**PROMISSORY NOTE SECURED BY DEED OF TRUST**

**PERMANENT LOCAL HOUSING ALLOCATION (PLHA) LOAN FUNDS**

$1,885,321.55 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2025

FOR VALUE RECEIVED, MOUNT SHASTA CHESTNUT STREET LP (“BORROWER”), a California limited partnership promises to pay the COUNTY OF SISKIYOU, a political subdivision of the State of California (“COUNTY”), at 1312 Fairlane Road, Yreka, CA 96097, the sum of One Million Eight Hundred Eighty-Five Thousand and Three Hundred Twenty-One Dollars and Fifty-Five Cents ($1,885,321.55) (the “PLHA Loan” or “Note Amount”) which at the time of payment is due in funds lawful for the payment of public and private debts.

This Promissory Note Secured by Deed of Trust – PLHA Loan Funds (this “Note”) is given in accordance with that certain Permanent Local Housing Allocation (PLHA) Loan Agreement executed by COUNTY and BORROWER, dated as of \_\_\_\_\_\_\_\_\_\_, 2025 (the “PLHA Loan Agreement”). Except to the extent otherwise expressly defined in this Note, all capitalized terms shall have the meanings ascribed to such terms in the PLHA Loan Agreement. The Note is secured by a Deed of Trust with Assignment of Rents executed by BORROWER for the benefit of the COUNTY dated \_\_\_\_\_\_\_\_\_\_\_\_, 2025 and recorded in the Official Records of the County of Siskiyou (“Official Records”) on or about the date hereof (the “PLHA Deed of Trust” of “Deed of Trust”). This Note, the PLHA Loan Agreement, the Deed of Trust, the Regulatory Agreement dated on or about the date hereof and recorded on or about the date hereof in the Official Records between BORROWER and COUNTY (“Regulatory Agreement”), and all agreements entered into in connection with the foregoing, and any amendments or modifications thereto, shall collectively be referred to herein as the “PLHA Loan Documents.”

The rights and obligations of the BORROWER and COUNTY under this Note shall be governed by the PLHA Loan Documents and the following terms:

