

PTHIS NOTE IS SUBJECT TO SECTION 2966 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES THAT THE HOLDER OF THIS NOTE SHALL GIVE WRITTEN NOTICE TO THE TRUSTOR, OR HIS SUCCESSOR IN INTEREST, OF PRESCRIBED INFORMATION AT LEAST NINETY (90) DAYS AND NOT MORE THAN ONE HUNDRED FIFTY (150) DAYS BEFORE ANY BALLOON PAYMENT IS DUE.

BALLOON PAYMENT
HOME PROMISSORY NOTE
SECURED BY DEED OF TRUST

Loan Amount: \$ _____

Dated: _____

Loan Number: _____

Property: _____

FOR VALUE RECEIVED, the undersigned _____ ("Borrower(s)") whose property is located at _____ promise(s) to pay to the **COUNTY OF SANTA CLARA**, a political subdivision of the State of California, ("**the COUNTY**"), or order, at **2310 North First St., Ste. 100, San Jose, CA 95131**, or such other place as the County may from time to time designate in writing, the principal sum of _____ **Dollars (\$__0,000)** ("County Loan"). This Note evidences the obligation to repay a loan made by the County to Borrower for the acquisition of a single family housing unit on certain real property (the "Property") in the areas of the County of Santa Clara, California, which Property is encumbered by a deed of trust of even date herewith, with Borrower as **Trustor**, (Title Company) _____ **as Trustee**, and the **COUNTY as Beneficiary**, (the "County Short Form Deed of Trust") to secure the obligations of this Note.

1. Interest

Interest shall begin to accrue on _____. Interest shall accrue at a rate of two percent (2.0%) simple interest annually until the loan is repaid in full or upon the maturity date of this loan: but in no event in excess of interest equal to 8% of the total amount borrowed, whichever occurs first. (See Note Addendum-"Exhibit B")

Interest Accrual Cap.

1.2 The total amount of interest accrued will not exceed 8% of the original loan amount borrowed.
*Example: A loan amount of \$__0,000 cannot accrue more than \$_____ debt interest on the total mortgage over the life of the loan. (\$__0,000*8%)*

2. Maturity/Payment.

2.1 This Note is not fully amortized. All sums due hereunder, including without limitation, the entire unpaid balance of principal and any accrued interest, shall be due and payable in a lump sum balloon payment on the loan maturity date.

2.2 The loan maturity date is _____.

3. Acceleration of Obligation.

- 3.1 All unpaid principal then outstanding, plus any applicable accrued interest set forth herein, shall, at the option of the County, be immediately due and payable if during the term of this Note there occurs any of the following:
- 3.2 Default or breach by Borrower of any covenant required to be performed by Borrower under the terms of this Note or the County Deed of Trust;
- 3.3 This loan shall be repaid upon the sale or transfer of the property, or when the property ceases to be owner-occupied, whichever occurs first.
- 3.4 The following transfers of interest shall not require the immediate repayment of the County loan:
- (a) transfer to a surviving joint tenant occupant by devise, descent, or operation of law on the death of a joint tenant.
 - (b) a transfer, in which the transferee is a person who occupies or will occupy the property which is:
 - (i) a transfer where the spouse becomes an owner of the property;
 - (ii) a transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner occupant of the property; or
 - (iii) a transfer into an inter vivos trust in which the borrower is and remains the beneficiary and occupant of the property.

4. Waiver. Borrower, any endorser of this Note, and all others who may become liable for all or any part of the obligations evidenced by this Note hereby severally waive demand, presentment for payment, demand and protest, notice of protest, demand and of dishonor and non-payment and consent to any number of renewals or extensions of time hereof. Any such renewals or extensions may be made without notice to any of said parties and without affecting their liability.

5. Other Encumbrances. Unless the County shall expressly agree otherwise in writing,(a) The County shall have the right (but not the obligation) to cure the default prior to the completion of any foreclosure and reinstate the mortgage or deed of trust, or (b) pay the total unpaid indebtedness secured by such mortgage or deed of trust, in which event, such mortgage or deed of trust shall be released. Amounts expended by The County under this paragraph shall be reimbursed by Borrower upon demand of the Borrower therefore, and, in any event, shall bear interest at the maximum rate permitted

By Section 1(2) of Article XV of the California Constitution from the date advanced by The County until paid in full. All such amounts, advanced or accrued, shall be added to the principal of this Note. The approval by Borrower of any mortgage or deed of trust documents, and the placing of a security interest therefor on the Property or any portion thereof, not containing the provisions required by this Section 5 shall constitute a default under this Note.

6. Foreclosure. This agreement shall not diminish or affect the rights of the First Lender under the First Lender Deed of Trust or any subsequent First Lender Deeds of Trust hereafter recorded against the home. Notwithstanding any other provision hereof, the provisions of this Agreement and the County Deed of Trust shall be subordinate to the lien of the First Lender Deed of Trust and shall not impair the rights of the First

Lender, or such lender's assignee or successor in interest, to exercise its remedies under the First Lender Deed of Trust in the event of default under the First lender Deed of Trust by the Owner. Such remedies under the First Lender Deed of Trust include the right of foreclosure or acceptance of a deed or assignment in lieu of foreclosure.

