

**PROMISSORY NOTE**

Date: \_\_\_\_\_

Borrower: Reedley Elderly L.P.

Lender: County of Fresno  
 Department of Public Works and Planning  
 Community Development Division  
 Attn: Affordable Housing Programs  
 2220 Tulare Street, Sixth Floor  
 Fresno, California 93721

Project: Reedley Heritage

Loan No.: 2557H01

Principal Amount: Two Million Dollars (**\$2,000,000**)

Interest Rate: 3% simple, residual receipts

FOR VALUE RECEIVED, Reedley Elderly L.P., a California limited partnership, ("Borrower") promises to pay the County of Fresno, a political subdivision of the State of California, ("Lender") the principal sum of Two Million and 00/100 Dollars (\$2,000,000), together with simple interest on the unpaid principal balance at the rate of three percent (3%) per annum, plus any other costs, fees, or other charges due under this Promissory Note ("Note"), or as much thereof as may be outstanding.

1. Borrower's Obligation. This Note evidences Borrower's obligation to repay the Lender the principal amount of Two Million and 00/100 Dollars (\$2,000,000) for the funds loaned to Borrower by Lender to finance the construction of the Project (as defined hereinbelow) pursuant to the Affordable Housing Agreement between Borrower and Lender dated \_\_\_\_\_, 2026, which also defines the Federal Period of Affordability.
2. Interest Rate. The interest rate for the funds loaned to Borrower by Lender to finance the construction of the Project (as defined hereinbelow) shall be three percent (3%), simple, residual receipts. Interest shall not start accruing until March 31, 2028, and shall be assessed annually thereafter on March 31, if the loan was not satisfied in full during the preceding calendar year.
3. Term and Maturity. This Note shall have a term of 55 years, to begin from the date the Project is closed out in the Federal database, IDIS, (or a successor system to IDIS) by the County of Fresno ("Term"), but ending no later than March 31, 2083. The entire unpaid principal balance, together with any applicable costs and fees accrued thereon, is due and payable no later than the end date of the term as defined above, unless otherwise accelerated following an Event of Default (as defined below).

4. Term Decoupled from Federal Period of Affordability. This Note shall have a Term and Maturity that is decoupled from the Federal Period of Affordability.
5. Repayment (Residual Receipts). Repayment of this loan shall be in accordance with the County Loan Repayment Schedule, attached as Attachment 1, and by this reference incorporated herein. Commencing on March 31, 2028, (First Residual Receipt Payment Date) of the first full calendar year following the issuance of a certificate of occupancy for the Project and continuing annually on each anniversary of the First Residual Receipt Payment Date thereafter until the Maturity Date, Borrower shall make payments of principal and interest to Lender from Residual Receipts, as defined below:
  - a. **“Net Cash Flow”** shall mean, for any fiscal year of the Project, the Gross Income of the Project, minus:
    - i. **Operating Expenses:** All reasonable and necessary operating and maintenance expenses as approved in the annual budget.
    - ii. **Debt Service:** Payments of principal and interest on any Senior Loan.
    - iii. **Required Reserves:** Mandatory deposits to the Replacement Reserve or Operating Reserve as required by the Senior Lenders.
  - b. **Exclusions to Net Cash Flow:** For the purposes of this calculation, Net Cash Flow shall not include any non-cash expenses (such as depreciation, amortization), any payments to affiliates of the Borrower not previously approved in writing by the Lender, or any distributions to partners other than those expressly permitted herein.
  - c. **“Partnership Fees”** shall mean:
    - i. **LP Asset Management Fee** capped at \$7,500 per annum, increasing by no more than 1% simple, annually; these fees are non-cumulative; and
    - ii. **GP Partnership Management Fee** capped at \$30,000 per annum, increasing by no more than 1% simple, annually; these fees are non-cumulative.
  - d. If Net Cash Flow is insufficient to pay the Partnership Fees in a given year, the unpaid portion shall not accrue or be carried forward to subsequent years and shall not constitute a debt of the Project or an obligation of the Lender.
  - e. **Residual Receipts Priority of Distributions:** Within ninety (90) days following the end of each fiscal year, the Borrower shall distribute Net Cash Flow in the following order of priority:
    - i. First: To the Partnership Fees.