1. The PLHA Loan evidenced by this Note and secured by the Deed of Trust are being made pursuant to the Permanent Local Housing Allocation (“PLHA”) Program Statutes, Final Guidelines, Notice Of Funding Availability, a Standard Agreement and applicable rules and regulations imposed by the Department of Housing and Community Development (“HCD”) on PLHA funding recipients. BORROWER agrees for itself, its successors and assigns, that the use of the Property shall be subject to the restrictions on rent and occupancy set forth in the PLHA Loan Documents.
2. That the PLHA Loan will accrue simple interest at a rate of three percent (3%) per annum.
3. All outstanding principal along with accrued interest shall be due fifty-five (55) years from the date that a certificate of occupancy for the Property is issued following completion of the Project, as those terms are used in the Loan Agreement (the “Maturity Date”). No regular payments of principal and interest shall be due during the term of the Loan except payment in full on the Maturity Date.
4. The PLHA Loan evidenced by this Note is secured by that certain PLHA Deed of Trust executed by BORROWER for the benefit of COUNTY, dated on or about the date hereof and recorded in the Official Records.
5. This Note may be prepaid in whole or in part by the undersigned at any time without prepayment penalty or premium, provided however notwithstanding such prepayment, BORROWER shall be required to adhere to the affordability restrictions contained in the Regulatory Agreement until the expiration of the Term contained therein.
6. The obligation to repay the Note Amount is a nonrecourse obligation of BORROWER. Neither BORROWER nor its shareholders, members or partners shall have any personal liability for repayment of the Note Amount. The sole recourse of the COUNTY shall be the exercise of its rights against the Property (or any portion thereof) and any related security for the PLHA Loan; provided, however, that the foregoing shall not (i) constitute a waiver of any other obligation evidenced by this Note or the Deed of Trust; (ii) limit the right of the COUNTY to name BORROWER as a party defendant in any action or suit for judicial foreclosure and sale under this Note and the Deed of Trust or any action or proceeding hereunder so long as no judgment in the nature of a deficiency judgment shall be asked for or taken against BORROWER; (iii) release or impair either this Note or the Deed of Trust; (iv) prevent or in any way hinder the COUNTY from exercising, or constitute a defense, an affirmative defense, a counterclaim or other basis for relief in respect of the exercise of, any other remedy against the mortgaged Property or any other instrument securing this Note or as prescribed by law or in equity in case of default; (v) prevent or in any way hinder the COUNTY from exercising, or constitute a defense, an affirmative defense, a counterclaim or other basis for relief in respect of the exercise of, its remedies in respect of any deposits, insurance proceeds, condemnation awards or other monies or other collateral or letters of credit securing this Note; or (vi) affect in any way the validity of any guarantee or indemnity from any person of all or any of the obligations evidenced and secured by this Note and the Deed of Trust. Notwithstanding the first sentence of this Section 6, the County may recover directly from BORROWER or, unless otherwise prohibited by any applicable law, from any other party: (a) any damages, costs and expenses incurred by the COUNTY as a result of fraud, misappropriation or any criminal act or acts of BORROWER or any general partner, member, shareholder, officer, director or employee of BORROWER, or of any general partner of such member or general partner; (b) any damages, costs and expenses incurred by the COUNTY as a result of any misappropriation of funds provided to pay costs as described in the PLHA Loan Agreement, rents and revenues from the operation of the Project, or proceeds of insurance policies or condemnation proceeds; (c) any misappropriation of rental proceeds resulting in the failure to pay taxes, assessments, or other charges that could create statutory liens on the Project and that are payable or applicable prior to any foreclosure un the Deed of Trust; (d) the fair market value of any personal property or fixtures removed or disposed of by the BORROWERS other than in accordance with the Deed of Trust; (e) any and all amounts owing by BORROWER pursuant to any indemnity set forth in the PLHA Loan Agreement and/or Deed of Trust or the indemnification regarding Hazardous Substances pursuant to the PLHA Loan Agreement and/or Deed of Trust; and (f) all court costs and attorneys’ fees reasonable incurred in enforcing or collecting upon any of the foregoing exceptions.
7. The occurrence of any of the following events shall constitute an "Event of Default" under this Note after notice and opportunity to cure pursuant to the terms set forth in the PLHA Loan Agreement:
8. Monetary Default. (1) BORROWER’s failure to pay when due any sums payable under this Note or any advances made by COUNTY under the PLHA Loan Agreement, (2) BORROWER’S or any agent of BORROWER’S use of PLHA funds for costs other than those costs permitted under the PLHA Loan Agreement or for uses inconsistent with terms and restrictions set forth therein, (3) BORROWER’S or any agent of BORROWER’S failure to make any other payment of any assessment or tax due under the PLHA Loan Agreement, and /or (4) default past any applicable notice and cure period under the terms of (i) any Deed of Trust executed by BORROWER in connection with any senior debt secured against the Property (“Senior Debt”), and (ii) any other instrument or document secured against the Property;
9. Non-Monetary Default - Operation. (1) Discrimination by BORROWER or BORROWER’S agent on the basis of characteristics prohibited by the PLHA Loan Documents or applicable law, (2) the imposition of any encumbrances or liens on the Project without COUNTY’s prior written approval that are prohibited under this agreement or that have the effect of reducing the priority or invalidating the lien of the PLHA Deed of Trust, (3) BORROWER’s failure to obtain and maintain the insurance coverage required under the PLHA Loan Agreement, (4) any material default under the PLHA Loan Documents, and/or (5) default past any applicable notice and cure period under the terms of any Deed of Trust executed by BORROWER in connection with any Senior Debt and any other instrument or document secured against the Property; and
10. General Performance of Loan Obligations. Any substantial or continuous or repeated breach by BORROWER or BORROWER’S agents of any material obligations on BORROWER imposed by the PLHA Loan Documents.
11. COUNTY shall give written notice of default to BORROWER, specifying the default complained of by the COUNTY. BORROWER shall have ten (10) calendar days from the delivery of the notice for a monetary default by which such action to cure must be taken, and sixty (60) calendar days for a nonmonetary default; provided, however, in the event the nonmonetary default requires more than sixty (60) days to remedy, BORROWER shall not be deemed in default hereunder if corrective action is instituted by BORROWER within such sixty (60) day period and thereafter diligently pursued until the failure is corrected. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.
12. Any failures or delays by COUNTY in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by COUNTY in asserting any of its rights and remedies shall not deprive COUNTY of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.
13. If the rights created by this Note shall be held by a court of competent jurisdiction to be invalid or unenforceable as to any part of the obligations described herein, the remaining obligations shall be completely performed and paid. In the event that any provision or clause of this Note conflicts with applicable law, such conflict will not affect other provisions of this Note which can be given effect without the conflicting provision, and to this end the provisions of this Note are declared to be severable.
14. BORROWER 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 BORROWER hereunder, the COUNTY 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. BORROWER 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.
15. Should default be made in payment of principal and interest when due and such default shall continue beyond the applicable notice and cure period provided in the PLHA Loan Agreement, the whole sum of principal and interest shall become immediately due at the option of the holder of this Note. Principal and interest are payable in lawful money of the United States. If action be instituted on this Note, the undersigned promises to pay such sums as the Court may fix as attorney’s fees.
16. This Note has been negotiated and entered in the State of California, and shall be governed by, construed and enforced in accordance with the internal laws of the State of California, applied to contracts made in California by California domiciliaries to be wholly performed in California. Any action at law or in equity arising under this Note or brought by a party hereto for the purpose of enforcing, construing or determining the validity of any provision of this Note shall be filed in the Superior Courts of Siskiyou County, State of California, and the parties hereto waive all provisions of law providing for the filing, removal or change of venue to any other court or jurisdiction.
17. No modification, rescission, waiver, release or amendment of any provision of this Note shall be made except by a written agreement executed by BORROWER and the duly authorized representative of the COUNTY.
18. The COUNTY may, in its sole and absolute discretion, assign its rights under this Note and its right to receive repayment of the Note Amount without obtaining the consent of BORROWER, but the COUNTY shall provide notice of any such transfer to the BORROWER.
19. In no event shall BORROWER assign or transfer any portion of this Note or any rights herein without the prior express written consent of the COUNTY, which consent the COUNTY may give or withhold in it sole and absolute discretion. In the absence of specific written agreement by the COUNTY, no authorized assignment or transfer, or approval thereof by the COUNTY, shall be deemed to relieve BORROWER of any other party from any obligations under the PLHA Loan Agreement or this Note. This provision shall not affect or diminish the COUNTY’S assignment rights under this Note.
20. The relationship of BORROWER and the COUNTY pursuant to this Note is that of debtor and creditor and shall not be, or be construed to be, a joint venture, equity venture, partnership or other relationship.
21. (a) Formal notices, demands and communications between the COUNTY and BORROWER shall be deemed sufficiently given if made in writing and dispatched by any of the following methods to the addresses of the COUNTY and BORROWER as set forth below: (i) registered or certified mail, postage prepaid, return receipt requested (in which event, the notice shall be deemed delivered on the date of receipt thereof); (ii) electronic mail transmission, (in which event, the notice shall be deemed delivered on the date of its successful electronic mail transmission); or (iii) personal delivery, including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service (in which event, the notice shall be deemed delivered on the documented date of receipt). Such written notices, demands and communications may be sent in the same manner to such other addresses as either party may from time to time designate by mail.

