

DO NOT DESTROY THIS NOTE: WHEN PAID, THIS NOTE AND DEED OF TRUST SECURING THE SAME MUST BE SURRENDERED TO CITY FOR CANCELLATION BEFORE RECONVEYANCE WILL BE MADE.

PROMISSORY NOTE SECURED BY DEED OF TRUST Condominium Conversion BMR Program

\$ _____ (Principal Amount) San Francisco, California Date: _____

FOR VALUE RECEIVED, the undersigned, _____ (Maker) hereby promises to pay to the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (Holder), the principal sum of _____ Dollars (\$ _____) (the "Principal Amount"), or a lesser amount as calculated under the formula stated in this Promissory Note ("Note"). Maker and Holder executed an Agreement to Pay a Fee to Release BMR Unit from the Condo Conversion BMR Program ("Agreement") dated _____, which, in part, establishes the obligations of the Maker in the event Debtor desires to transfer the real property described in the Agreement (the "Property").

1. Repayment; Calculation of Principal Amount of Note. Upon Maker's Transfer of the Property, upon default under the Agreement, or upon default under any lien on the Property senior to the Deed of Trust, and in any event no later than the date that is fifty (50) years from the date of this Note (the "Trigger Date"), Maker shall pay to Holder:

- a. The lesser of (1) the Principal Amount, which is the applicable fee amount for the Property pursuant to San Francisco Subdivision Code Section 1344(i), plus accrued interest in accordance with Section 2 below, and (2) 50% of the difference between the BMR price and the Fair Market Value as of the Trigger Date. Fair Market Value and the BMR price shall be determined in accordance with the Agreement; and
- b. Commencing from the Trigger Date, interest on the amounts due at an annual rate of 10%, compounded (the "Default Interest"); provided, however, that if the Property is being transferred through probate, and is otherwise in full compliance with the Agreement and all other senior lien documents on the Property, the Default Interest shall only begin to accrue one (1) year after the death of the Owner.

For the purpose of this Note, "Transfer" means any voluntary or involuntary sale, assignment or transfer of any interest in the Property (except as may be permitted pursuant to Section 4 of the Agreement or to the extent permitted under State and/or Federal law). Notwithstanding the foregoing, "Transfer" shall not mean a transfer of the Property through inheritance to a spouse, registered domestic partner, or a co-owner (provided such co-owner had a legal interest in the Property as of January 18, 2009) (a "Permitted Transfer"). In the event of a Permitted Transfer, Maker acknowledges that Holder may, as a condition to transfer, require such transferee to execute an addendum to this Note and any other documents related to the Property by which the transferee shall assume the same rights and responsibilities with respect to those documents as the Maker. If at the time of Maker's death, a transferee has been previously approved by Holder, no further approval of Holder shall be required in order to transfer the Property, so long as the Holder is notified in writing within thirty (30) days of said transfer. If, however, the transferee has not been previously approved by the Holder, such transferee must first present his or her marriage certificate, domestic partnership registration, or proof that he or she held a legal interest in the Property as of January 18, 2009 to the Holder for review, and if the documentation is approved by Holder, the Property may be transferred to such transferee in accordance with the preceding sentence.

2. Interest. Beginning January 18, 2011 and continuing until paid in full, three percent (3%) simple interest shall accrue on an annual basis on the Principal Amount. At the time the final amount due hereunder is calculated in accordance with Section 1 above, the accrued interest shall be added to the Principal Amount, and that total amount is what will be compared to the amount that is 50% of the difference between the BMR price and the Fair Market Value as of the Trigger Date. .

3. Security. Repayment of this Note is secured by a deed of trust (the "Deed of Trust"), which Deed of Trust shall be recorded in the official records of San Francisco County, California, as a lien on the Property, subject only to those exceptions to title approved in writing by Holder.

