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DISCLAIMER:

EACH DOCUMENT IS INTENDED FOR INFORMATIONAL PURPOSES ONLY. IF YOUR LOAN APPLICATION IS ACCEPTED BY CALHFA, THE LOAN DOCUMENTS SPECIFIC TO YOUR TRANSACTION WILL BE TAILORED TO MEET THE SPECIFIC REQUIREMENTS OF YOUR TRANSACTION AND MAY VARY SUBSTANTIALLY FROM THE DOCUMENTS POSTED HERE. THE TEMPLATE LOAN DOCUMENTS ARE SUBJECT TO CHANGE WITHOUT NOTICE. CALHFA DOES NOT WARRANT OR REPRESENT THAT THE COVENANTS AND CONDITIONS IN THE TEMPLATE DOCUMENTS WILL APPLY TO YOUR SPECIFIC TRANSACTION.

NOTICE TO BORROWER: THIS NOTE IS SECURED BY A DEED OF TRUST AND CONTAINS PROVISIONS RESTRICTING TRANSFERS AND INCLUDES A BALLOON PAYMENT PROVISION.

CALIFORNIA HOUSING FINANCE AGENCY

MHSA PROMISSORY NOTE

**CalHFA Development No. _____
(Permanent Financing/Residual Receipts)**

\$ _____	Sacramento, California _____, 200
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FOR VALUE RECEIVED, the undersigned, [borrower], a California _____, with its principal office at _____ (the "**Borrower**"), hereby promises to pay to the order of California Housing Finance Agency, P.O. Box 4034, Sacramento, California 95812-4034 (the "**Agency**") or holder hereof ("**Holder**"), a principal amount equal to _____ Million _____ Hundred _____ Thousand and No/100s Dollars (\$ _____), or so much of that amount that the Agency shall have advanced to or for the benefit of the Borrower. The obligation of the Borrower is subject to the terms of all the MHSA Permanent Loan Documents as such term is defined in that certain document entitled "California Housing Finance Agency, MHSA Regulatory Agreement (Mental Health Services Act Housing Program), CalHFA Development No. ____" executed between the Borrower and the Agency and imposed upon the Development as defined below (the "**MHSA Regulatory Agreement**"), including but not limited to: (a) this promissory note ("**MHSA Promissory Note**"); (b) the MHSA Permanent Loan Disbursement Agreement ("**Disbursement Agreement**"), if applicable, dated on or about the date of this MHSA Promissory Note between the Borrower and the Agency; and (c) that certain deed of trust entitled "California Housing Finance Agency, MHSA Deed of Trust With Assignment of Rents, Security Agreement and Fixture Filing, CalHFA Development No. ____" of even date herewith and executed by the Borrower for the purpose of securing this MHSA Promissory Note ("**MHSA Deed of Trust**"). The Borrower also promises to pay to the order of the Holder interest at the rates, in the amounts and

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at the times hereinafter provided. All sums owing hereunder are payable in lawful money of the United States of America, in immediately available funds.

(Capitalized words and phrases used without definition in this Promissory Note and defined in the MHSA Regulatory Agreement shall have the meanings ascribed to them in the MHSA Regulatory Agreement.)

1. Borrower's Obligation. This MHSA Promissory Note evidences the obligation of the Borrower to the Agency for the repayment of funds loaned to the Borrower by the Agency (the "***MHSA Permanent Loan***") to finance the real property described in the MHSA Permanent Loan Documents and operation thereon of a rental housing development (the "***Development***") pursuant to the MHSA Permanent Loan Documents.

2. Prohibition Against Transfer of Interest. Except as otherwise permitted under the terms of the MHSA Regulatory Agreement, the Borrower shall not make any sale, assignment, conveyance or transfer in any other form, nor any further pledge, encumbrance or mortgaging of the Development or any part thereof or of any of its interest therein, without the prior written consent of the Agency.

3. Repayment Terms. The Borrower agrees to pay the indebtedness evidenced by this MHSA Promissory Note. Interest shall accrue and payments shall be made by the Borrower to the Agency according to the following schedule:

(a) Commencing on the day of the advance of funds by the Agency, simple interest shall accrue on the outstanding principal balance at the rate of _____ percent (____%) per annum.

(b) Annual payments of accrued interest and outstanding principal shall be made from _____ percent (____%) of the Development's Residual Receipts ("***Residual Receipts Payment***").

