

DO NOT DESTROY THIS NOTE: WHEN PAID, THIS NOTE AND THE DEED OF TRUST SECURING IT MUST BE SURRENDERED TO TRUSTEE FOR CANCELLATION BEFORE RECONVEYANCE WILL BE MADE.

**PROMISSORY NOTE
(Villa Serena II-Phase 2)
("Note")**

San Marcos, California

March 30, 2021

1. Principal and Interest. For value received, and in consideration of that certain loan made by the City of San Marcos acting solely in its capacity as the designated successor housing agency to the former San Marcos Redevelopment Agency ("SHA"), to Villa Serena Apartments Limited Partnership, a California limited partnership ("Maker"), as described in that certain Development and Loan Agreement (Villa Serena II) dated as of July 9, 2019, which was amended by that certain First Amendment to Development and Loan Agreement (Villa Serena II) dated as of February 25, 2020 (as amended, the "DLA"), Maker promises to pay to the SHA, or order, at 1 Civic Center Drive, San Marcos, California 92069, or such other place as the holder may from time to time designate by written notice to Maker, the principal sum not to exceed \$3,483,098.00 ("SHA Loan"), together with accrued interest commencing on the date hereof. Interest shall accrue on the unpaid principal of the SHA Loan at the rate of three percent (3%) simple interest per annum. This Note is issued pursuant to the DLA and the deed of trust ("Deed of Trust"), being executed concurrently herewith, to be recorded in the office of the County Recorder of San Diego County. The Deed of Trust, DLA and Declaration (as defined in the DLA), and all other documents executed by the parties in connection therewith, are sometimes collectively referred to herein as the "Loan Documents." All capitalized terms which are not defined herein shall have the meaning ascribed to them in the DLA.

2. Term of Loan, Due Date and Right of Prepayment. Payments shall be due and payable on the earliest of the following dates:

(a) On the May 30, 2022, and annually on May 30 of each year thereafter during the term of this Note, Maker shall calculate its Residual Receipts for the immediately previous calendar year and Maker shall pay 50% of the Residual Receipts to the SHA.

(b) All principal and unpaid interest shall be due and payable by the Maker to the SHA on December 31, 2076.

(c) Except as otherwise set forth in the DLA, all principal and unpaid interest shall be due and payable concurrently with the refinancing of any loan or other obligation secured all or in part by the Property, as defined in the Deed of Trust.

(d) All principal and accrued interest shall be due and payable by the Maker to the SHA upon acceleration of this Note pursuant to Section 4, below.

(e) Except as otherwise permitted by the DLA, all principal and accrued interest shall be due and payable by the Maker to the City upon any sale, transfer, conveyance or further

encumbrance of all or any part of the Property, as defined in the Deed of Trust, which is not consented to by the SHA in writing.

“Residual Receipts” shall mean Gross Income less Operating Expenses, calculated on a calendar year basis, as provided herein. All calculations of Residual Receipts shall be subject to verification and approval by the SHA.

“Gross Income” shall mean the gross income to the Maker from all components of Phase 2, as defined in the DLA, any other income to Maker derived from the ownership, operation and management of the Phase 2, including releases of funds from any operating reserve, and the proceeds of any sale, financing or refinancing of all or any portion of Phase 2 or the sale, transfer or conveyance of Maker. Provided however that Gross Income shall not include (i) insurance proceeds or condemnation proceeds; (ii) security deposits or other tenant deposits; (iii) interest earned on project reserves (iv) funds released from any operating reserve; or (v) capital contributions. Interest earned (if any) on project reserves shall accrue to the applicable project reserve account and shall only be used for the purpose for which the reserve was established.

“Operating Expenses” shall mean actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, taxes and management of all residential components of Phase 2, to the extent approved by SHA in Maker’s annual operating budget, expressly including, but not limited to, the following: (i) required non-contingent debt service payments on any loan permitted to be secured by Phase 2 that is senior to the Deed of Trust, (ii) scheduled deposits to reserves, as approved by SHA, (iii) a reasonable property management fee in an amount not to exceed 6% of Gross Income in any one year, (iv) annual occupancy inspection and monitoring fees payable to the SHA, and (v) payments of all community facility district fees applicable to Phase 2, which are paid on an annual basis.