- ii. Second: Fifty Percent (50%) of the remaining Residual Receipts to the Lender (HOME Funds), applied first to accrued interest and then to principal. If any interest is unpaid, it shall be deferred and added to the principal due.
  - iii. Third: Fifty percent (50%) of the remaining Residual Receipts to the Borrower.
- 6. No Assumption. This Note is not assumable by the successors and assigns of Borrower without the prior written consent of Lender.
- 7. Security. This Note is secured by the Deed of Trust and Assignment of Rents and Financing Statement ("Deed of Trust") wherein the Borrower is the Trustor and the Lender is the Beneficiary. Such Deed of Trust is to be recorded in third position during construction and the second position after the conversion to permanent financing. This Note is also subject to a HOME Regulatory Agreement and Declaration of Restrictive Covenants ("HOME Regulatory Agreement"), which shall remain in full force and effect during the Federal Period of Affordability. Collectively, these documents shall be known as the "Loan Documents".
- 8. Definitions. As used in this Note:
  - (a) "Fiscal Year" shall mean the Borrower's Fiscal Year, which will be January through December, in accordance with 26 USC 706, subdivision (b).
  - (b) "Project" shall mean the Reedley Heritage project, located at 172 S. East Ave., Reedley, CA 93654, a development of 23 units, 22 of which shall be occupied by lower income households, as defined in California Health and Safety Code section 50079.5, and 11 of the 22 shall satisfy the Low HOME rental housing requirements of 24 CFR Part 92 for the Federal Period of Affordability.
- 9. Terms of Payment.
  - (a) All payments due under this Note must be paid in currency of the United States of America to Lender at any place that Lender may, from time to time, designate which at the time of payment is lawful for the payment of public and private debts.
  - (b) All payments on this Note must be without expense to the Lender, and the Borrower agrees to pay all costs and expenses, including re-conveyance fees and reasonable attorney fees and any other professional service fees and costs of the Lender, incurred in connection with the payment of this Note and the release of any security hereof.
  - (c) The indebtedness evidenced by this Note may, at the option of the Borrower, be prepaid in whole or in part without premium or penalty. Lender will apply all the prepayments first to the payment of any costs, fees,

interest, or other charges due under this Note or under any of the other loan documents, and then to the principal balance.

- (d) Upon recordation of the Deed of Trust, this Note will be nonrecourse to the Borrower and its partners. Borrower and its partners shall have no personal financial liability for Borrower's obligations hereunder, and Lender's sole recourse for Borrower's obligations under the Loan Documents shall be the exercise of Lender's rights and remedies under the Property and any other collateral held by Lender. The obligations of Borrower under this Note are absolute, and Borrower waives any and all rights to offset, deduct, or withhold any payments or charges due for any reason whatsoever.
- (e) Within three (3) months after the end of each of Borrower's Fiscal Year occurring during any year of the Term, Borrower shall provide Lender with audited Cash Flow, Balance Sheet, and Profit and Loss Statements prepared by an independent, certified public accountant, in accordance with generally-accepted accounting principles.
- (f) All payments due under this Note shall be in accordance with the Repayment (Residual Receipts) terms and conditions as noted above.

#### 10. Default.

- (a) Any of the events listed below shall constitute an "Event of Default" by Borrower under this Note:
  - i. Borrower fails to make payment in full within thirty (30) days of the due date, any payment required under this Note, including the Term of Maturity, Terms of Payment, and Repayment (Residual Receipts) sections of this Note.
  - ii. Any failure in the performance by the Borrower of any other term, condition, provision or covenant set forth in the Loan Documents subject to the applicable notice and cure period set forth therein;
  - iii. Borrower, without Lender's prior written approval, or as otherwise permitted under the terms of the Loan Documents, sells, transfers, or otherwise conveys the Project or any right, title, or interest therein, excepting leasing to tenants in the ordinary course of business.
  - iv. Lender determines that any written representation or statement made to Lender by Borrower, or on Borrower's behalf, in connection with this Note, is false or misleading in any material respect.
  - v. Borrower breaks any written covenant Borrower has made to Lender in the Loan Documents, or Borrower fails to perform promptly at the time, and strictly in the manner provided for in this Note or any agreement related to this Note.

