

# PROMISSORY NOTE

[\$8,064,951]

[Conversion Date]

Rialto, California

**FOR VALUE RECEIVED, INLAND VALLEY HOUSING PARTNERS, L.P.**, a California limited partnership (the “Developer”), promises to pay to the **RIALTO HOUSING AUTHORITY**, a public body, corporate and politic (the “Housing Authority”), or order, at the Housing Authority’s office at 150 S. Palm Avenue, Rialto, California 92376, or such other place as the Housing Authority may designate in writing, the sum of [Eight Million Sixty Four Thousand Nine Hundred Fifty One and No/100 Dollars (\$8,064,951)] or so much of such amount as has been disbursed pursuant to [Section 404] of the Affordable Housing Loan Agreement (as defined herein) (the “Note Amount”), in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

**1. Affordable Housing Loan Agreement.** This Promissory Note (the “Note”) is given in accordance with that certain Affordable Housing Loan Agreement executed by the Housing Authority and the Developer, dated as of March 1, 2025 (the “Affordable Housing Loan Agreement”). The rights and obligations of the Developer and the Housing Authority under this Note shall be governed by the Affordable Housing Loan Agreement and by the additional terms set forth in this Note. In the event of any inconsistencies between the terms of this Note and the terms of the Agreement or any other document related to the Note Amount, the terms of this Note shall prevail.

**2. Interest.** The Note Amount shall bear compound interest at the rate of [Four and Eighty-Six Hundredths Percent (4.86%)] per annum from the [date hereof].

**3. Repayment of Note Amount.** [Upon or prior to the closing of the permanent loan for the Housing Complex, the Developer shall pay to the Housing Authority the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) / add to the Note Amount the sum of \$\_\_\_\_\_, representing interest accrued on 2006 Note from March 1, 2025 to the Conversion Date and loaned back to the Developer under the Affordable Housing Loan Agreement.] The Note Amount shall be paid by the Developer’s annual payment to the Housing Authority of an amount equal to the Housing Authority’s share of the Residual Receipts (as defined below) from operation of the Housing Complex (as defined in the Affordable Housing Loan Agreement), as determined by a residual receipts calculation from the operation of the Housing Complex the preceding calendar year. The Housing Authority shall negotiate in good faith with the Developer, the County of San Bernardino, the California Department of Housing and Community Development, and any other lender whose financing requires payment from Residual Receipts, to reach a mutually acceptable agreement as to a distribution of Residual Receipts among such lenders in proportion to the original principal amounts of such lenders’ promissory notes. The mutually agreeable distribution of Residual Receipts shall provide that the annual percentage of Residual Receipts to be retained by the Developer during the initial fifteen year tax credit compliance period shall be fifty percent (50%), and shall provide that after the expiration of such fifteen year period the annual percentage of Residual Receipts to be retained by the Developer shall be a percentage not greater than fifty percent (50%). Annual Residual Receipts payments shall be made by the Developer by cashier’s check and shall be delivered on or before ninety (90) days after the end of each year during the term of this Note first following the date the Housing Complex is placed in service, until the Note Amount and all unpaid interest thereon has been repaid in full. Any remaining portion of the Note Amount shall be due and payable on the fifty-fifth (55<sup>th</sup>) anniversary of the date of this Note. Notwithstanding the foregoing, the full Note Amount may be accelerated as set forth in Section 12 hereof.

As used herein, “Annual Project Revenue” shall mean all gross income and all revenues of any

kind from the Housing Complex in a calendar year, including without limitation, Housing Complex rents, Section 8 housing assistance payments, if any, late charges, vending machine income, and any other revenues of whatever kind or nature from the Housing Complex, except that security deposits, interest on security deposits, required reserves and interest on reserve accounts shall not be considered Annual Project Revenue.

As used herein, “Debt Service” means payments made in a calendar year pursuant to the approved financing obtained for the acquisition and ownership of the Housing Complex pursuant to [Section 601] of the Affordable Housing Loan Agreement, but excluding payments made pursuant to this Note.