Maker shall annually provide SHA, on May 1st, each year during the term of this Note, a Residual Receipts report which provides the basis for Maker’s calculation of the payment or nonpayment of Residual Receipts to SHA. Maker, SHA and the property manager shall endeavor to meet on an annual basis to review the budget and projected Residual Receipts.

This Note may be prepaid in whole or in part at any time and, from time to time, without notice or penalty. Any prepayment shall be allocated first to unpaid interest then to unpaid principal. Should the undersigned sell, convey, transfer, further encumber, or dispose of the Property described in the Deed of Trust securing this Note, or any part of it, or any interest in it, without first obtaining the written consent of SHA except as otherwise provided in the Loan Documents, or the then holder of this Note, which consent shall be granted or withheld in the sole discretion of the SHA, then all obligations secured by this Note may be declared due and payable, at the option of SHA, or the then holder of this Note. SHA reserves the right to approve all sales, transfers, conveyances, additional encumbrances, or dispositions of the real property subject to the requirements of the DLA or as otherwise permitted in the Loan Documents. Consent to one transaction of this type will not constitute a waiver of the right to require consent to future or successive transactions.

3. Security for Note. This Note is secured by the Deed of Trust of even date herewith executed by Maker, which creates a lien on that certain real property described therein and by the Loan Documents, including the Security Agreement.

4. Acceleration Upon Default. In the event of any default under the terms of this Note, the DLA, the Deed of Trust, the Security Agreement, the Declaration, or any prior or subsequent loans, notes and/or deeds of trust, at the option of the holder of this Note, and after written notice to Maker and its limited partner providing Maker and its limited partner with thirty (30) days in which to cure any default, all principal and interest (at the default rate of ten percent (10%) simple interest deemed to have accrued as of the date of this Note) under this Note and this Note shall immediately become due and payable, without further notice. The SHA shall accept or reject any cure of any Maker default tendered by any limited partner of Maker on the same terms and conditions as if tendered by Maker. Failure to exercise such option shall not constitute a waiver of the right to exercise it in the event of any subsequent default. Time is of the essence.

5. Costs Paid by Maker. Maker agrees to pay the following costs, expenses, and attorneys' fees paid or incurred by the holder of this Note, or adjudged by a court: (a) reasonable costs of collection, costs, and expenses, and attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed; and (b) costs of suit and such sum as the court may adjudge as attorneys' fees in any action to enforce payment of this Note or any part of it.

6. Payment and Interest Calculation. Principal and interest shall be payable in lawful money of the United States of America. Interest shall be computed based on a 360-day year and 30-day month. Payments shall be applied to interest first and then to any unpaid principal balance.

7. Waiver. Maker hereby waives diligence, presentment, protest and demand, notice of protest, dishonor and nonpayment of this Note, and expressly agrees that, without in any way affecting the liability of Maker hereunder, SHA may extend any maturity date or the time for payment of any installment due hereunder, accept additional security, release any party liable hereunder and release any security now or hereafter securing this Note. Maker further waives, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense to any demand on this Note, or on any deed of trust, security agreement, guaranty or other agreement now or hereafter securing this Note.

8. Non-Recourse. Nothing contained herein shall be deemed to cause Maker (or any of its partners, or any of their respective directors, officers, employees, partners, principals or members) to be personally liable for any of the obligations evidenced hereby, and the SHA shall not seek any personal or deficiency judgment on such obligations, and the sole remedy of the SHA with respect to repayment of the loan evidenced by this Note shall be against Phase 2.

9. Late Charge. In addition to the foregoing, if any installment due hereunder is not paid within fifteen (15) days from the date due, Maker promises to pay a "late charge" of five percent (5%) of the installment so overdue to defray the expense incident to handling any such delinquent payment or payments.

10. Severability. If any provision of this Note is determined to be void by court of competent jurisdiction, such determination shall not affect any other provision of this Note, and such other provisions shall remain in full force and effect.

