

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.

**CONSOLIDATED, AMENDED AND RESTATED PROMISSORY NOTE
(Cordova and Trolley-HOME Loan)
("HOME Note")**

Chula Vista, California _____, 201__

Cordova Trolley, LP, a California limited partnership ("Maker") and the City of Chula Vista ("City"), are all of the current parties to the following, collectively, the "Original Notes":

- (1) That certain Promissory Note Secured by Deed of Trust, dated as of August 19, 1997, in favor of the City in the original principal amount of \$510,000.00.
- (2) That certain Promissory Note Secured by Deed of Trust, dated as of November 24, 1997, in favor of the City in the original principal amount of \$896,905.00.

The City and Maker hereby consolidate the two (2) Original Notes into this single Consolidated, Amended and Restated Note and this Consolidated, Amended and Restated Note amends and restates the same in their entireties.

1. Principal and Interest. For value received, and for good and adequate consideration, the receipt and sufficiency of which are hereby acknowledged, Maker promises to pay to the City, or order, at 276 Fourth Avenue, Chula Vista, California, 91910, or such other place as the holder may from time to time designate by written notice to Maker, the principal sum not to exceed \$_____ ("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 in conjunction with the deed of trust ("Deed of Trust") and the declaration of covenants, conditions and restrictions ("Declaration"), which are both being recorded in the office of the County Recorder of San Diego County concurrently herewith. The Deed of Trust and Declaration, and all other documents executed by the parties in connection therewith, are sometimes collectively referred to herein as the "Loan Documents."

2. Residual Receipts Definitions.

(a) Residual Receipts Defined. "Residual Receipts" shall mean Gross Revenue less Reasonable 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.

(b) Gross Revenue Defined. "Gross Revenue" shall mean all revenue, income, receipts, and other consideration actually received from the operation and leasing of the Property. Gross Revenue shall include, but not be limited to: all rents, fees and charges paid by tenants, all

cancellation fees; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance; the proceeds of casualty insurance to the extent not utilized to repair or rebuild the Project; and condemnation awards for a taking of part or all of the Property for a temporary period to the extent not used to repair or restore the Property. Gross Revenue shall not include tenants' security deposits, loan proceeds, capital contributions or similar advances or payments from reserve funds.

(c) Reasonable Operating Expense Defined. "Reasonable Operating Expenses" shall mean any and all reasonable and actually incurred costs associated with the ownership, operation, use or maintenance of the Property, calculated in accordance with generally accepted accounting principles to the extent reasonably approved by the City in Maker's annual operating budget, expressly including, but not limited to, the following: (i) required debt service payments on any loans which are senior to the Deed of Trust; (ii) debt service payments on that certain that certain Amended and Restated Promissory Note of even date herewith made by the Maker in favor of the Chula Vista Housing Authority as the Successor Housing Entity in the principal amount of \$ _____ ("Housing Authority Note"); (iii) repayment of any operating deficit loans or development deficit loans made to Maker by any of Maker's partners; (iv) the annual limited partner asset management fee (which shall not exceed \$7,500.00 the first year after Project completion and shall not increase by more than 3.0% any year thereafter); (v) the annual general partner management fee to Maker's general partners (which shall not exceed \$40,000.00 the first year after Project completion and shall not increase by more than 3.0% any year thereafter); (vi) deferred developer fee payments; (vii) the annual deposit to the replacement reserve in the amount of \$17,400.00 the first year after Project completion and increased by 3.0% each year thereafter (Failure to maintain such reserve shall constitute a material default under this HOME Note. No disbursements from the replacement reserve account shall be made without the express written consent of the City Manager.); (viii) water, sewer, electrical, gas, and other utility-type charges for the Property; (ix) costs to operate and maintain the Property; (x) insurance premiums; (xi) legal fees and expenses incurred in connection with the management of the Property; (xii) capital expenditures to the Property to comply with applicable laws or otherwise to improve the operation or management of the Property to the extent such capital expenditures are not made from reserves and are approved by the City in writing or by approval of the applicable budget setting forth such capital expenditures prior to Maker undertaking such capital expenditures; (xiii) replenishment of the operating reserve in accordance with Maker's partnership agreement; (xiv) payment of any fees for required social services. In no event shall expenditures, including attorneys' fees or litigation costs, normally required to be paid out of the Replacement Reserve, be treated as Reasonable Operating Expenses unless specifically approved in writing by the City. For purposes of the foregoing definition of "Reasonable Operating Expenses," any property management fee or partnership management fee which is paid to Maker or an affiliate of Maker shall at no time exceed an amount as is customary and standard for affordable housing projects similar in size, scope and character to the Property. Notwithstanding the foregoing, for purposes of this calculation, Reasonable Operating Expenses shall not include the following: principal and interest payments on any debt subordinate to the HOME Note, depreciation, amortization, depletion or other non-cash expenses, incentive partnership asset management fees payable to the Maker or its affiliate (other than the management fees described above), or any amount expended from a reserve account. In the event that any of the above costs is incurred

partially with respect to the Property, the parties shall mutually agree upon an allocable portion of such costs which shall be deemed Reasonable Operating Expenses of the Property.