As used herein, “Deferred Developer Fees” shall mean any deferred developer fee allowable under the financing approved by the Housing Authority pursuant to Section [601] of the Affordable Housing Loan Agreement.

As used herein, “Operating Expenses” shall mean actual, reasonable and customary (for comparable high quality rental housing developments in San Bernardino County) costs, fees and expenses directly incurred, paid, and attributable to the operation, maintenance and management of the Housing Complex in a calendar year, which are in accordance with the Operating Budget approved by the Housing Authority pursuant to [Section 711] of the Affordable Housing Loan Agreement, including: painting, cleaning, repairs, alterations, landscaping, utilities, refuse removal, certificates, permits and licenses, sewer charges, real and personal property taxes, assessments, insurance, security, advertising and promotion, janitorial services, cleaning and building supplies, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings which are not paid from the Capital Replacement Reserve, fees and expenses of property management, fees and expenses of accountants, attorneys and other professionals, the cost of social services in accordance with [Section 712] of the Affordable Housing Loan Agreement, repayment of any completion or operating loans made to Developer, its successors or assigns, and other actual, reasonable and customary operating costs and capital costs which are directly incurred and paid by the Developer, but which are not paid from the Operating Reserve or other reserve accounts. The Operating Expenses shall not in any event include expenses not related to the Housing Complex’s operations, including without limitation, depreciation, amortization, and accrued principal and interest expense on deferred payment debt.

As used herein, “Reserve Deposits” shall mean any payments to the Operating Reserve account pursuant to Section [711] of the Affordable Housing Loan Agreement and payments to the Capital Replacement Reserve account pursuant to Section [710] of the Affordable Housing Loan Agreement.

As used herein, “Residual Receipts” shall mean Annual Project Revenue less the sum of (i) Operating Expenses, (ii) Debt Service, (iii) Reserve Deposits, (iv) Deferred Developer Fees, and (v) a partnership management fee to the managing general partner of Developer, and/or a general partner asset management fee payable to one or more of the general partners of the Developer, and/or a limited partner asset management fee payable to one or more of the limited partners of Developer, annual issuer and bond monitoring fees, and an annual audit fee, with such fees in such amounts which are set forth in the Financing Plan which is approved by the Housing Authority, until the Housing Authority Loan Promissory Note has been paid in full; provided, however, that if such calculation results in a negative number, Residual Receipts shall be zero for that year.

On or before one hundred five (105) days after the end of each year commencing in the year of the issuance of a certificate of occupancy for the Housing Complex, the Developer shall annually provide the Housing Authority a Residual Receipts report, in the form attached to the Affordable Housing Loan Agreement as Attachment No. [6], which shall describe in detail the Annual Project Revenue, Debt Service, Operating Expenses, Reserve Deposits, Asset Management Fees, Deferred Developer Fees, and Residual

Receipts for that year. The Developer shall also submit to the Housing Authority, on or before one hundred five (105) days after the end of each year commencing in the year of the issuance of a certificate of occupancy for the Housing Complex, annual financial statements with respect to the Housing Complex that have been reviewed by an independent certified public accountant, together with an expressed written opinion of the certified public accountant that such financial statements present the financial position, results of operations, and cash flows fairly and in accordance with generally accepted accounting principles.

**4. Security.** This Note is secured by a Deed of Trust (the “Deed of Trust”) dated as of the same date as this Note.

**5. Waivers**

**a.** Developer expressly agrees that this Note or any payment hereunder may be extended from time to time at the Housing Authority’s sole discretion and that the Housing Authority may accept security in consideration for any such extension or release any security for this Note at its sole discretion, all without in any way affecting the liability of Developer.

**b.** No extension of time for payment of this Note made by agreement by the Housing Authority with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Developer under this Note, either in whole or in part.