11. Non-Waiver. No delay in demanding or failure to demand performance hereunder shall constitute a waiver by Holder of its right to subsequently demand such performance or to exercise any remedies for any default hereunder. Further, in order to be effective, any waiver of any of SHA's rights and remedies hereunder shall be expressed in a writing signed by SHA. Further waiver by SHA of any right hereunder shall not constitute a waiver of any other right, including but not limited to the right to exercise any and all remedies for a different or subsequent event of default hereunder.

12. Replacement Note. The undersigned agrees that, in the event that this Note shall become lost or stolen, upon request of SHA, the undersigned shall execute a replacement Note incorporating the terms hereof, provided that SHA shall furnish a written agreement to indemnify the undersigned against all losses, costs, and damages arising from a duplicative demand for payment under this Note.

13. Interpretation. This Note shall be governed and interpreted in accordance with applicable California law.

14. Signature Authority. All individuals signing this Note for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, covenant to the SHA that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

MAKER:

Villa Serena Apartments Limited Partnership, a California limited partnership

By: The Southern California Housing Development Corporation of Orange
Its: General Partner

By: 
Print Name: Michael Finn
Its: Chief Financial Officer

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**PROMISSORY NOTE
(Villa Serena II-SHA Loan)
("Note")**

San Marcos, California

March 30, 2021

1. Principal and Interest. For value received, and in consideration of that certain loan made by the City of San Marcos acting solely in its capacity as the designated successor housing agency to the former San Marcos Redevelopment Agency ("SHA"), to VS Phase I LP, a California limited partnership ("Maker"), as described in that certain Development and Loan Agreement (Villa Serena II) dated as of July 9, 2019, which was amended by that certain First Amendment to Development and Loan Agreement (Villa Serena II) dated as of February 25, 2020 (as amended, the "DLA"), Maker promises to pay to the SHA, or order, at 1 Civic Center Drive, San Marcos, California 92069, or such other place as the holder may from time to time designate by written notice to Maker, the principal sum not to exceed \$9,867,129.00 ("SHA Loan"), together with accrued interest commencing on the date hereof. Interest shall accrue on the unpaid principal of the SHA Loan at the rate of three percent (3%) simple interest per annum. This Note is issued pursuant to the DLA and the deed of trust ("Deed of Trust"), being executed concurrently herewith, to be recorded in the office of the County Recorder of San Diego County. The Deed of Trust, DLA and Declaration (as defined in the DLA), and all other documents executed by the parties in connection therewith, are sometimes collectively referred to herein as the "Loan Documents." All capitalized terms which are not defined herein shall have the meaning ascribed to them in the DLA.

2. Term of Loan, Due Date and Right of Prepayment. Payments shall be due and payable on the earliest of the following dates:

(a) On the May 30, 2024, and annually on May 30 of each year thereafter during the term of this Note, Maker shall calculate its Residual Receipts for the immediately previous calendar year and Maker shall pay 31.78% of the Residual Receipts to the SHA. NOTWITHSTANDING THE FOREGOING OR ANYTHING TO THE CONTRARY SET FORTH HEREIN, NO PAYMENTS SHALL BE DUE UNDER THIS SECTION 2(A) UNTIL REPAYMENT IN FULL OF ALL PRINCIPAL AND INTEREST ON THAT CERTAIN PROMISSORY NOTE MADE BY THE MAKER CONCURRENTLY HEREWITH IN FAVOR OF THE CITY OF SAN MARCOS IN THE ORIGINAL PRINCIPAL AMOUNT OF \$1,600,000.00.

(b) All principal and unpaid interest shall be due and payable by the Maker to the SHA on December 31, 2078.

(c) Except as otherwise set forth in the DLA, all principal and unpaid interest shall be due and payable concurrently with the refinancing of any loan or other obligation secured all or in part by the Property, as defined in the Deed of Trust.

(d) All principal and accrued interest shall be due and payable by the Maker to the SHA upon acceleration of this Note pursuant to Section 4, below.

(e) Except as otherwise permitted by the DLA, all principal and accrued interest shall be due and payable by the Maker to the City upon any sale, transfer, conveyance or further encumbrance of all or any part of the Property, as defined in the Deed of Trust, which is not consented to by the SHA in writing.

