any “Event of Default” as set forth in Section 14 below, the entire outstanding principal balance of the Note, together with any outstanding interest and other amounts payable thereunder, shall, at the election of Authority and upon notice to Borrower thereof, become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

8. Prepayment; Application of Payments.

At any time after the disbursement of the Authority Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the Authority Loan and accrued interest and any other sums outstanding without penalty. All payments, including any prepayments or funds received upon acceleration pursuant to Section 7 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Authority Loan principal or interest thereon) due under this Note or the Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the basic interest rate of three percent (3%) per annum (simple interest), if any, then toward any deferred principal, and finally toward the remaining principal balance under the Note.

9. Security For Note.

Borrower’s obligations under this Note and the Agreement shall, at all times during which any amount remains outstanding, be secured by that certain deed of trust, fixture filing and assignment of rents (“Authority Deed of Trust”) of even date herewith, and of which Authority is the beneficiary, recorded against Borrower’s fee interest in the Property and the Project (collectively, the “Property”).

10. Obligation of Borrower Unconditional.

The obligation of Borrower to repay the Authority Loan and all accrued interest thereon shall be absolute and unconditional, and until such time as all of the outstanding principal of and interest on this Note shall have been fully paid, Borrower agrees that it: (a) will use the funds solely for the purposes set forth herein; and (b) will not terminate or suspend any payment or obligations under this Note, the Agreement, or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this Note, the Agreement or any document executed hereunder or in connection herewith.

11. Purpose of Authority Loan.

The Authority Loan proceeds shall be used by Borrower only to pay Project Costs and such other uses previously approved in writing by Authority in accordance with the Agreement. In no event shall Borrower use or otherwise invest the proceeds of the Authority Loan except as expressly provided in this Note and the Agreement.

12. Covenants of Borrower.

As additional consideration for the making of the Authority Loan by Authority, Borrower covenants as follows:

12.1 Compliance with Agreement, the Regulatory Agreement and Deed of Trust. Borrower shall comply with all of its obligations under the Agreement, the Regulatory Agreement and the Deed of Trust. Any amounts payable by Borrower under the Agreement, the Regulatory Agreement or the Deed of Trust (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Authority Loan payable hereunder.

12.2 Other Loans. Borrower shall comply with all monetary and non-monetary covenants associated with any loan secured by an interest in the Property or the Project. Borrower shall provide to Authority a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting Authority, to the extent Authority in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by Authority in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Authority Loan.

13. Assignment of this Note.

This Note shall be assignable by Borrower in accordance with Section 2.2 of the Agreement. Notwithstanding anything which may be or appear to be herein to the contrary, no purported assignment of this Note and/or the Authority Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Governmental Regulations.

14. Events of Default and Remedies.

14.1 Borrower Events of Default. The occurrence of any of the circumstances described in this Section 14.1 shall constitute an event of default by Borrower hereunder ("Event of Default"). Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in Sections 14.1(c) through 14.1(h) below. Where notice is required, Authority shall notify the Investor concurrently with the notice delivered to the Borrower.

(a) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Deed of Trust or the Agreement, without curing such failure within ten (10) days after receipt of written notice of such default from Authority (or from any party authorized by Authority to deliver such notice as identified by Authority in writing to Borrower).

(b) The failure of Borrower to perform any non-monetary covenant or obligation hereunder, or under the Deed of Trust or the Agreement, without curing such failure within thirty (30) days after receipt of written notice of such default from Authority (or from any party authorized by Authority to deliver such notice as identified by Authority in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such

that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter.

(c) The material falsity, when made, of any representation or breach of any material warranty or covenant made by Borrower under the terms of this Note, the Agreement or the Deed of Trust;

(d) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (ii) fail to pay or admit in writing its inability to pay its debts generally as they become due, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, or (v) commence a voluntary petition that is not withdrawn within ninety (90) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(e) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner or majority shareholder of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (i) result in the entry of an order for relief or any such adjudication or appointment, or (ii) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(f) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Note, the Regulatory Agreement and/or the Agreement for a continuous period of more than sixty (60) days;

(g) A transfer, in violation of Section 2.2 of the Agreement;

(h) If Borrower is in default under the terms of the Regulatory Agreement, Senior Financing or other financing, or any other secured or unsecured obligation relating to the Project, unless such default is cured within the cure period, if any, applicable thereto under the terms and obligation which is in default.

**14.2 Authority Remedies.** Upon the occurrence of an Event of Default hereunder, and subject to the rights of any senior lenders Authority may, in its sole discretion, take any one or more of the following actions:

(a) By notice to Borrower, except in the case of a default by Borrower under Section 14.1(d) or Section 14.1(e) in which event no notice shall be required, declare the entire then unpaid principal balance of the Authority Loan immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are expressly waived. Upon such declaration, outstanding principal and (to the extent permitted by



law) interest and any other sums outstanding in connection with the Authority Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(b) Subject to the nonrecourse provisions of Section 23 below, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of Authority, to collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Note, the Agreement or under any other document executed in connection herewith;

(c) Subject to the nonrecourse provision of Section 23 below, upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money, Authority may, but shall not be obligated to, make such payment. If such payment is made by Authority, Borrower shall deposit with Authority, upon written demand therefor, such sum plus interest at the Default Rate. In either case, the Event of Default with respect to which any such payment has been made by Authority shall not be deemed cured until such repayment (as the case may be) has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under this Note;

(d) Subject to the nonrecourse provisions of Section 23 below, upon the occurrence of an Event of Default described in Section 14.1(d) or 14.1(e) hereof, Authority shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Authority Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of Authority and its counsel to protect the interests of Authority and to collect and receive any monies or other property in satisfaction of its claim.

14.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to Authority intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Note or now existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as Authority may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by Authority. In order to entitle Authority to exercise any right or remedy reserved to it under this Note, no notice shall be required except as expressly provided herein.

14.4 Authority Default and Borrower Remedies. Upon fault or failure of Authority to meet any of its obligations under this Note without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

(a) Demand and obtain payment from Authority of any sums due to or for the benefit of Borrower pursuant to the express terms of this Note;

- (b) Bring an action in equitable relief seeking the specific performance by Authority of the terms and conditions of this Note or seeking to enjoin any act by Authority which is prohibited hereunder; and/or
- (c) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Note.

Without limiting the generality of the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from Authority arising out of or in connection with this Note, and in connection with such waiver Borrower is familiar with and hereby waives the provision of Section 1542 of the California Civil Code which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.”

15. Agreement to Pay Attorneys' Fees and Expenses.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Note or any of the Authority Loan Documents, defined as the Agreement, this Note, the Deed of Trust, the Regulatory Agreement, the Request for Notice of Default and all other documents contemplated by the Agreement, as a consequence of any breach by the other party of its obligations thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this Note or any other Authority Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse Authority, upon demand by Authority, for all costs incurred by Authority in connection with enforcement of this Note, and any other Authority Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether Authority is a creditor in such proceedings or otherwise.

16. Conflict of Interest; No Individual Liability.

No official or employee of Authority shall have any personal interest, direct or indirect, in this Note, nor shall any official or employee of Authority participate in any decision relating to this Note which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of Authority shall be personally liable in the event of a breach of this Note by Authority.

17. Amendments, Changes and Modifications.

This Note may not be amended, changed, modified, altered or terminated without the prior written consent of the parties hereto.

18. Notices.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Note shall be in writing and shall be sent by first-class registered or certified mail, postage prepaid, return receipt requested, or by private courier service which provides evidence of delivery. Unless a different address is given by any party as provided in this Section, all such communications will be addressed as follows:

To Borrower: Mission Heritage LP  
c/o Wakeland Housing & Development Corporation  
1230 Columbia Street, Suite 950  
San Diego, CA 92101  
Attn: Kenneth L. Sauder

With a copy to: Downs, Pham & Kuei LLP  
One Embarcadero Center, Suite 500  
San Francisco, CA 94111  
Attn: Gary P. Downs, Esq.

To Authority: Housing Authority of the City of Riverside  
Attn: Executive Director  
3900 Main Street  
Riverside, California 92522

Copies to: City of Riverside  
Attn: City Attorney  
3900 Main Street  
Riverside, California 92522

Any Notice shall be deemed received immediately if delivered by hand and shall be deemed received on the third day from the date it is postmarked if delivered by registered or certified mail. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Note. Any address for service of notice on any party may be changed by that party serving a notice upon the other of the new address, except that any change of address to a post office box shall not be effective unless a street address is also specified for use in effectuating personal service.