**c.** The obligations of Developer under this Note shall be absolute and Developer waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

**d.** Developer waives presentment, demand, notice of protest and nonpayment, notice of default or delinquency, notice of acceleration, notice of costs, expenses or leases or interest thereon, notice of dishonor, diligence in collection or in proceeding against any of the rights of interests in or to properties securing of this Note, and the benefit of any exemption under any homestead exemption laws, if applicable.

**e.** No previous waiver and no failure or delay by Housing Authority in acting with respect to the terms of this Note or the Deed of Trust shall constitute a waiver of any breach, default, or failure or condition under this Note, the Deed of Trust or the obligations secured thereby. A waiver of any term of this Note, the Deed of Trust or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

**6. Attorneys’ Fees and Costs.** Developer agrees that if any amounts due under this Note are not paid when due, to pay in addition, all costs and expenses of collection and reasonable attorneys’ fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

**7. Joint and Several Obligation.** This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, successors and assigns.

**8. Amendments and Modifications.** This Note may not be changed orally, but only by an amendment in writing signed by Developer and by the Housing Authority.

**9. Housing Authority May Assign.** Housing Authority may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Developer.

**10. Developer Assignment Prohibited.** In no event shall Developer assign or transfer any portion of this Note without the prior express written consent of the Housing Authority, which consent shall not unreasonably be withheld, except pursuant to a transfer which is permitted or approved under Section [905] of the Affordable Housing Loan Agreement.

**11. Terms.** Any terms not separately defined herein shall have the same meanings as set forth in the Affordable Housing Loan Agreement.

**12. Acceleration and Other Remedies.** Upon: (a) the occurrence of an Event of Default as defined in the Affordable Housing Loan Agreement, or (b) Developer selling, contracting to sell, giving an option to purchase, conveying, leasing, further encumbering, mortgaging, assigning or alienating the Developer's interest in the Housing Complex (other than (i) financing approved by the Housing Authority or otherwise permitted pursuant to Section [601] of the Affordable Housing Loan Agreement, (ii) leasing of individual Housing Units to tenants in the ordinary course of business, or (iii) a purchase option and/or right of first refusal granted to Developer's general partner(s) or affiliates thereof), whether directly or indirectly, whether voluntarily or involuntarily or by operation of law, or any interest in the Housing Complex, or suffering its title, or any interest in the Housing Complex to be divested, whether voluntarily or involuntarily, without the consent of the Housing Authority or as otherwise approved or permitted under the Affordable Housing Loan Agreement, Housing Authority may, at Housing Authority's option, declare the outstanding principal amount of this Note, together with the then accrued and unpaid interest thereon and other charges hereunder, and all other sums secured by the Deed of Trust, to be due and payable immediately, and upon such declaration, such principal and interest and other sums shall immediately become and be due and payable without demand or notice, all as further set forth in the Deed of Trust. All costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with protection of, or realization on, the security for this Note, may be added to the principal hereunder, and shall accrue interest as provided herein. Housing Authority shall at all times have the right to proceed against any portion of the security for this Note in such order and in such manner as such Housing Authority may consider appropriate, without waiving any rights with respect to any of the security. Any delay or omission on the part of the Housing Authority in exercising any right hereunder, under the Affordable Housing Loan Agreement or under the Deed of Trust shall not operate as a waiver of such right, or of any other right. No single or partial exercise of any right or remedy hereunder or under the Affordable Housing Loan Agreement or any other document or agreement shall preclude other or further exercises thereof, or the exercise of any other right or remedy. The acceptance of payment of any sum payable hereunder, or part thereof, after the due date of such payment shall not be a waiver of Housing Authority's right to either require prompt payment when due of all other sums payable hereunder or to declare an Event of Default for failure to make prompt or complete payment.

**13. Consents.** Developer hereby consents to: (a) any renewal or extension (whether one or more) of the terms of the Affordable Housing Loan Agreement or the time of payment under this Note, (b) the release or surrender or exchange or substitution of all or any part of the security, whether real or personal, or direct or indirect, for the payment hereof, (c) the granting of any other indulgences to Developer, and (d) the taking or releasing of other or additional parties primarily or contingently liable hereunder. Any such renewal, extension, modification, release, surrender, exchange or substitution may be made without notice to Developer or to any endorser, guarantor or surety hereof, and without affecting the liability of said parties hereunder.