(b) The address of the COUNTY for purposes of receiving notices pursuant to this Note shall be 1312 Fairlane Road, Yreka, CA 96097, Attention: County Administrator.

(c) The address of BORROWER for purposes of receiving notices pursuant to this Note is 5251 Ericson Way, Arcata, CA 95521, Attention: Chris Dart, ([cdart@danco-group.com](mailto:cdart@danco-group.com)); Copies of notices sent to BORROWER shall also be sent to BORROWER’S limited partner(s) as set forth in the Loan Agreement.

1. The captions and headings in this Note are for convenience only and are not to be used to interpret or define the provisions hereof.
2. The undersigned, if comprising more than one person or entity, shall be jointly and severally liable hereunder.
3. This Note shall be binding upon BORROWER and its heirs, successors and assigns, and shall benefit the COUNTY and its successors and assigns.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, BORROWER has executed this Note as of the day and year first set forth above.

BORROWER:

MOUNT SHASTA CHESTNUT STREET LP,  
a California limited partnership

By: Mount Shasta Chestnut Street LLC,   
 a California limited liability company,  
 its Administrative General Partner

By: Danco Communities,   
 a California corporation,  
 its Manager

By:   
 Daniel Johnson (Date)  
 President

And: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Christopher Dart (Date)

Secretary

By: Community Revitalization and Development

Corporation, a California nonprofit public

benefit corporation, its Managing General Partner

By:   
 David Rutledge (Date)  
 President

And: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Shelby Marocco (Date)

Vice President