19. Severability.

The invalidity or unenforceability of any one or more provisions of this Note will in no way affect any other provisions.

20. Interpretation.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Note are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Note by Borrower. Each party hereto has been represented by counsel in the negotiation of this Note, and it shall not be interpreted in favor of or against any party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Note, nothing herein or in this Note shall be deemed to require Borrower to pay interest in an amount in excess of any applicable usury law or other legal limitation on interest, and the terms of this Note shall be interpreted to require in each instance the lesser of (a) the amount stated in this Note, and (b) the maximum applicable legal limit.

21. No Waiver; Consents.

Any waiver by Authority must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by Authority to take action on account of any default of Borrower. Consent by Authority to any act or omission by Borrower will not be construed to be a consent to any other or subsequent act or omission or to waive the requirements for Authority's consent to be obtained in any future or other instance.

22. Governing Law.

This Note shall be governed by the laws of the State of California.

23. Nonrecourse Obligation After Completion of Construction.

This Note shall constitute a recourse obligation of the Borrower until recordation of the Release of Construction Covenants in the official records of the County of Riverside. Upon completion of construction of the Project as evidenced by the recordation of a Release of Construction Covenants, this Note shall be nonrecourse and neither Borrower nor any member, officer, partner or employee of Borrower shall have any personal liability for repayment of the sums evidenced hereby, and the Authority must resort only to the Property for repayment should the Borrower fail to repay the sums evidenced hereby.

Nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for this Note of all the rights and remedies of the Authority, or (b) be deemed in any way to impair the right of the Authority to assert the unpaid principal amount of this Note as a 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 this Note; nothing contained therein is intended to relieve the Borrower and, if Borrower is a partnership, any general partner of Borrower of liability for (i) fraud or willful misrepresentation of the Borrower; (ii) the failure to pay taxes, assessments or other charges which may create liens on the real property described in the Authority Loan Documents that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the retention of any rental income or other income arising with respect to the Project collected by Borrower after the Authority has given any notice that Borrower is

in default to the full extent of the rental income or other income retained and collected by Borrower after the giving of any such notice; (iv) the fair market value as of the time of the giving of any notice referred to in subparagraph (iii) above of any personal property or fixtures removed or disposed of by Borrower other than in accordance with the Authority Loan Documents after the giving of any notice referred to above; and (v) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Project; and (vi) breach of any environmental covenant or representation made by the Borrower relating to the Project.

24. Approvals.

Except with respect to those matters set forth hereinabove providing for Authority's approval, consent or determination to be at Authority's "sole discretion" or "sole and absolute discretion," Authority hereby agrees to act reasonably with regard to any approval, consent, or other determination given by Authority hereunder. Authority agrees to give Borrower written notice of its approval or disapproval following submission of items to Authority for approval, including, in the case of any disapproved item, the reasons for such disapproval.

Any review or approval of any matter by the Authority or any Authority official or employee under this Note shall be solely for the benefit of Authority, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not Authority shall be solely responsible for assuring compliance with laws, the suitability of the Property for the Project, the adequacy of the plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

25. Waiver.

Borrower agrees that it will still be liable for repayment of this Note, even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived. Failure of Authority or other holder hereof to exercise any right or remedy hereunder shall not constitute a waiver of any future or other default. No acceptance of a past due installment or indulgence granted from time to time shall be construed to be a waiver of, or to preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of any other rights which Authority may have.

[Signatures on following page.]

IN WITNESS WHEREOF, Borrower has executed this Note as of the date and year first above written.

**BORROWER:**

Mission Heritage LP  
a California limited partnership

By: Wakeland Mission Heritage LLC,  
a California limited liability company,  
its Managing General Partner

By: Wakeland Housing and Development Corporation,  
a California nonprofit public benefit corporation,  
its Manager and Sole Member

By: \_\_\_\_\_  
Kenneth L. Sauder, President

By: \_\_\_\_\_, LLC,  
a \_\_\_\_\_ limited liability company  
its Co-General Partner

By: Fair Housing Council of Riverside,  
a California nonprofit public benefit corporation  
[its Sole Member and Manager]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT “A”**

**DISBURSEMENT RECORD**

	<b>Disbursement Amount</b>	<b>Disbursement Date</b>	<b>Borrower’s Acknowledgment of Receipt</b>
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

DRAFT