

PROMISSORY NOTE SECURED BY  
DEED OF TRUST

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Sacramento, California

FOR VALUE RECEIVED, the undersigned, ("Borrower"), promises to pay to or upon order of the SACRAMENTO AREA FLOOD CONTROL AGENCY, ("Lender"), at 1007 7th Street, 5th Floor, Sacramento, California 95814, or at such other place as the holder of this promissory note ("Note") may designate in writing from time to time, the principal sum of \_\_\_\_\_ (\$), together with interest on the unpaid principal balance of this Note from time to time outstanding until paid in full, at the rate provided for below.

1. Interest. Interest ("Interest") on the unpaid principal balance of this Note shall accrue at six percent (6%) per annum from the date of this Note until repayment of this Note in full. Interest will be computed on the basis of a three hundred sixty (360) day year and the actual number of days elapsed. Interest accrued and not paid by Borrower in any given year shall be added to the unpaid balance each year, and the Borrower shall pay interest on the total outstanding unpaid balance.

2. Terms and Conditions of Payment. The principal amount of this Note, together with all Interest and other sums owed to the Lender pursuant to any other terms and conditions hereof, will be due and payable, by Borrower, as follows:

(a) All outstanding principal, together with all accrued and unpaid Interest on the unpaid principal balance of this Note and all other sums then owed with respect to this Note or under any of the Loan Documents (as defined below), will be immediately due and payable upon the sale, transfer, assignment, hypothecation, or conveyance, whether voluntary, involuntary or by operation of law (a "Transfer"), of all or any part of the real property described in the Deed of Trust (the "Property"), or any interest in the Property, to any person who is not a direct family member of Borrower (defined as a spouse, child, grandchild, parent or sibling, or the spouse of a direct family member of Borrower), except to the extent prohibited by law. Borrower must notify Lender promptly in writing of any transaction or event, which may give rise to a Transfer.

(b) All sums paid by Borrower to Lender in connection with this Note will be applied first to sums, other than principal and Interest, due to Lender pursuant to the Loan Documents, next to accrued but unpaid Interest on this Note and next to the unpaid principal balance of this Note. Principal, Interest and all other sums payable under this Note will be payable in lawful money of the United States and in immediately available funds.

(c) Amounts of the unpaid principal balance of this Note that have been repaid by Borrower pursuant to its terms may not be reborrowed by or readvanced to Borrower.

4. Prepayment. Borrower may prepay the unpaid principal balance of this Note, in whole or in part, together with all Interest accrued on the portion so prepaid and any other sums then due and payable to Lender under any of the other Loan Documents, without premium or penalty at any time.

5. Loan Documents; Default. The principal of this Note is to be advanced by the Lender on behalf of Borrower in satisfaction of the special capital assessment assessed by Lender for the 2000/2001 fiscal year, and the obligation of Borrower with respect to this disbursement is upon and subject to the terms of this Note, a Deed of Trust with Assignment of Rents executed by Borrower, (the "Deed of Trust"), and any other related agreements, instruments and documents evidencing or securing

this Note (collectively the "Loan Documents"). The Loan Documents are hereby made a part of this Note to the same extent as if they were fully set forth herein. The unpaid principal balance of this Note, together with all accrued Interest thereon, will, at the holder's option, become immediately due and payable, without demand or notice, except as expressly provided herein or in the other Loan Documents, upon:

- (a) The default of Borrower in the payment of any Interest and/or principal due hereunder,
- (b) The default of Borrower in the payment of any interest and/or principal due pursuant to any other loan documents secured by the Deed of Trust,
- (c) The failure of Borrower to perform or observe any other terms or provisions of this Note,
- (d) If the description of the property in the Deed of Trust, as provided by the Borrower is not a true and accurate description of the property owned by the Borrower, or
- (e) The occurrence of any event (whether termed default, event of default or similar term) which under the terms of any of the Loan Documents shall entitle Lender to exercise any of its rights or remedies there under.

6. Miscellaneous.

- (a) Borrower hereby severally waives the following:
  - i. presentment, demand, protest, notice of dishonor and all other notices, except as expressly provided in this Note or in the other Loan Documents;
  - ii. any release or discharge arising from any extension of time, discharge of a prior party, release of any or all of the security for this Note, or
  - iii. other cause of release or discharge other than actual payment in full of this Note.
- (b) The holder of this Note will not be deemed, by any act or omission, to have waived any of its rights or remedies under this Note unless the waiver is in writing and signed by the holder and then only to the extent specifically set forth in writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event. No delay or omission of the holder of this Note to exercise any right, whether before or after a default hereunder, will impair any such right or will be construed to be a waiver of any right or default. The acceptance at any time by the holder of this Note of any past-due amount will not be deemed to be a waiver of the right to require prompt payment when due of any other amounts then or thereafter due and payable.
- (c) The relationship of Borrower and Lender under this Note and under the Loan Documents is, and will at all times remain, solely that of borrower and lender; and Lender neither undertakes nor assumes any responsibility or duty to Borrower or to any third party with respect to the Property. Notwithstanding any other provision of this Note and the Loan Documents:
  - i. Lender is not, and shall not be construed as, a partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Borrower and Lender does not intend to ever assume such status;

ii. Lender's activities in connection with this Note and the Loan Documents shall not be "outside the scope of the activities of a lender of money" within the meaning of California Civil Code § 3434, as amended or recodified from time to time, and Lender does not intend to ever assume any responsibility to any person for the quality, suitability, safety or condition of the Property; and

iii. Lender shall not be deemed responsible for or a participant in any acts, omissions or decisions of Borrower.

(d) Nothing contained in this Note will require the payment of Interest or other charges by the undersigned in excess of the amount which the holder of this Note may lawfully charge under the applicable usury laws. If it is determined that the holder of this Note has collected interest at a rate in excess of that permitted to be charged by applicable law, all such interest in excess of the legal rate will, at the option of the holder of this Note, be returned to the undersigned or credited against the principal balance of this Note then outstanding.

(e) Time is of the essence hereof. Upon any default under this Note, holder may exercise all rights and remedies this Note, the Loan Documents and the lien including, without limitation, the right to immediate payment in full of this Note.

(f) The remedies of the holder of this Note as provided herein or in any of the Loan Documents or in law or in equity, shall be cumulative and concurrent, and may be pursued singularly, successively, or together at the sole discretion of the holder hereof, and may be exercised as often as occasion to exercise them may occur. The failure to exercise any such right or remedy shall in no event be construed as a waiver or a release thereof.

(g) It is expressly agreed that if this Note is referred to an attorney or if suit is brought to collect all or any part of this Note or to enforce or protect any rights conferred upon Lender by this Note or any of the Loan Documents, then Borrower promises and agrees to pay all reasonable costs, including reasonable attorneys' fees, incurred by Lender.

(h) If the Borrower consists of more than one person or entity, their obligations under this Note shall be joint and several.

(i) The terms, covenants and conditions contained herein will be binding upon the heirs, successors and assigns of Borrower and will inure to the benefit of the successors and assigns of Lender.

(j) This Note is secured by the Deed of Trust, which covers real property in the County of Sacramento, State of California, as more particularly described therein.

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

BORROWER:

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Name: