

PROMISSORY NOTE
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

\$715,000_

_____, 2012

COUNTY OF YOLO, CALIFORNIA

FOR VALUE RECEIVED, Mercy Housing California 54, a California Limited Partnership (the "Borrower") promises to pay to the County of Yolo ("County") the principal sum of SEVEN HUNDRED FIFTEEN THOUSAND DOLLARS (\$715,000), or so much of such principal as may be advanced (the "Loan"). The loan shall bear simple interest of three percent (3%) per annum.

1. This loan is made pursuant to that certain Loan Agreement between Borrower and County of even date herewith. The loan will be used by Borrower for the purposes described in the Loan Agreement (the "Project").
2. Payment of this Note will be secured by a deed of trust, assignment of rents, security agreement and fixture filing under the provisions of the California Uniform Commercial Code (the "Deed of Trust") from Borrower to County, to be recorded against the Project.

This Note shall be due and payable in full fifty-five (55) years from the date of the final disbursement under the Loan Agreement but in no event later than December 31, 2068 . Beginning with Borrower's first fiscal year following the first year of operations of the Project after completion of the construction, Borrower shall make annual payments of principal to the County only from cash flow after payment of all operating expenses including the funding of required reserves, deferred developer fee, investor asset management fee of \$3,500 increasing by 3% annually, and a partnership management fee of \$12,000 annually. Payment shall be made within one hundred twenty (120) days of the end of each calendar year and shall be in the entire amount of said cash flow, up to the amount of principal and interest then owing.

3. Payment shall be made in lawful money of the United States to County at the County Administrator's Office, located at 625 Court Street, Room 202, Woodland, CA 95695 Attn: Housing and Community Development. The place of payment may be changed from time to time as the County may from time to time designate in writing.
4. Borrower shall have the right to prepay this 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 Note, subject to the cure periods in Section 7 below: (i) Borrower fails to pay any amount due hereunder within fifteen (15) days of its due date; (ii) any default by Borrower under the Deed of Trust, the Regulatory Agreement or the Loan Agreement; or (iii) any sale, exchange, transfer, assignment or other conveyance of the Project without the prior written consent of the County.

Upon the occurrence of any event of default, or at any time thereafter, at the option of the County, the entire unpaid principal owing on this Note shall become immediately due and payable. This option may be exercised at any time following any such event, and the acceptance of one or more

installments thereafter shall not constitute a waiver of such option with respect to any subsequent event. County'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.

6. County shall not exercise any right or remedy provided for herein because of any default of Borrower unless, in the event of a monetary default, Borrower and/or Borrower's limited partners shall have failed to pay the outstanding sums within a period of thirty (30) calendar days after notice that payment was due, or in the event of a nonmonetary default, County shall have first given written notice thereof to Borrower and/or Borrower's limited partners and Borrower and/or Borrower's limited partners shall have failed to cure the nonmonetary default within a period of thirty (30) days after the giving of such notice of such default; provided that if the nonmonetary default cannot be cured within thirty (30) days and Borrower and/or Borrower's limited partners proceed diligently with effort to cure such default until it shall be fully cured within no more than sixty (60) days after the giving of such notice, County shall not exercise any right or remedy provided for herein until such sixty (60) day period shall expire; provided, however, County shall not be required to give any such notice or allow any part of the grace period if Borrower shall have filed a petition in bankruptcy or for reorganization or a bill in equity or otherwise initiated proceedings for the appointment of a receiver of its assets, or if Borrower shall have made an assignment for the benefit of creditors, or if a receiver or trustee is appointed for Borrower and such appointment or such receivership is not terminated within forty-five (45) days.

With respect to any right to cure or cure period provided in this paragraph 6, performance of a cure by any partner of Borrower shall have the same effect as would like performance by Borrower.

7. Borrower 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 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.

8. Borrower agrees to pay immediately upon demand all costs and expenses of County including reasonable attorneys' fees, (i) if after default this Note be placed in the hands of an attorney or attorneys for collection, (ii) if after a default hereunder or under the Deed of Trust, the Regulatory Agreement, or the Loan Agreement, County finds it necessary or desirable to secure the services or advice of one or more attorneys with regard to collection of this Note against Borrower, any guarantor or any other party liable therefor or to the protection of its rights under this Note, the Deed of Trust, the Regulatory Agreement, the Loan Agreement, or other loan document, or (iii) if County 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 Note or prohibiting the enforcement of the Deed of Trust or any other agreement evidencing or securing this Note lifted by any bankruptcy or other court.

9. If County 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 Project or the title thereto or the interest of the County under the Deed of Trust, including without limitation, any form of condemnation or eminent domain proceeding, County shall be reimbursed by Borrower immediately upon demand for all costs, charges, and reasonable attorneys' fees incurred by County in any such case, and the same shall be secured by the Deed of Trust as a further charge and lien upon the Project.

10. Any notices provided for in this 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. Borrower and County shall mail notices to any limited partner of Borrower at:

c/o Enterprise Community Investment, Inc.
10227 Wincopin Circle
Columbia, MD 21044
Attn: General Counsel

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

12. This Note is 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 County must resort only to the Project for repayment should the Borrower fail to repay the sums evidenced hereby.

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

14. If any provision of this 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.

Mercy Housing California 54, a California Limited Partnership

By: Esparto Family Apartments LLC, a California limited liability company, its general partner

By: Mercy Housing Calwest, a California nonprofit public benefit corporation, its member/manager

By: _____
Its: _____