(c) Annual Residual Receipts Payments shall be due for accrued interest and principal pay-down on the earlier of thirty (30) days from the date of Agency approval of the Annual Audit, as defined in the MHSA Regulatory Agreement, or one hundred fifty (150) days after the end of each Fiscal Year commencing the first full Fiscal Year following the Development's Certificate of Occupancy ("***Initial Payment Date***").

(d) The Residual Receipts Payment shall be applied first to accrued interest and any remaining amounts shall be applied to pay down the principal, except that if the Agency shall have made additional advances under the terms of the MHSA Permanent Loan Documents and such advances shall not have been repaid, any moneys received by the Agency pursuant to the provisions hereof, at the option of the Agency, may be applied first to the repayment of such advances and interest thereon and the balance, if any, shall be applied as aforesaid.

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(e) If not sooner paid all amounts due under this MHSA Promissory Note shall be due on _____ 1, 20__ ("**Maturity Date**"). If the Development receives funding from the State of California's Housing and Community Development's Multifamily Housing Program ("**MHP**"), the Maturity Date shall be the same date as the original maturity date of the MHP loan.

4. Late Charge. The Borrower agrees that it would be impracticable or extremely difficult to fix the actual damage to the Agency in the event the Borrower shall be late in the making of any payment due hereunder. Therefore, in the event the Borrower shall fail to make any such payment within ten (10) days after the due date thereof, the Agency, at its option and in addition to any other remedy hereunder, may impose upon the Borrower, and the Borrower shall pay, a "late charge" of two percent (2%) of the amount of such delinquent payment.

5. Place and Manner of Payment. All amounts due and payable under this MHSA Promissory Note and the MHSA Permanent Loan Documents are payable at the principal office of the Agency set forth above, or at such other place or places as the Agency may designate to the Borrower in writing from time to time, in any coin or currency of the United States of America which on the respective dates of payment thereof shall be legal tender for the payment of public and private debts and which on the respective dates on which such payments are due shall be immediately available funds.

6. Borrower's Waiver. The Borrower and every guarantor of this MHSA Promissory Note, if applicable, or of the obligation represented by this MHSA Promissory Note, hereby waives: (a) notice of default or delinquency; (b) notice of acceleration; (c) notice of non-payment; (d) notice of costs, expenses and losses and interest thereon; (e) notice of late charges; (f) diligence in taking any action to collect any sums owing under the MHSA Promissory Note or in proceeding against any of the rights and interests in and to properties securing payment of the MHSA Promissory Note; (g) presentment for payment, demand, protest, and notices of dishonor and of protest; and (h) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this MHSA Promissory Note, in whole or in part, whether before or after maturity and with or without notice.

7. Attorney Fees, Costs. In any nonjudicial foreclosure process or other action to enforce or relating to any provision of the MHSA Permanent Loan Documents, the prevailing party shall be entitled to recover from the other party, its costs and expenses including attorney fees. The term "**costs and expenses**" as used herein shall include all costs and expenses actually and reasonably incurred including but not limited to attorney fees and cost of suit; filing, motion, and jury fees; juror food and lodging; taping, videotaping, and transcribing depositions and travel expenses to attend depositions; service of process by a public officer, registered process server, or other means; expenses of attachment including keeper's fees; premiums on surety bonds; ordinary witness fees pursuant to Section 68093 of the Government Code; fees of expert witnesses whether or not ordered by the court; transcripts of court proceedings whether or not ordered by the court; court reporters fees as established by statute; investigation expenses in preparing the case for trial; postage, telephone, and photocopying charges; costs in investigation of jurors or in preparation for voir dire; models, blowups and photocopies of exhibits, and any other item that is required to be awarded to the prevailing party pursuant to statute as an incident to prevailing in the action at trial or on appeal. Such costs and

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expenses shall be recoverable whether the services were rendered by a salaried employee of the party or by an independent contractor. In addition, Borrower agrees to pay reasonable costs, expenses, and attorney fees paid or incurred in connection with representing the Agency or Holder in any bankruptcy, reorganization, receivership or other proceedings affecting creditors' rights and involving a claim under the MHSA Permanent Loan Documents.