- vi. Borrower fails to comply with, perform, or observe any of the covenants, representations, or warranties of Borrower under this Note, Affordable Housing Agreement, HOME Regulatory Agreement, or the Deed of Trust.
- vii. Borrower fails to timely commence or complete construction of the Project, as specified in the HOME Regulatory Agreement, absent prior written approval of such delay by Lender.
- viii. Any material adverse change in the condition of Borrower or the Project occurs, giving Lender reasonable cause to believe that construction cannot be completed by the scheduled completion date according to the terms of the HOME Regulatory Agreement, absent prior written approval of such delay by Lender.
- ix. Borrower fails to comply with, perform, or observe any Federal, State, or local laws, rules or regulations, including any conditions of the HOME Investment Partnerships Program.
- x. Borrower fails to procure or maintain the insurance policies and bonds required by Lender under the HOME Regulatory Agreement.
- xi. Borrower suspends business.
- xii. Borrower defaults under any loan, extension of credit, or any other agreement that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note, or the HOME Regulatory Agreement.
- xiii. Any creditor tries to take any of Borrower's property on or in which Lender has a lien or security interest. This includes a garnishment of any of Borrower's accounts with Lender.
- xiv. Borrower becomes insolvent or a receiver is appointed for any part of Borrower's property, Borrower makes an assignment for the benefit of creditors, or any proceeding is commenced either by Borrower or against Borrower under any bankruptcy or insolvency laws.
- xv. Borrower fails to provide loss payee endorsement in favor of the County of Fresno and maintain hazard insurance coverage acceptable to the County, as required by the Loan Agreement and the HOME Regulatory Agreement, during the term of this Note.
- xvi. Borrower fails to timely pay the property taxes, special taxes, or any other taxes, assessments, or fees, relating to the Project or the property on which the Project is situated when due, including, but not limited to, those imposed by a public or private water district, irrigation district, county service area, a city, the County of Fresno, a community facilities district, community services district, or a homeowner's association. Borrower shall pay any penalties

for late payment of taxes, assessments or fees by any such public or private entities within ten (10) days' notice by the taxing or assessing entity.

xvii. The Lender agrees to accept any cure of default made or tendered by any partner of Borrower on the same basis as if tendered directly by Borrower.

(b) Upon the occurrence of an Event of Default, the entire unpaid principal balance, together with all other sums then payable under this Note and the Deed of Trust will, at the option of Lender, become immediately due and payable. This includes, subject to any limits under applicable law, Lender's collection expenses, including attorneys' fees, whether or not there is a lawsuit, foreclosure fees, (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also will pay any court costs, in addition to all other sums allowed by law. The acceptance by Lender of any payment that is less than the total of all amounts due and payable at the time of such payment does not constitute a waiver of the right to exercise any remedies or options at that time or any subsequent, or nullify any prior exercise of any such remedy or option, without the express consent of Lender, except as and to the extent otherwise provided by law.

(c) Notwithstanding the foregoing, the Borrower shall not be deemed to be in default hereunder for failure to make any payment when due until ten (10) days after notice of such failure to the Borrower, and the Borrower shall not be deemed to be in default hereunder for failure to perform any other covenant or agreement contained herein until thirty (30) days after notice of such failure to the Borrower; provided however, if the cure of said default requires more than thirty (30) days and the Borrower (or any partner) initiates steps which are sufficient to cure the default and thereafter continues, then the Borrower (or any partner) shall have such additional time as is reasonable, at Lender's discretion, to cure said default. Any cure of any default or event of default made or tendered by any limited partner of the Borrower or any other lender of funds with respect to the Property shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

11. Notices. All notices to Borrower or Lender shall be made in writing and shall be deemed received when personally delivered, received by the United States certified mail, return receipt requested, postage prepaid, or delivered by courier service addressed as follows, or to such addresses as the Lender or the Borrower may hereafter change as provided below:

