

**SMALL RENTAL PROPERTY PROGRAM  
PROMISSORY NOTE**

US \$ \_\_\_\_\_, 200\_\_\_\_\_

**Borrower:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_, Louisiana \_\_\_\_\_

**Lender:** **State of Louisiana, Division of Administration**  
**Office of Community Development**  
**Post Office Box 94095**  
**Baton Rouge, Louisiana 70804**

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**Promise to Pay.** For value received, \_\_\_\_\_ (individually and collectively, the "**Borrower**") promises to pay to the order of State of Louisiana, Division of Administration, Office of Community Development ("**OCD**" or "**Lender**"), as administrator of the Small Rental Property Program, at Post Office Box 94095, Baton Rouge, Louisiana, 70804, on or before \_\_\_\_\_, 20\_\_\_\_ ("**Maturity Date**"), in lawful money of the United States of America the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_) Dollars ("**Incentive Loan**").

**Incentive Loan.** Borrower has been awarded the Incentive Loan from the United States of America under the U.S. Department of Housing and Urban Development ("**HUD**") Community Development Block Grant ("**CDBG**") Program, which Program is being administered by OCD, pursuant to a Small Rental Property Program Commitment Letter ("**Commitment Letter**"). The funding for the Incentive Loan has been provided in recognition of a declared disaster to promote the general welfare. The purpose of the Incentive Loan is to provide owners of qualified small residential rental projects with an incentive to reduce rents and deliver affordable rental housing in the parishes affected by Hurricane Rita and Hurricane Katrina. The proceeds from the Incentive Loan shall be disbursed by OCD to Borrower in connection with Borrower's operation of a small rental project located at [insert municipal address], \_\_\_\_\_, Louisiana \_\_\_\_\_ ("**Property**").

**Non-Interest Bearing Obligation.** This Note shall be non-amortizing and shall not bear interest, except as set forth below. Borrower has executed a Small Rental Property Program Incentive Payment Agreement ("**Incentive Payment Agreement**") in connection with receipt of the Incentive Loan. The Incentive Loan and this Note are secured by a Multiple Indebtedness Mortgage, Assignment of Leases and Rents, and Security Agreement ("**Mortgage**"), encumbering the Property. Capitalized terms not otherwise defined in this Note shall have the meanings given to such terms in the Incentive Payment Agreement, the Commitment Letter or the Mortgage.

**Repayment of Obligation.** As consideration for Borrower's agreement to provide critically vital affordable housing at reduced rents, OCD agrees that the Incentive Loan shall be repaid in accordance with the attached **Schedule 1**, provided that Borrower is not in default under the Incentive Loan Documents beyond any applicable grace or cure period. The outstanding unpaid principal balance of the Incentive Loan ("**Outstanding Balance**") at any time during the Incentive Loan Term shall be as reflected on **Schedule 1**.

**Term.** The term of this Note shall be \_\_\_\_\_ years ("**Incentive Loan Term**"), and shall mature on the Maturity Date.

**Voluntary Prepayment.** Borrower may not prepay the Incentive Loan during the 1st, 2nd or 3rd year of the Incentive Loan Term ("**Lockout Period**"). Following expiration of the Lockout Period, Borrower may voluntarily prepay the Incentive Loan as follows:

(a) If Borrower desires to prepay the Incentive Loan during the 4th or 5th year of the Incentive Loan Term, Borrower shall give Lender not less than 30 days prior written notice, and shall pay Lender an amount equal to the Outstanding Balance due as of the date of prepayment, plus accrued and unpaid interest at 8% per annum, from the date of this Note until prepaid.

(b) If Borrower desires to prepay the Incentive Loan at anytime after the 5th year of the Incentive Loan Term, Borrower shall give Lender not less than 30 days prior written notice, and shall pay Lender an amount equal to the Outstanding Balance due as of the date of prepayment.

**Mandatory Prepayment.** Borrower shall be obligated to prepay the Incentive Loan as follows:

(a) Upon Borrower's default under the terms and conditions of the Incentive Loan Documents (which is not cured within any applicable grace or cure period), the Outstanding Balance due shall become immediately due and payable; or

(b) Upon refinance of the outstanding indebtedness encumbering the Property, the Outstanding Balance due as of the date of re-financing shall become immediately due and payable; or

(c) Upon the sale, transfer, conveyance or assignment not expressly permitted in the Incentive Loan Documents ("**Transfer**") of the Property during the 4th or 5th year of the Incentive Loan Term, the Outstanding Balance due as of the date of Transfer, plus accrued and unpaid interest at 8% per annum, from the date of this Note until the date of Transfer, shall be due and payable on the date of Transfer; or

(d) Upon a Transfer of the Property after 5th year of the Incentive Loan Term but prior to the Maturity Date, the Outstanding Balance on the date of Transfer shall be due and payable on the date of Transfer; provided, however that a transfer of the Property wherein the transferee assumes all of the transferor's obligations pursuant to the Program and such transfer is approved by Lender, shall not result in mandatory prepayment.

**Default.** The following actions and/or inactions shall constitute events of default (individually and collectively, an "**Event of Default**") under this Note. Notwithstanding anything to the contrary contained herein, Lender agrees to provide Borrower written notice of the occurrence of an Event of Default, and allow Borrower five (5) days from such notice in which to cure any such Event of Default before exercising Lender's rights hereunder.