“Residual Receipts” shall mean Gross Income less Operating Expenses, calculated on a calendar year basis, as provided herein. All calculations of Residual Receipts shall be subject to verification and approval by the SHA.

“Gross Income” shall mean the gross income to the Maker from all components of Phase 1, as defined in the DLA, any other income to Maker derived from the ownership, operation and management of the Phase 1, including releases of funds from any operating reserve, and the proceeds of any sale, financing or refinancing of all or any portion of Phase 1 or the sale, transfer or conveyance of Maker. Provided however that Gross Income shall not include (i) insurance proceeds or condemnation proceeds; (ii) security deposits or other tenant deposits; (iii) interest earned on project reserves (iv) funds released from any operating reserve; or (v) capital contributions. Interest earned (if any) on project reserves shall accrue to the applicable project reserve account and shall only be used for the purpose for which the reserve was established.

“Operating Expenses” shall mean actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, taxes and management of all residential components of Phase 1, to the extent approved by SHA in Maker’s annual operating budget, expressly including, but not limited to, the following: (i) required non-contingent debt service payments on any loan permitted to be secured by Phase 1 that is senior to the Deed of Trust, (ii) repayment of the \$228,864.00 deferred developer fee, (iii) scheduled deposits to reserves, as approved by SHA, (iv) a reasonable property management fee in an amount not to exceed 6% of Gross Income in any one year, (v) an annual limited partner asset management fee of \$7,500 and annual general partner asset management fee of \$7,500, in both cases increasing at 3% per year, (vi) annual occupancy inspection and monitoring fees payable to the SHA, (vii) the \$4,000.00 fee payable annually to the County of San Diego with respect to the County of San Diego’s loan to the Maker, (viii) the \$7,500.00 annual monitoring fee payable to CalHFA, (ix) payments of all community facility district fees applicable to Phase 1, which are paid on an annual basis, (x) credit adjusters and repayment of operating loans owed to the investor limited partner of the Maker, and (xi) repayments of general partner operating deficit loans.

Maker shall annually provide SHA, on May 1st, each year during the term of this Note, a Residual Receipts report which provides the basis for Maker's calculation of the payment or nonpayment of Residual Receipts to SHA. Maker, SHA and the property manager shall endeavor to meet on an annual basis to review the budget and projected Residual Receipts.

This Note may be prepaid in whole or in part at any time and, from time to time, without notice or penalty. Any prepayment shall be allocated first to unpaid interest then to unpaid principal. Should the undersigned sell, convey, transfer, further encumber, or dispose of the Property described in the Deed of Trust securing this Note, or any part of it, or any interest in it, without first obtaining the written consent of SHA except as otherwise provided in the Loan Documents, or the then holder of this Note, which consent shall be granted or withheld in the sole discretion of the SHA, then all obligations secured by this Note may be declared due and payable, at the option of SHA, or the then holder of this Note. SHA reserves the right to approve all sales, transfers, conveyances, additional encumbrances, or dispositions of the real property subject to the requirements of the DLA or as otherwise permitted in the Loan Documents. Consent to one transaction of this type will not constitute a waiver of the right to require consent to future or successive transactions.

3. Security for Note. This Note is secured by the Deed of Trust of even date herewith executed by Maker, which creates a lien on that certain real property described therein and by the Loan Documents, including the Security Agreement.

4. Acceleration Upon Default. In the event of any default under the terms of this Note, the DLA, the Deed of Trust, the Security Agreement, the Declaration, or any prior or subsequent loans, notes and/or deeds of trust, at the option of the holder of this Note, and after written notice to Maker and its limited partner providing Maker and its limited partner with thirty (30) days in which to cure any default, all principal and interest (at the default rate of ten percent (10%) simple interest deemed to have accrued as of the date of this Note) under this Note and this Note shall immediately become due and payable, without further notice. The SHA shall accept or reject any cure of any Maker default tendered by any limited partner of Maker on the same terms and conditions as if tendered by Maker. Failure to exercise such option shall not constitute a waiver of the right to exercise it in the event of any subsequent default. Time is of the essence.