To Lender:

County of Fresno  
Department of Public Works and Planning  
Community Development Division  
Attention: Manager, Affordable Housing Programs  
2220 Tulare Street, 6th Floor  
Fresno, CA 93721  
Phone: (559) 600-4292

and to:

County Counsel  
County of Fresno  
Attn: Chief of General Law Unit  
2200 Tulare Street, 5th Floor  
Fresno, CA 93721  
CountyCounselMailbox@fresnocountyca.gov

To Borrower:

Reedley Elderly L.P.  
c/o Self-Help Enterprises  
8445 W. Elwin Court  
Visalia, CA 93291  
Attn: President and CEO

and to:

Gubb & Barshay LLP  
235 Montgomery Street, Suite 1110  
San Francisco, CA 94104  
Attention: Lauren Fechter

With copy to Borrower's Managing General Partner:

Reedley Elderly LLC  
c/o Self-Help Enterprises  
8445 W. Elwin Court  
Visalia, CA 93291  
Attn: President and CEO

and to:

Gubb & Barshay LLP  
235 Montgomery Street, Suite 1110  
San Francisco, CA 94104  
Attention: Lauren Fechter

With copy to Borrower's Investor Limited Partner:

MCC Housing LLC  
c/o Merritt Community Capital Corporation  
1901 Harrison Street, Suite 1650  
Oakland, California 94612  
Attention: President & CEO

and to:

Bocarsly Emden Esmail Cowan & Arndt LLP  
633 W. Fifth Street, Suite 5880  
Los Angeles, CA 90071  
Attention: Rachel Rosner

Any change in the above-indicated addresses shall be delivered solely by certified mail, return receipt requested. For all claims arising out of or related to this Note, nothing in this section establishes, waives, or modifies any claims presentation requirements or procedures provided by law, including but not limited to the Government Claims Act (Division 3.6 of Title 1 of the Government Code, beginning with section 810).

12. Waivers. Borrower expressly agrees that, without in any way affecting the liability of Borrower hereunder, Lender may extend any maturity date or the time for payment, accept additional security, release any party liable hereunder, or release any security now or hereafter securing this Note. The obligations of Borrower under this Note shall be absolute, and Borrower waives any and all rights to offset, deduct, or withhold any payments or charges due under this Note for any reason whatsoever. Failure of Lender to assert any right under this Note shall not be deemed a waiver of such right.
13. Modification. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.
14. Severability. If any one or more of the provisions in this Note is held to be invalid, illegal, or unenforceable in any respect by a court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired. This Note will be binding on and inure to the benefit of Borrower, Lender, and their respective successors and assigns.
15. Governance. This Note shall be governed by and construed in accordance with the laws of the State of California.
16. Attorney's Fees. Borrower agrees to pay all costs of collection when incurred, including without limitation, reasonable attorney's fees and expenses (whether or not suit is filed hereon), and court costs. Attorneys' fees for in-house County Counsel staff of Lender, if awarded, shall be calculated at the market rate. Such costs shall be added to the balance of principal then due.
17. Timeliness. The times for the performance of any obligations hereunder shall be strictly construed, time being of the essence.
18. Venue. Venue for any action arising out of or relating to this Note shall be the Superior Court of California, County of Fresno.
19. Entire Agreement. This Note, together with the Affordable Housing Agreement, the Regulatory Agreement, the Deed of Trust, and any other applicable Loan Document, contain the entire agreement between the Borrower and the Lender as to the Loan.

**BORROWER:**

**Reedley Elderly, L.P.,**  
a California limited partnership

by: Reedley Elderly LLC,  
a California nonprofit public benefit corporation,  
its Managing General Partner

by: Self-Help Enterprises,  
a California nonprofit public benefit corporation,  
its sole member and manager

by: \_\_\_\_\_  
Thomas J. Collishaw  
President and Chief Executive Officer

Date: \_\_\_\_\_

## County Loan Repayment Schedule

Loan Amount	\$2,000,000.00	Final Payment Due	No later than March 31, 2083
Annual Interest	3% simple during term, 0% during construction	Number of Payments	56
Loan Period	55 years	Yearly Payment	Residual Receipts (50%)
Repayment Start Date	3/31/2028	Total Interest	\$3,300,000.00
		Total Cost of Loan	\$5,300,000.00

\*\*\* = 50% of Residual Receipts for prior calendar tax year, if \$0, then payment deferred until end of the loan term.