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

(a) Annually, beginning in 2020, Maker's auditor shall calculate the Residual Receipts, as defined herein, for the immediately previous calendar year as part of the annual audit and pay to the City 50% of such Residual Receipts upon completion of such audit, but in no event later than September 30 of each year.

(b) All principal and unpaid interest shall be due and payable by the Maker to the City on December 31, 2075.

(c) 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 on this HOME Note shall be due and payable by the Maker to the City upon acceleration of the Housing Authority Note.

(e) 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.

(f) All principal and accrued interest shall be due and payable by the Maker to the City upon acceleration of this HOME Note pursuant to Section 5, below.

This HOME Note may not be prepaid in whole or in part unless all principal and interest has been paid on the Housing Authority Note; thereafter this HOME 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, or any part of it, or any interest in it, without first obtaining the written consent of the City, or the then holder of this HOME Note, which consent shall be granted or withheld in the sole discretion of the City, then all obligations secured by this HOME Note may be declared due and payable, at the option of City, or the then holder of this HOME Note. City reserves the right to approve all sales, transfers, conveyances, additional encumbrances, or dispositions of the Property. Consent to one transaction of this type will not constitute a waiver of the right to require consent to future or successive transactions.

4. Security for this HOME Note. This HOME 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.

5. Acceleration Upon Default. Subject to terms of the Deed of Trust, in the event of any default under the terms of this HOME Note, the Deed of Trust, the Security Agreement, the Declaration, or

any prior or subsequent loans, notes and/or deed of trust, all beyond any applicable cure periods provided therein, at the option of the holder of this HOME Note, and after written notice to Maker providing Maker with thirty (30) days in which to cure any default, all principal and interest (at the default rate of ten percent (10%)) due under this HOME Note and this HOME Note shall immediately become due and payable, without further notice. Failure to exercise such option shall not constitute a waiver of the right to exercise such option in the event of any subsequent default. Without limiting any other events of default contained herein, or in any of the Loan Documents, the failure to complete rehabilitation of the Property to the satisfaction of the City on or before December 31, 2019, shall be an event of default, entitling the City to accelerate the payment of principal and interest hereunder, as provided in this Section 5. Time is of the essence.

6. Costs Paid by Maker. Maker agrees to pay the following costs, expenses, and attorneys' fees paid or incurred by the holder of this HOME 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 HOME 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 HOME Note or any part of it.

7. 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.

8. Waiver. Maker hereby waives diligence, presentment, protest and demand, notice of protest, dishonor and nonpayment of this HOME Note, and expressly agrees that, without in any way affecting the liability of Maker hereunder, the 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 HOME 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 HOME Note, or on any deed of trust, security agreement, guaranty or other agreement now or hereafter securing this HOME Note.

9. Non-Recourse. This HOME Note shall be non-recourse to the Maker and its partners.

10. 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.

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

12. Non-Waiver. No delay in demanding or failure to demand performance hereunder shall constitute a waiver by the holder of this HOME Note 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 the City's rights and remedies hereunder shall be expressed in a writing signed by the City. Waiver by the 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.

13. Replacement HOME Note. The undersigned agrees that, in the event that this HOME Note shall become lost or stolen, then upon request of the City, the undersigned shall execute a replacement HOME Note incorporating the terms hereof, provided that the 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 HOME Note.

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

15. Signature Authority. All individuals signing this HOME 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 City 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:

Cordova Trolley, LP, a California limited partnership

By: Cordova Trolley Management, LLC, a California limited liability company
Its: Managing General Partner

By: South Bay Community Services, a California nonprofit public benefit corporation
Its: Sole Member and Manager

By: _____
Kathryn Lembo
President and Chief Executive Officer

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

CITY:
City of Chula Vista

By: _____
Gary Halbert, City Manager

APPROVED AS TO FORM:

By: _____
Glen R. Googins, City Attorney