5. Costs Paid by Maker. Maker agrees to pay the following costs, expenses, and attorneys' fees paid or incurred by the holder of this Note, or adjudged by a court: (a) reasonable costs of collection, costs, and expenses, and attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed; and (b) costs of suit and such sum as the court may adjudge as attorneys' fees in any action to enforce payment of this Note or any part of it.

6. Payment and Interest Calculation. Principal and interest shall be payable in lawful money of the United States of America. Interest shall be computed based on a 360-day year and 30-day month. Payments shall be applied to interest first and then to any unpaid principal balance.

7. Waiver. Maker hereby waives diligence, presentment, protest and demand, notice of protest, dishonor and nonpayment of this Note, and expressly agrees that, without in any way affecting the liability of Maker hereunder, SHA may extend any maturity date or the time for payment of any installment due hereunder, accept additional security, release any party liable hereunder and release any security now or hereafter securing this Note. Maker further waives, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense to any demand on this Note, or on any deed of trust, security agreement, guaranty or other agreement now or hereafter securing this Note.

8. Non-Recourse. Nothing contained herein shall be deemed to cause Maker (or any of its partners, or any of their respective directors, officers, employees, partners, principals or members) to be personally liable for any of the obligations evidenced hereby, and the SHA shall not seek any personal or deficiency judgment on such obligations, and the sole remedy of the SHA with respect to repayment of the loan evidenced by this Note shall be against Phase 1. Provided, however, that the foregoing shall not apply to defeat any cause of action against Maker that accrues prior to issuance of the certificate of occupancy for Phase 1.

9. Late Charge. In addition to the foregoing, if any installment due hereunder is not paid within fifteen (15) days from the date due, Maker promises to pay a "late charge" of five percent (5%) of the installment so overdue to defray the expense incident to handling any such delinquent payment or payments.

10. Severability. If any provision of this Note is determined to be void by court of competent jurisdiction, such determination shall not affect any other provision of this Note, and such other provisions shall remain in full force and effect.

11. Non-Waiver. No delay in demanding or failure to demand performance hereunder shall constitute a waiver by Holder of its right to subsequently demand such performance or to exercise any remedies for any default hereunder. Further, in order to be effective, any waiver of any of SHA's rights and remedies hereunder shall be expressed in a writing signed by SHA. Further waiver by SHA of any right hereunder shall not constitute a waiver of any other right, including but not limited to the right to exercise any and all remedies for a different or subsequent event of default hereunder.

12. Replacement Note. The undersigned agrees that, in the event that this Note shall become lost or stolen, upon request of SHA, the undersigned shall execute a replacement Note incorporating the terms hereof, provided that SHA shall furnish a written agreement to indemnify the undersigned against all losses, costs, and damages arising from a duplicative demand for payment under this Note.

13. Interpretation. This Note shall be governed and interpreted in accordance with applicable California law.

14. Signature Authority. All individuals signing this Note for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, covenant to the SHA that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

MAKER:

VS Phase 1 LP, a California limited partnership

By: VS Phase 1 GP LLC, a California limited liability company

Its: General Partner

By: National Community Renaissance of California

Its: Manager

By:  _____

Print Name: Michael Finn

Its: Chief Financial Officer

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**PROMISSORY NOTE
(Villa Serena II-City Loan)
("Note")**

San Marcos, California

March 30, 2021

1. Principal and Interest. For value received, and in consideration of that certain loan made by the City of San Marcos ("City"), to VS Phase 1 LP, a California limited partnership ("Maker"), as described in that certain Construction and Permanent Financing Loan Agreement (Villa Serena II-City Loan) of even date herewith ("Loan Agreement"), Maker promises to pay to the City, or order, at 1 Civic Center Drive, San Marcos, California 92069, or such other place as the holder may from time to time designate by written notice to Maker, the principal sum not to exceed \$1,600,000.00 ("City Loan"), together with accrued interest commencing on the date hereof. Interest shall accrue on the unpaid principal of the City Loan at the rate of three percent (3%) simple interest per annum. This Note is issued pursuant to the Loan Agreement and the deed of trust ("Deed of Trust"), being executed concurrently herewith, to be recorded in the office of the County Recorder of San Diego County. The Deed of Trust, Loan Agreement and Declaration (as defined in the Loan Agreement), and all other documents executed by the parties in connection therewith, are sometimes collectively referred to herein as the "Loan Documents." All capitalized terms which are not defined herein shall have the meaning ascribed to them in the Loan Agreement.