7. **Integration.** This County Note and Short Form Deed of Trust, together embody the agreement between the County and Borrower for the County loan and its terms and conditions. No verbal agreements or conversations with any officer, agent or employee of the County prior to the execution of this Note shall affect or modify any of the terms or obligations of the Borrower. Any such verbal agreement shall be considered unofficial information and in no way binding on the County.

8. **Time.** Time is of the essence herein.

9. **Gender.** In construing the provisions of this Note, where the circumstances so indicate, the singular shall include the plural and vice versa, and any pronoun shall be read in the masculine, feminine and neutral, as appropriate.

10. **Amendments.** This Note may not be modified or amended except by an instrument in writing expressing such intention executed by the parties sought to be bound thereby, which writing must be so firmly attached to this Note so as to become a permanent part thereof.

11. **Governing Law.** This Note shall be governed by and construed in accordance with the laws of the State of California.

12. **Conflict.** If there is any conflict between the terms of this Note and the County Deed of Trust the terms of this Note shall prevail.

13. **No Prepayment Penalty.** This Note may be paid in whole or in part with no prepayment penalty.

14. **No Assumption.** The County Loan may not be assumed.

Date _____

Borrower-
SSN:

Date _____

Borrower-
SSN:

NOTE ADDENDUM
Exhibit A

This **NOTE ADDENDUM** is made this ____ day of _____, **2008** and is incorporated into and shall be deemed to amend and supplement the Balloon Payment Promissory Note made by the undersigned (the "Borrower") in favor of Santa Clara County, a political subdivision of the State of California, the "Lender" and dated the same date as this Addendum (the "Note"). The date of the Note is called the "Note Date."

I (the Borrower) understand the Lender may transfer the Note, the related Mortgage, Deed of Trust or Deed to Secure Debt (the "Security Instrument") and this Addendum. The Lender or anyone who takes the Note, Security Instrument and this Addendum by transfer and who is entitled to receive payments under the Note is called the "Note Holder."

Additional Covenants. In addition to the covenants and agreements in the Promissory Note and Short Form Deed of Trust, Borrower, and Lender, further covenant and agree as follows:

The Note Holder will notify the undersigned at least 90 calendar days in advance of the Note Maturity Date and advise me of the balance I am expected to pay on the Note Maturity Date. The Note Holder will provide my payment and record information, together with the name, title, and address of the agency representing the Note Holder that I must repay.

BY SIGNING BELOW, BORROWER accepts and agrees to the terms and covenants contained in this Note Addendum.

Date _____

-Borrower

-Borrower

NOTE ADDENDUM

EXHIBIT B

Loan Interest Accrual Illustration

(This is an example only and should not be relied upon to determine the loan payoff amount at any time. For complete terms of the County loan, refer to the individual Promissory Note and any applicable Note Addendums)

EXAMPLE

Loan Amount\$40,000
Int. Rate Actual2% simple interest
Int. Amount Cap8% of amount borrowed (\$3,200.00)

Years of Loan	Principal Balance	Yearly Interest Accrued	Total Int. Accrued	Ending Balance
0-1	\$ 40,000.00	\$800.00	\$800.00	\$ 40,800.00
1-2	\$ 40,000.00	\$800.00	\$1,600.00	\$ 41,600.00
2-3	\$ 40,000.00	\$800.00	\$2,400.00	\$ 42,400.00
3-4	\$ 40,000.00	\$800.00	\$3,200.00	\$ 43,200.00
4-5	\$ 40,000.00	0	\$3,200.00	\$ 43,200.00
5-6	\$ 40,000.00	0	\$3,200.00	\$ 43,200.00
6-7	\$ 40,000.00	0	\$3,200.00	\$ 43,200.00
7-8	\$40,000.00	0	\$3,200.00	\$ 43,200.00
8-9	\$ 40,000.00	0	\$3,200.00	\$ 43,200.00
9-10	\$ 40,000.00	0	\$3,200.00	\$ 43,200.00
10-11	\$ 40,000.00	0	\$3,200.00	\$ 43,200.00
11-12	\$ 40,000.00	0	\$3,200.00	\$ 43,200.00
12-13	\$40,000.00	0	\$3,200.00	\$ 43,200.00
13-14	\$ 40,000.00	0	\$3,200.00	\$ 43,200.00
14-15	\$ 40,000.00	0	\$3,200.00	\$ 43,200.00
15-16	\$ 40,000.00	0	\$3,200.00	\$ 43,200.00
16-17	\$ 40,000.00	0	\$3,200.00	\$ 43,200.00
17-18	\$40,000.00	0	\$3,200.00	\$ 43,200.00
18-19	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00
19-20	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00
20-21	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00
21-22	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00
22-23	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00
23-24	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00
24-25	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00
25-26	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00
26-27	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00
27-28	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00
28-29	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00
29-30	\$ 10,000.00	0	\$3,200.00	\$ 43,200.00