4. Terms of Payment.

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- a. All payments under this Note shall be paid in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.
- b. All payments shall be made payable to Holder and mailed or delivered in person to Holder's office at 1 South Van Ness Avenue, Fifth Floor, San Francisco, CA 94103, or to such other place as Holder of this Note may from time to time designate.
- c. Notwithstanding any other provisions of this Note, or any instrument securing the obligations of Maker under this note, if, for any reason whatsoever, the payment of any sums by Maker pursuant to the terms of this Note would result in the payment of interest which would exceed the amount that Holder may legally charge under the laws of the State of California, then amount by which payment exceeds the lawful interest rate shall automatically be deducted from the principal balance owing on this Note, so that in no event shall Maker be obligated under the terms of this Note to pay any interest which would exceed the lawful rate.
- d. This Note may be prepaid in full without charge, penalty or fee; provided however that Maker may not make partial prepayments.

5. Waivers.

- a. Maker expressly agrees that the term of this Note or the date of any payment due hereunder may be extended from time to time with Holder's consent, and that Holder may accept further security or release any security for this Note, all without in any way affecting the liability of Maker.
- b. No extension of time for payment of this Note or any installment hereof made by agreement by Holder 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 Maker under this Note, either in whole or in part.
- c. The obligations of Maker under this Note shall be absolute and Maker waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reason whatsoever.

6. Miscellaneous Provisions.

- a. All notices and consents required under this Note or the Deed of Trust shall be made in writing and shall be deemed communicated by personal delivery or by United States Mail, postage prepaid, as of the earlier of actual receipt of seven days from mailing, addressed as follows:

To Maker: [Owner Name]
 [Owner Address]

To Holder: Mayor's Office of Housing
 1 South Van Ness Avenue, Fifth Floor
 San Francisco, CA 94103
 Attn: Condo Conversion BMR Program

- b. In event of litigation arising from the enforcement of or a default under this Note or the Deed of Trust, the non-prevailing party promises to pay all reasonable costs and expenses, including reasonable attorney's fees, incurred by the prevailing party in such litigation.
- c. This Note may be amended only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.
- d. This Note shall be governed by and construed in accordance with the laws of the State of California.
- e. Time is of the essence for the performance of all obligations of Maker hereunder.

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Owner(s)

Signature: _____
Owner 1

Signature: _____
Owner 2

Signature: _____
Owner 3

Signature: _____
Owner 4

(Please add additional lines if necessary)

(THIS DOCUMENT MUST BE NOTARIZED)

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**Free Recording Requested
Pursuant to Government
Code Section 27383**

RECORDING REQUESTED BY:
City and County of San Francisco
Mayor's Office of Housing

WHEN RECORDED MAIL TO:
Mayor's Office of Housing of the
City and County of San Francisco
1 South Van Ness Avenue, Fifth Floor
San Francisco, California 94103
Attention: Condo Conversion BMR Program

Space Above This Line for Recorder's Use

DEED OF TRUST AND ASSIGNMENT OF RENTS

This Deed of Trust, made this day _____, 2008 between, _____ herein called TRUSTOR, whose address is _____ **San Francisco, CA**; **[INSERT TITLE COMPANY]**, herein called TRUSTEE; and THE CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, herein called BENEFICIARY, witnesseth: that Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS TO TRUSTEE IN TRUST, WITH POWER OF SALE, that real property situated in the City and County of San Francisco, State of California, described in Exhibit A attached hereto and made a part thereof **(the "Property")**.

TOGETHER WITH the rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power and authority given to and conferred upon Beneficiary by paragraph (10) of the provisions incorporated herein by reference to collect and apply such rents, issues and profits.

For the Purpose of Securing: 1. The promissory note executed by Trustor in favor of Beneficiary, dated of even date herewith (the "Note"), and performance of any agreement of Trustor incorporated by reference or contained herein, including but not limited to the Agreement to Pay a Fee For Release from the Condo Conversion BMR Program dated _____ (the "Agreement"). 2. Payment of the indebtedness evidenced by the aforesaid Note. 3. Payment of such further sums as the then record owner of said property hereafter may borrow from Beneficiary, when evidenced by another note (or notes) reciting it is so secured.