2. Term of Loan, Due Date and Right of Prepayment. Payments shall be due and payable on the earliest of the following dates:

(a) On the May 30, 2024, and annually on May 30 of each year thereafter during the term of this Note, Maker shall calculate its Residual Receipts for the immediately previous calendar year and Maker shall pay 31.78% of the Residual Receipts to the City.

(b) All principal and unpaid interest shall be due and payable by the Maker to the City on December 31, 2078.

(c) Except as otherwise set forth in the Loan Agreement, all principal and unpaid interest shall be due and payable concurrently with the refinancing of any loan or other obligation secured all or in part by the Property, as defined in the Deed of Trust.

(d) All principal and accrued interest shall be due and payable by the Maker to the City upon acceleration of this Note pursuant to Section 4, below.

(e) Except as otherwise permitted by the Loan Agreement, all principal and accrued interest shall be due and payable by the Maker to the City upon any sale, transfer, conveyance or further encumbrance of all or any part of the Property, as defined in the Deed of Trust, which is not consented to by the City in writing.

“Residual Receipts” shall mean Gross Income less Operating Expenses, calculated on a calendar year basis, as provided herein. All calculations of Residual Receipts shall be subject to verification and approval by the City.

“Gross Income” shall mean the gross income to the Maker from all components of the Project, as defined in the Loan Agreement, any other income to Maker derived from the ownership, operation and management of the Project, including releases of funds from any operating reserve, and the proceeds of any sale, financing or refinancing of all or any portion of the Project or the sale, transfer or conveyance of Maker. Provided however that Gross Income shall not include (i) insurance proceeds or condemnation proceeds; (ii) security deposits or other tenant deposits; (iii) interest earned on project reserves (iv) funds released from any operating reserve; or (v) capital contributions. Interest earned (if any) on project reserves shall accrue to the applicable project reserve account and shall only be used for the purpose for which the reserve was established.

“Operating Expenses” shall mean actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, taxes and management of all residential components of the Project, to the extent approved by City in Maker’s annual operating budget, expressly including, but not limited to, the following: (i) required non-contingent debt service payments on any loan permitted to be secured by the Project that is senior to the Deed of Trust, (ii) repayment of the \$ 228,864.00 deferred developer fee, (iii) scheduled deposits to reserves, as approved by City, (iv) a reasonable property management fee in an amount not to exceed 6% of Gross Income in any one year, (v) an annual limited partner asset management fee of \$7,500 and annual general partner asset management fee of \$7,500, in both cases increasing at 3% per year, (vi) annual occupancy inspection and monitoring fees payable to the City, (vii) the \$4,000.00 fee payable annually to the County of San Diego with respect to the County of San Diego’s loan to the Maker, (viii) the \$7,500.00 annual monitoring fee payable to CalHFA, (ix) payments of all community facility district fees applicable to the Project, which are paid on an annual basis, (x) credit adjusters and repayment of operating loans owed to the investor limited partner of the Maker, and (xi) repayments of general partner operating deficit loans.

Maker shall annually provide City, on May 1st, each year during the term of this Note, a Residual Receipts report which provides the basis for Maker’s calculation of the payment or nonpayment of Residual Receipts to City. Maker, City and the property manager shall endeavor to meet on an annual basis to review the budget and projected Residual Receipts.

This Note may be prepaid in whole or in part at any time and, from time to time, without notice or penalty. Any prepayment shall be allocated first to unpaid interest then to unpaid principal. Should the undersigned sell, convey, transfer, further encumber, or dispose of the Property described in the Deed of Trust securing this Note, or any part of it, or any interest in it, without first obtaining the written consent of City except as otherwise provided in the Loan Documents, or the then holder of this Note, which consent shall be granted or withheld in the sole discretion of the City, then all obligations secured by this Note may be declared due and payable, at the option of City, or the then holder of this Note. City reserves the right to approve all sales, transfers, conveyances, additional encumbrances, or dispositions of the real property subject to the requirements of the Loan Agreement or as otherwise permitted in the Loan Documents. Consent

to one transaction of this type will not constitute a waiver of the right to require consent to future or successive transactions.