Annual Payment No.	Payment Date	Year	Beginning Balance	Payment Owed	Payment Received	Interest @ 3% Simple During Term	Example Ending Balance (if Payment Due Were \$0)
n/a	Loan is Capitalized in 2026-2027		\$ 2,000,000.00	\$ -	n/a	((0% during construction))	\$ 2,000,000.00
1	31-Mar	2028	\$ 2,000,000.00	***	TBD	\$ 60,000.00	\$ 2,060,000.00
2	31-Mar	2029	\$ 2,060,000.00	***	TBD	\$ 60,000.00	\$ 2,120,000.00
3	31-Mar	2030	\$ 2,120,000.00	***	TBD	\$ 60,000.00	\$ 2,180,000.00
4	31-Mar	2031	\$ 2,180,000.00	***	TBD	\$ 60,000.00	\$ 2,240,000.00
5	31-Mar	2032	\$ 2,240,000.00	***	TBD	\$ 60,000.00	\$ 2,300,000.00
6	31-Mar	2033	\$ 2,300,000.00	***	TBD	\$ 60,000.00	\$ 2,360,000.00
7	31-Mar	2034	\$ 2,360,000.00	***	TBD	\$ 60,000.00	\$ 2,420,000.00
8	31-Mar	2035	\$ 2,420,000.00	***	TBD	\$ 60,000.00	\$ 2,480,000.00
9	31-Mar	2036	\$ 2,480,000.00	***	TBD	\$ 60,000.00	\$ 2,540,000.00
10	31-Mar	2037	\$ 2,540,000.00	***	TBD	\$ 60,000.00	\$ 2,600,000.00
11	31-Mar	2038	\$ 2,600,000.00	***	TBD	\$ 60,000.00	\$ 2,660,000.00
12	31-Mar	2039	\$ 2,660,000.00	***	TBD	\$ 60,000.00	\$ 2,720,000.00
13	31-Mar	2040	\$ 2,720,000.00	***	TBD	\$ 60,000.00	\$ 2,780,000.00
14	31-Mar	2041	\$ 2,780,000.00	***	TBD	\$ 60,000.00	\$ 2,840,000.00
15	31-Mar	2042	\$ 2,840,000.00	***	TBD	\$ 60,000.00	\$ 2,900,000.00
16	31-Mar	2043	\$ 2,900,000.00	***	TBD	\$ 60,000.00	\$ 2,960,000.00
17	31-Mar	2044	\$ 2,960,000.00	***	TBD	\$ 60,000.00	\$ 3,020,000.00
18	31-Mar	2045	\$ 3,020,000.00	***	TBD	\$ 60,000.00	\$ 3,080,000.00
19	31-Mar	2046	\$ 3,080,000.00	***	TBD	\$ 60,000.00	\$ 3,140,000.00
20	31-Mar	2047	\$ 3,140,000.00	***	TBD	\$ 60,000.00	\$ 3,200,000.00
21	31-Mar	2048	\$ 3,200,000.00	***	TBD	\$ 60,000.00	\$ 3,260,000.00
22	31-Mar	2049	\$ 3,260,000.00	***	TBD	\$ 60,000.00	\$ 3,320,000.00
23	31-Mar	2050	\$ 3,320,000.00	***	TBD	\$ 60,000.00	\$ 3,380,000.00
24	31-Mar	2051	\$ 3,380,000.00	***	TBD	\$ 60,000.00	\$ 3,440,000.00
25	31-Mar	2052	\$ 3,440,000.00	***	TBD	\$ 60,000.00	\$ 3,500,000.00
26	31-Mar	2053	\$ 3,500,000.00	***	TBD	\$ 60,000.00	\$ 3,560,000.00
27	31-Mar	2054	\$ 3,560,000.00	***	TBD	\$ 60,000.00	\$ 3,620,000.00
28	31-Mar	2055	\$ 3,620,000.00	***	TBD	\$ 60,000.00	\$ 3,680,000.00
29	31-Mar	2056	\$ 3,680,000.00	***	TBD	\$ 60,000.00	\$ 3,740,000.00
30	31-Mar	2057	\$ 3,740,000.00	***	TBD	\$ 60,000.00	\$ 3,800,000.00