**14. Successors and Assigns.** Whenever "Housing Authority" is referred to in this, Note, such reference shall be deemed to include the Rialto Housing Authority and its successors and assigns, including, without limitation, any subsequent assignee or holder of this Note. All covenants, provisions and agreements by or on behalf of Developer, and on behalf of any makers, endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of the Housing Authority and Housing

Authority's successors and assigns.

**15. Usury.** It is the intention of Developer and Housing Authority to conform strictly to the Interest Law, as defined below, applicable to this loan transaction. Accordingly, it is agreed that notwithstanding any provision to the contrary in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, the aggregate of all interest and any other charges or consideration constituting interest under the applicable Interest Law that is taken, reserved, contracted for, charged or received under this Note, or under any of the other aforesaid agreements or otherwise in connection with this loan transaction, shall under no circumstances exceed the maximum amount of interest allowed by the Interest Law applicable to this loan transaction. If any excess of interest in such respect is provided for in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, then, in such event:

- a.** the provisions of this paragraph shall govern and control;
- b.** neither Developer nor Developer's heirs, legal representatives, successors or assigns shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount of interest allowed by the Interest Law applicable to this loan transaction;
- c.** any excess shall be deemed canceled automatically and, if theretofore paid, shall be credited on this Note by Housing Authority or, if this Note shall have been paid in full, refunded to Developer; and
- d.** the effective rate of interest shall be automatically subject to reduction to the Maximum Legal Rate of Interest (as defined below), allowed under such Interest Law, as now or hereafter construed by courts of appropriate jurisdiction. To the extent permitted by the Interest Law applicable to this loan transaction, all sums paid or agreed to be paid to Housing Authority for the use, forbearance or detention of the indebtedness evidenced hereby shall be amortized, prorated, allocated and spread throughout the full term of this Note. For purposes of this Note, "Interest Law" shall mean any present or future law of the State of California, the United States of America, or any other jurisdiction which has legal application to the interest and other charges under this Note. The "Maximum Legal Rate of Interest" shall mean the maximum rate of interest that Housing Authority may from time to time charge Developer, and under which Developer would have no claim or defense of usury under the Interest Law.

**16. Miscellaneous.** Time is of the essence hereof. This Note shall be governed by and construed under the laws of the State of California except to the extent Federal laws preempt the laws of the State of California. Developer irrevocably and unconditionally submits to the jurisdiction of the Superior Court of the State of California for the County of San Bernardino or the United States District Court of the Central District of California, as Housing Authority hereof may deem appropriate, in connection with any legal action or proceeding arising out of or relating to this Note. Developer also waives any objection regarding personal or in rem jurisdiction or venue.

**17. No Personal Liability.** In the event of any default under the terms of this Note or the Deed of Trust, the sole recourse of the Housing Authority for any and all such defaults shall be by judicial foreclosure or by the exercise of the trustee's power of sale, and Developer and its partners shall not be personally liable for the payment of this Note or for the payment of any deficiency established after judicial foreclosure or trustee's sale; provided, however, that the foregoing shall not in any way affect any rights the Housing Authority may have (as a secured party or otherwise) hereunder or under the Affordable Housing Loan Agreement or Deed of Trust to recover directly from Developer any amounts secured by the Deed of Trust, or any funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by Housing Authority as a result of fraud, misrepresentation or waste, and any costs and

expenses incurred by the Housing Authority in connection thereof (including without limitation reasonable attorneys' fees and costs).

**DEVELOPER:**

Inland Valley Housing Partners, L.P.,  
a California limited partnership

By: Southern California Housing Development  
Corporation of the Inland Empire,  
a California nonprofit public benefit  
corporation, its general partner

By: \_\_\_\_\_

Its: \_\_\_\_\_