3. Security for Note. This Note is secured by the Deed of Trust of even date herewith executed by Maker, which creates a lien on that certain real property described therein and by the Loan Documents, including the Security Agreement.

4. Acceleration Upon Default. In the event of any default under the terms of this Note, the Loan Agreement, the Deed of Trust, the Security Agreement, the Declaration, or any prior or subsequent loans, notes and/or deeds of trust, at the option of the holder of this Note, and after written notice to Maker and its limited partner providing Maker and its limited partner with thirty (30) days in which to cure any default, all principal and interest (at the default rate of ten percent (10%) simple interest deemed to have accrued as of the date of this Note) under this Note and this Note shall immediately become due and payable, without further notice. The City shall accept or reject any cure of any Maker default tendered by any limited partner of Maker on the same terms and conditions as if tendered by Maker. Failure to exercise such option shall not constitute a waiver of the right to exercise it in the event of any subsequent default. Time is of the essence.

5. Costs Paid by Maker. Maker agrees to pay the following costs, expenses, and attorneys' fees paid or incurred by the holder of this Note, or adjudged by a court: (a) reasonable costs of collection, costs, and expenses, and attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed; and (b) costs of suit and such sum as the court may adjudge as attorneys' fees in any action to enforce payment of this Note or any part of it.

6. Payment and Interest Calculation. Principal and interest shall be payable in lawful money of the United States of America. Interest shall be computed based on a 360-day year and 30-day month. Payments shall be applied to interest first and then to any unpaid principal balance.

7. Waiver. Maker hereby waives diligence, presentment, protest and demand, notice of protest, dishonor and nonpayment of this Note, and expressly agrees that, without in any way affecting the liability of Maker hereunder, City may extend any maturity date or the time for payment of any installment due hereunder, accept additional security, release any party liable hereunder and release any security now or hereafter securing this Note. Maker further waives, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense to any demand on this Note, or on any deed of trust, security agreement, guaranty or other agreement now or hereafter securing this Note.

8. Non-Recourse. Nothing contained herein shall be deemed to cause Maker (or any of its partners, or any of their respective directors, officers, employees, partners, principals or members) to be personally liable for any of the obligations evidenced hereby, and the City shall not seek any personal or deficiency judgment on such obligations, and the sole remedy of the City with respect to repayment of the loan evidenced by this Note shall be against the Project. Provided, however, that the foregoing shall not apply to defeat any cause of action against Maker that accrues prior to issuance of the certificate of occupancy for the Project.

9. Late Charge. In addition to the foregoing, if any installment due hereunder is not paid within fifteen (15) days from the date due, Maker promises to pay a "late charge" of five percent (5%) of the installment so overdue to defray the expense incident to handling any such delinquent payment or payments.

10. Severability. If any provision of this Note is determined to be void by court of competent jurisdiction, such determination shall not affect any other provision of this Note, and such other provisions shall remain in full force and effect.

11. Non-Waiver. No delay in demanding or failure to demand performance hereunder shall constitute a waiver by Holder of its right to subsequently demand such performance or to exercise any remedies for any default hereunder. Further, in order to be effective, any waiver of any of City's rights and remedies hereunder shall be expressed in a writing signed by City. Further waiver by City of any right hereunder shall not constitute a waiver of any other right, including but not limited to the right to exercise any and all remedies for a different or subsequent event of default hereunder.

12. Replacement Note. The undersigned agrees that, in the event that this Note shall become lost or stolen, upon request of City, the undersigned shall execute a replacement Note incorporating the terms hereof, provided that City shall furnish a written agreement to indemnify the undersigned against all losses, costs, and damages arising from a duplicative demand for payment under this Note.

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MAKER:

VS Phase 1 LP, a California limited partnership

By: VS Phase 1 GP LLC, a California limited liability company

Its: General Partner

By: National Community Renaissance of California

Its: Manager

By: 
Print Name: Michael Finn
Its: Chief Financial Officer