Annual Payment No.	Payment Date	Year	Beginning Balance	Payment Owed	Payment Received	Interest @ 3% Simple During Term	Example Ending Balance (if Payment Due Were \$0)
31	31-Mar	2058	\$ 3,800,000.00	***	TBD	\$ 60,000.00	\$ 3,860,000.00
32	31-Mar	2059	\$ 3,860,000.00	***	TBD	\$ 60,000.00	\$ 3,920,000.00
33	31-Mar	2060	\$ 3,920,000.00	***	TBD	\$ 60,000.00	\$ 3,980,000.00
34	31-Mar	2061	\$ 3,980,000.00	***	TBD	\$ 60,000.00	\$ 4,040,000.00
35	31-Mar	2062	\$ 4,040,000.00	***	TBD	\$ 60,000.00	\$ 4,100,000.00
36	31-Mar	2063	\$ 4,100,000.00	***	TBD	\$ 60,000.00	\$ 4,160,000.00
37	31-Mar	2064	\$ 4,160,000.00	***	TBD	\$ 60,000.00	\$ 4,220,000.00
38	31-Mar	2065	\$ 4,220,000.00	***	TBD	\$ 60,000.00	\$ 4,280,000.00
39	31-Mar	2066	\$ 4,280,000.00	***	TBD	\$ 60,000.00	\$ 4,340,000.00
40	31-Mar	2067	\$ 4,340,000.00	***	TBD	\$ 60,000.00	\$ 4,400,000.00
41	31-Mar	2068	\$ 4,400,000.00	***	TBD	\$ 60,000.00	\$ 4,460,000.00
42	31-Mar	2069	\$ 4,460,000.00	***	TBD	\$ 60,000.00	\$ 4,520,000.00
43	31-Mar	2070	\$ 4,520,000.00	***	TBD	\$ 60,000.00	\$ 4,580,000.00
44	31-Mar	2071	\$ 4,580,000.00	***	TBD	\$ 60,000.00	\$ 4,640,000.00
45	31-Mar	2072	\$ 4,640,000.00	***	TBD	\$ 60,000.00	\$ 4,700,000.00
46	31-Mar	2073	\$ 4,700,000.00	***	TBD	\$ 60,000.00	\$ 4,760,000.00
47	31-Mar	2074	\$ 4,760,000.00	***	TBD	\$ 60,000.00	\$ 4,820,000.00
48	31-Mar	2075	\$ 4,820,000.00	***	TBD	\$ 60,000.00	\$ 4,880,000.00
49	31-Mar	2076	\$ 4,880,000.00	***	TBD	\$ 60,000.00	\$ 4,940,000.00
50	31-Mar	2077	\$ 4,940,000.00	***	TBD	\$ 60,000.00	\$ 5,000,000.00
51	31-Mar	2078	\$ 5,000,000.00	***	TBD	\$ 60,000.00	\$ 5,060,000.00
52	31-Mar	2079	\$ 5,060,000.00	***	TBD	\$ 60,000.00	\$ 5,120,000.00
53	31-Mar	2080	\$ 5,120,000.00	***	TBD	\$ 60,000.00	\$ 5,180,000.00
54	31-Mar	2081	\$ 5,180,000.00	***	TBD	\$ 60,000.00	\$ 5,240,000.00
55	31-Mar	2082	\$ 5,240,000.00	***	TBD	\$ 60,000.00	\$ 5,300,000.00
Final	31-Mar	2083	\$ 5,300,000.00	Outstanding Balance of Principal, Accrued Interest, Any Fees Accrued, etc.		\$ -	\$ -