NOTICE TO BORROWER: **Loan No.**

THIS DOCUMENT CONTAINS PROVISIONS
RESTRICTING RESALES AND ASSUMPTIONS

NEIGHBORHOOD STABLIZATION PROGRAM

PROMISSORY NOTE

Secured by a Deed of Trust

$ Dated:

Livermore, California

FOR VALUE RECEIVED, the undersigned_____ (Borrower), whose address is _____, promises to pay to the order of City of Livermore, a municipal corporation (City) at 1052 South Livermore Ave., Livermore, California, or such other place as the City may designate in writing, the principal sum of $_____ together with interest thereon, pursuant to the Loan Agreement as set forth below (Note or Loan).

1. Security. Borrower acknowledges that this Note is given in connection with the purchase of the property and all improvements thereon , _____, CA._____ (the "Residence") as part of a City of Livermore's Neighborhood Stabilization Program ("NSP") to assist low-, moderate- and middle-income households in purchasing homes.

2. Occupancy. Borrower understands that occupancy of the Residence as his/her/their principal residence is a material condition for the Loan. Borrower agrees to occupy the Residence as his/her/their principal residence at all times during the term of this Note until it is repaid.

3. Borrower's Obligation. This Note evidences the Borrower's obligation to pay the City the principal amount of _____ Dollars ($_____) plus accrued interest for funds loaned to Borrower by the City to finance the acquisition of the Residence.

4. Interest Rate. This Note shall bear simple interest at the rate of three percent (3.00%) per annum.

5. Interest Calculation. Interest shall accrue from the date this Note was signed by the Borrower and shall continue to accrue on all unpaid principal after this Note is executed for a period of twenty (20) years. If all terms and conditions of this Note are satisfied, interest shall stop accruing after the twentieth (20th) year of this Note.

6. Term. The total amount of the principal and accrued interest owed under this Note shall be repaid to the City within thirty (30) years from the date it was signed by the Borrower, unless forgiven consistent with the requirements in sections 7 and 8 of this Note.

7. Payments. Borrower is not obligated to make monthly or annual payments on principal or interest owed under this Note so long as the Borrower owns the Residence, occupies it as his/her/their principal residence, and is not in violation of any provisions of this Note or the Deed of Trust.

8. Forgiveness. If all terms and conditions of this Note are satisfied, the principal and accrued interest due under this Note shall be forgiven at the rate of ten percent (10%) a year commencing with the completion of the twenty-first (21st) year of this Note, until the total sum is forgiven or otherwise repaid. In any event, if the Borrower is not in violation of any provision of this Note and the Deed of Trust and has occupied the Residence for the duration of this Note, it shall be cancelled thirty (30) years from the date of this Note,

The City may forgive the principal and interest due under this Note at the time of a Transfer, prepayment, or repayment of this Note to the extent necessary to ensure that the Borrower's obligations to repay the principal and interest due on this Note and on all promissory notes secured by deeds of trust superior to the Deed of Trust, plus the amount of the Borrower's down payment, do not exceed the Fair Market Value of the Residence.

9. Acceleration. The City has the right to declare the full amount of the principal along with any interest under this Note immediately due and payable (i) in the event of a default by Borrower under the Loan Agreement or this Note, or (ii) on the date a Transfer is made whether voluntarily, involuntarily, or by operation of law and whether by deed, contract of sale, give, devise, bequest or otherwise. Failure to declare such amounts due shall not constitute a waiver on the part of the City to declare them due in the event of a subsequent default. Any failure by the City to pursue its legal and equitable remedies upon default shall not constitute a waiver of the City's right to declare a default and exercise all of its rights under this Note or the Deed of Trust. Nor shall acceptance by the City of any payment provided for herein constitute a waiver of the City's right to require prompt payment of any remaining principal and interest owed.

10. Assumption of Note is Restricted. Borrower acknowledges that this Note is given in connection with the purchase of the Residence as part of a program of the City to assist in the purchase of homes by low-income persons. Consequently, this Note is not automatically assumable, but is subject to Section 711.5 of the California Civil

Code which allows the City to accelerate all amounts due under this Note upon sale or Transfer of the Residence.

11. Prepayments. Borrower may prepay all or part of the principal balance and interest due under this Note.

12. Application of Payments. All payments received on account of this Note shall be first applied to accrued interest and the remainder shall be applied to the reduction of principal.

13. No Offset. Borrower hereby waives any rights of offset it now has or may hereafter have against the City, its successors and assigns, and agrees to make the payments called for herein in accordance with the terms of this Note.

14. Protection. To keep the Residence in good condition and repair, the Borrower shall: not remove or demolish any building thereon; complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not commit, suffer or permit any act upon said property in violation of law; cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general; provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary.

15. Waiver; Attorneys' Fees. Borrower and any endorsers or guarantors of this Note, for themselves, their heirs, legal representatives, successors and assigns, respectively, severally waive diligence, presentment, protest, and demand, and notice of protest, dishonor and *non-payment of* this Note, and expressly waive any rights to be released by reason of any extension of time or change in terms of payment, or change, alteration or release of any security given for the payments hereof, and expressly waive the right to plead any and all statutes of limitations as a defense to any demand on this Note or agreement to pay the same, and jointly and severally agree to pay all costs of collection when incurred, including reasonable attorneys fees. If an action is instituted on this Note, the undersigned promises to pay, in addition to the costs and disbursements allowed by law, such sum as a court may adjudge reasonable as attorneys' fees in such action.

16. Severability. If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

17. No Waiver by the City. No waiver of any breach, default or failure of condition under the terms of this Note shall be implied from any failure of the City to take, or any delay by the City in taking, action with respect to such breach, default or

failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the Note must be made in writing and shall be limited to the express written terms of such waiver.

18. Definitions. The terms set forth in this section shall have the following meanings in this Note.

(a) "Fair Market Value" means the Residence's value based on reasonable or comparable sales in the area and determined by a real estate appraiser approved by the Owner and the City.

(b) "Transfer" means any sale, assignment or transfer, voluntary or involuntary, of any interest in the Residence, including, but not limited to, a fee simple interest, a joint tenancy interest, a life estate, a leasehold interest, an interest evidenced by a land contract by which possession of the Residence is transferred and the Borrower retains title, or a deed of trust. The following transfers ("Permitted Transfers") of title to the Residence, or of any estate or interest therein, shall not be subject to restrictions on assumption listed in Section 10 of this Note: (i) a good-faith transfer by gift, devise or inheritance to the Borrower's spouse, domestic partner, or child; (ii) a taking of title by a surviving joint tenant; (c) a court-ordered transfer of title to a spouse as part of a divorce or dissolution proceeding; (d) a transfer by the Borrower into an inter vivos trust in which the Borrower is a beneficiary and the Borrower continues to occupy the property as his/her/their principal residence; (e) an acquisition of title, or of any interest therein, in conjunction with marriage; or (f) any good faith transfer to a low-, moderate- and middle-income household eligible to participate in the City's _____ program, provided the Note is assumed or its conditions are otherwise accepted by the eligible household as part of the transfer consistent with that program.

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

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

21. Non-recourse; Assignment by City. This Note constitutes a portion of the unpaid balance of the purchase price of the Residence. Borrower shall have no personal liability for any deficiency on this Note and the only remedy available to the City or any holder in due course shall be foreclosure pursuant to law as provided in the Deed of Trust. The City may assign its right to receive the proceeds under this Note to any person and upon notice to Borrower by the City all payments shall be made to the assignee.

BORROWER:

_____

CO-BORROWER:

_____