8. Default Under Other Loan Documents and Acceleration. All covenants, conditions and agreements contained in the MHSA Deed of Trust, MHSA Regulatory Agreement, and the other MHSA Permanent Loan Documents are hereby made a part of this MHSA Promissory Note. Borrower agrees that the unpaid balance of the then outstanding principal amount of this MHSA Promissory Note, together with all accrued interest thereon and charges owing, shall, at the option of the Agency, automatically become immediately due and payable, and thereafter until paid bear interest at the rate of ten percent (10%) per annum or, if lesser, at the maximum rate permitted by law upon the failure of the Borrower to make any payment hereunder as and when due; upon the failure of the Borrower to perform or observe any other term or provision of this MHSA Promissory Note, or upon the occurrence of any event (whether termed default, event of default or similar term) which under the terms of the MHSA Deed of Trust, MHSA Regulatory Agreement, or of the other MHSA Permanent Loan Documents shall entitle the Agency to exercise rights or remedies thereunder, after any notice and cure period if provided for in the MHSA Deed of Trust or MHSA Regulatory Agreement.

9. Notices. Except as may be otherwise specifically provided herein, or in the other MHSA Permanent Loan Documents, any approval, notice, direction, consent, request or other action by the Agency shall be in writing and may be communicated to the Borrower at the principal office of the Borrower set forth above, or at such other place or places as the Borrower shall designate to the Agency in writing, from time to time, for the receipt of communications from the Agency. For notices other than to Borrower, the Agency shall use its best efforts, and no legal consequences shall arise by reason of the Agency's failure to give notice to any person other than Borrower.

10. Limitations on Recourse.

(a) While the loan of any construction lender for the Development (“***Construction Loan***”) is outstanding, the Agency shall have full recourse to the Borrower in addition to any real or personal property security for repayment of this MHSA Promissory Note.

(b) Upon payoff or conversion to permanent of all Construction Loans, the following limitations on recourse shall become effective: neither the Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, this MHSA Promissory Note. The sole recourse of the Agency with respect to the principal of, or interest on, this MHSA Promissory Note shall be to the property securing the indebtedness evidenced by the MHSA Promissory Note. No judgment, or execution thereon, entered in any action, legal or equitable, on this MHSA Promissory Note or the MHSA Deed of Trust of Trust securing this MHSA Promissory Note shall be enforced personally against the Borrower or, if the Borrower shall be a partnership, any partner of the Borrower, but shall be enforced only against the Development and such other or further security as, from time to time, may be hypothecated for this MHSA Promissory Note; provided, however, that nothing contained in the foregoing limitation of liability shall: (i) limit or

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impair the enforcement against all such security for this MHSA Promissory Note of all the rights and remedies of the Agency; or (ii) be deemed in any way to impair the right of the Agency to assert the unpaid principal amount of this MHSA Promissory 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 MHSA Promissory 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; (ii) the failure to pay taxes, assessments or other charges which may create liens on the real property described in the MHSA Permanent Loan Documents that are payable or applicable prior to any foreclosure under the MHSA Deed of Trust (to the full extent of such taxes, assessments or other charges), except to the extent this provision would result in all or any portion of the indebtedness evidenced by this MHSA Promissory Note being treated as a recourse liability under Treasury Regulation 1.752-1(a)(1) and 1.752-2, as amended from time to time; (iii) the retention of any rental income or other income arising with respect to the Development collected by Borrower after the Agency 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 MHSA Permanent Loan Documents after the giving of any notice referred to above; (v) the misapplication of the Capitalized Operating Subsidy Reserve (if applicable) or 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 Development; (vi) the breach of any environmental covenant or representation made by the Borrower relating to the Development; and (vii) the failure of Borrower to pay to the Agency, upon its demand, any amounts of the Capitalized Operating Subsidy Reserve (if applicable) outstanding.

11. Prepayment. The Borrower may prepay the indebtedness evidenced by this MHSA Promissory Note prior to the Maturity Date.

12. Governing Law. This MHSA Promissory Note shall be construed in accordance with and be governed by the laws of the State of California.

13. Severability. If any provision of this MHSA Promissory 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.

14. Time. Time is of the essence in this MHSA Promissory Note.

15. No Waiver by the Agency. No waiver of any breach, default or failure of condition under the terms of the MHSA Promissory Note or the MHSA Permanent Loan Documents or the obligations secured thereby shall be implied from any failure of the Agency to take, or any delay in taking, action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the MHSA Promissory Note or the MHSA Permanent Loan Documents or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

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Executed at _____, California.

BORROWER:

By: ***DRAFT – Do Not Execute***

Name: _____

Title: _____