**Default Under This Note.** If Borrower fails to make payments required under this Note, as and when due and payable.

**Default Under Other Incentive Loan Documents.** If Borrower shall fail or refuse to punctually (within any applicable grace or cure period) and properly pay, perform, observe and comply with any covenant, term, agreement or condition contained in any of the other Incentive Loan Documents.

**OCD's Rights Upon Default.** If an Event of Default occurs or exists under this Note, OCD shall have the right, at its sole option, to (i) formally declare this Note to be in default and to accelerate the maturity and insist upon immediate payment in full of Outstanding Balance then due, together with reasonable attorneys' fees, costs, expenses and other fees and charges as provided herein; or (ii) foreclose or otherwise enforce any and all liens granted to Lender to secure payment and performance of this Note and the any other obligation of Borrower under the Incentive Loan Documents, including without limitation the Mortgage; or (iii) exercise any and all of OCD's other rights and remedies under any of the Incentive Loan Documents, or granted by applicable law. OCD may exercise any or all of the foregoing remedies, and the rights and remedies set forth herein shall be cumulative and not in substitution for any other right or remedy or power provided to OCD under the Incentive Loan Documents, or by applicable law. The failure or refusal of OCD to exercise any right, remedy or power herein provided shall not preclude the resort to any other right, remedy or power available to OCD upon the occurrence of an Event of Default.

**Nonrecourse.**

(a) Notwithstanding anything to the contrary contained herein, except as set forth below, Borrower shall have no personal liability under the Incentive Loan Documents for the repayment of the Incentive Loan or for the performance of any other obligations of Borrower under the Incentive Loan Documents, and OCD's only recourse for the recovery of the Incentive Loan and the performance of such obligations shall be to exercise its rights and remedies with respect to the Property and such other collateral held by OCD as security for the Incentive Loan.

(b) Borrower shall become personally liable to OCD for the repayment of the Incentive Loan equal to any loss or damage suffered by OCD as a result of: (1) any fraud or material misrepresentation by Borrower, or any officer, agent, director, partner, member or employee of Borrower in connection with the Application, the Incentive Loan Documents, or any request by OCD; (2) any material misrepresentation by Borrower, or any officer, agent, director, partner, member or employee of Borrower that, had such misrepresentation not been made, would have prevented Borrower from receiving the Incentive Loan and/or the Incentive Loan.

(c) To the extent that Borrower has personal liability under this Note, OCD may exercise its rights against Borrower personally without regard to whether OCD has exercised any rights against the Property or any other security, or pursued any rights against any guarantor or key principal of Borrower, or pursued any other rights available to OCD under the Incentive Loan Documents or applicable law.

**Jury Waiver.** Borrower and OCD hereby voluntarily, knowingly, irrevocably and unconditionally waive any right to have a jury participate in resolving any dispute between or among Borrower and OCD arising out of or in any way related to the Incentive Loan Documents, or any relationship between OCD and Borrower. This provision is a material inducement to OCD to provide the financing evidenced by this Note. Nothing herein shall be deemed to be a waiver by OCD of the State's right to sovereign immunity.

**Attorney's Fees.** If OCD refers this Note to an attorney for collection, or files suit against Borrower to collect this Note, or if Borrower files for bankruptcy or other relief from creditors, Borrower agrees to pay OCD's reasonable attorneys' fees incurred.

**Governing Law.** Borrower agrees that this Note and the Incentive Loan evidenced hereby shall be governed by, and construed in accordance with, the laws of the State of Louisiana, exclusive of its conflict of laws provisions.

**Waivers.** Borrower hereby waives demand, presentment for payment, protest, notice of protest and notice of nonpayment, and all pleas of division and discussion, and if this Note is executed by more than one individual or entity, each signatory severally agrees that their obligations and liabilities to OCD hereunder shall be on a "**solidary**" or "**joint and several**" basis. Borrower further agrees that discharge or release of any party who is or may be liable to OCD for the indebtedness represented hereby shall not have the effect of releasing any other party or parties, who shall remain liable to OCD. Borrower additionally agrees that OCD's acceptance of payment other than in accordance with the terms of this Note, or OCD's subsequent agreement to extend or modify such repayment terms, or OCD's failure to delay in exercising any rights or remedies granted to OCD, shall likewise not have the effect of releasing Borrower or any other party or parties from their respective obligations to OCD. In addition, any failure or delay on the part of OCD to exercise any of the rights and remedies granted to OCD shall not have the effect of waiving any of OCD's other rights and remedies.

**Successors and Assigns Liable.** Borrower's obligations and agreements under this Note shall be binding upon Borrower's successors, heirs, legatees, devisees, administrators, executors and assigns. The rights and remedies granted to OCD under this Note shall inure to the benefit of OCD's successors and assigns, as well as to any subsequent holder or holders of this Note.

**Caption Headings.** Caption headings of the sections of this Note are for convenience purposes only and are not to be used to interpret or to define their provisions. In this Note, whenever the context so requires, the singular includes the plural and the plural also includes the singular.

**Severability.** If any provision of this Note is held to be invalid, illegal or unenforceable by any court, that provision shall be deleted from this Note and the balance of this Note shall be interpreted as if the deleted provision never existed.

**BORROWER:**

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\_\_\_\_\_

**Schedule 1**

**Schedule of Repayment of Incentive Loan Amounts**