To protect the Security of This Deed of Trust, Trustor Agrees: By the execution and delivery of this Deed of Trust and the note secured hereby, that provisions (1) to (14), inclusive, of the fictitious deed of trust recorded in the office of the Recorder of the City and County of San Francisco on October 23, 1961 in Book A-332 of Official Records, at page 905, hereby are adopted and incorporated herein and made a part hereof as fully as though set forth herein at length; that he will observe and perform said provisions; and that the references to property, obligations, and parties in said provisions shall be construed to refer to the property, obligations, and parties set forth in this Deed of Trust.

In the event of default by the Trustor under this Deed of Trust, the Note or the Agreement, or if the herein described property or any part thereof, or any interest therein is sold, conveyed, transferred, alienated or refinanced by the Trustor, or by the operation of law or otherwise, without the written consent of the Beneficiary hereof or except as

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permitted under the Agreement or the Note, all obligations secured by this instrument irrespective of the maturity dates expressed therein, at the option of the Beneficiary hereof and without demand or notice shall immediately become due and payable.

Trustor shall perform all of Trustor's obligations under any senior lien recorded against the Property (in each case, a "Senior Lien"), including Trustor's covenants to make payments when due. Trustor shall pay on time and directly to the person owed payment all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Deed of Trust.

Except for the Senior Lien and except as may be permitted under Section 4 of the Agreement, Trustor shall promptly discharge any other lien which shall have attained priority over this Deed of Trust unless Trustor: (a) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which, in the Beneficiary's sole discretion, operate to prevent the enforcement of the lien; or (b) obtains from the holder of the lien an agreement satisfactory to the Beneficiary in its sole discretion subordinating the lien to this Deed of Trust. Except for the Senior Lien, if the Beneficiary determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, the Beneficiary may give Trustor a notice identifying the lien. Trustor shall satisfy such lien or take one or more of the actions set forth above within ten (10) days of the giving of notice.

The Note or a partial interest in the Note (together with this Deed of Trust) may be sold one or more times without prior notice to Trustor. If the Note is sold, Trustor will be given written notice of the sale in accordance with and containing any other information required by applicable law.

In accordance with Section 4 of the Agreement, Beneficiary shall subordinate the lien of this Deed of Trust to another lien provided that MOH determines that such lien would not increase the total debt secured by the Property, including the lien of this Deed of Trust, over 80% of fair market value of the Property. Beneficiary may elect in its sole discretion to subordinate the lien of this Deed of Trust to any other lien, but only on condition that all of the following conditions are satisfied:

(a) Trustor demonstrates to the reasonable satisfaction of the City and County of San Francisco Mayor's Office of Housing ("MOH") that subordination of this Deed of Trust is necessary to secure the proposed lien.

(b) The terms of the proposed lien and any subordination agreement must be reviewed and approved by the MOH.

(c) The proposed lender (each, a "Senior Lender") must be a state or federally chartered financial institution, a nonprofit corporation or a public entity that is not affiliated with Trustor or any of Trustor's affiliates, other than as a depositor or a lender.

(d) The subordination agreement(s) must be structured to minimize the risk that the Deed of Trust would be extinguished as a result of a foreclosure by the Senior Lender or other holder of the proposed lien. To satisfy this requirement, the subordination agreement must provide the City with adequate rights to cure any defaults by Trustor, including: (i) providing MOH or its successor with copies of any notices of default at the same time and in the same manner as provided to Trustor; and (ii) providing the Beneficiary with a cure period to cure any default under the loan documents between Trustor and the Senior Lender at least equal to that provided to Trustor under such loan documents.

(e) The subordination(s) may be effective only during the original term of the proposed loan, unless MOH approves of any extension of such original term in writing.

(f) No subordination may limit the effect of the Deed of Trust before a

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foreclosure.

(g) Following review and approval by MOH, the Director of MOH or his/her successor or designee will be authorized to execute the approved subordination agreement without the necessity of any further action or approval.

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to him at his address herein before set forth.

TRUSTOR(S):

Owner(s):

Signature: _____
Owner 1

Signature: _____
Owner 2

Signature: _____
Owner 3

Signature: _____
Owner 4

(Please add additional lines if necessary)

(THIS DOCUMENT MUST BE NOTARIZED)

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