**STATE OF OREGON**

**HOUSING AND COMMUNITY SERVICES DEPARTMENT**

AFFORDABLE RENTAL HOUSING COVID RESPONSE FUND

**PROMISSORY NOTE**

**$\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_, 2020**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**, an Oregon \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_(“**Borrower**”), promises to pay to the order of the **State of Oregon**, acting by and through its **Housing and Community Services Department**, together with its successors and assigns (“**Lender**”), at 725 Summer Street NE, Suite B, Salem, Oregon 97301-1266, or at such other address as Lender may specify in writing, the principal amount of **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** **DOLLARS** **($\_\_\_\_\_**), or so much thereof as may be disbursed pursuant to the terms of that certain Loan Agreement of even date herewith between Borrower and Lender (the “**Loan Agreement**”), together with any accrued interest. Interest under this promissory note (this “**Note**”) will be computed on the basis of a 360-day year consisting of twelve 30-day months.

This Note is the note referred to in the Loan Agreement and is entitled to the benefits of, and subject to the limitations of, the Loan Agreement. Capitalized terms used herein without definition have the meaning ascribed to such term in the Loan Agreement.

1. **INTEREST**

Interest on the Loan will accrue on amounts disbursed hereunder at the rate of **zero percent** **(0.00%)** per annum. Subject to the provisions of this Note requiring earlier payment, the Loan will be due and payable in full on the Maturity Date (as hereinafter defined).

1. **MATURITY DATE**

The maturity date means the earlier of the date when this entire Note, principal and interest, is paid in full, or March 31, 2021 (the “**Maturity Date**”). The unpaid principal balance of this Note and all unpaid accrued interest thereon and all sums payable by Borrower in connection with this Note will be due and payable in full on the Maturity Date or, at Lender's option, upon any Event of Default. In the alternative, and at the election of Borrower at any time after the full distribution of the Loan proceeds, such obligation may be satisfied upon the Borrower (i) using the Loan proceeds to satisfy individual Tenant Arrearages documented to the satisfaction of Lender.

1. **PREPAYMENT**

Borrower may prepay this Note in whole or in part at any time without penalty. All prepayments will be applied first to accrued interest on this Note, if any, and then to the principal balance of this Note. Partial prepayments will not affect any other obligation of Borrower under this Note.

1. **SUBSIDIZED LOAN; DUE ON TRANSFER; NO CHANGE IN USE**

Borrower acknowledges that the terms of the Loan, including the interest rate, are subsidized by public funds and are more favorable than the prevailing market rate for similar loans obtainable in the private marketplace. Borrower further acknowledges that the more favorable terms on the Loan are not intended to benefit Borrower or any subsequent owner of the Project in the event of any sale or transfer of the Project or of a beneficial interest in Borrower.

Accordingly, subject to the terms and conditions of the Loan Agreement, any sale or transfer (or any attempted sale or transfer) of all or any part of, or any interest in the Project, or any beneficial interest in Borrower, without the prior written consent of Lender (which Lender may grant, condition, or withhold in its sole and absolute discretion) is prohibited, and upon any such prohibited sale or transfer, this Note will become immediately due and payable in full. As used herein, the term “**sale or transfer**” is used in its broadest sense, and includes, with respect to the Project, an encumbrance, pledge, or grant of a security interest, a ground lease, master lease or other lease not in the ordinary course of business, land sale contract, foreclosure, deed in lieu of foreclosure, or transfer (by operation of law or otherwise) pursuant to any dissolution, liquidation, merger, reorganization or consolidation, and with respect to a beneficial interest in Borrower, a sale, gift or other transfer of any partnership, stock, membership or other ownership interest in Borrower other than a transfer upon death of the owner of such interest.

Notwithstanding who is the holder of this Note, Lender reserves the right to approve a sale or transfer. Any transferee will be bound by the terms of this Note. Borrower will notify Lender of any proposed or actual sale or transfer as required in the Loan Agreement.

1. **EVENTS OF DEFAULT**

An Event of Default will occur under this Note if one or more of the Events of Default described in the Trust Deed, the Loan Agreement, or the Operating Agreement, which are incorporated by reference in this Note, occur.

1. **LENDER'S RIGHTS AND REMEDIES ON DEFAULT**

Upon the occurrence of any Event or Events of Default, Lender may exercise any one or more of the rights and remedies described in the Loan Agreement, which is incorporated by reference in this Note.

Upon the occurrence of any Event or Events of Default, interest under this Note will accrue on the unpaid principal balance from the date of the Event of Default, or if the Event of Default is a payment default, from the date the first unpaid payment was due, at a rate equal to the lesser of **six** percent (**6%**) per annum or the maximum interest which may be collected from Borrower under applicable law (the “**Default Rate**”). If the unpaid principal balance and all accrued interest are not paid in full on the Maturity Date, the unpaid principal balance and all accrued interest will bear interest from the Maturity Date at the Default Rate. Borrower agrees that the increase in the rate of interest payable under this Note to the Default Rate represents a fair and reasonable estimate, taking into account all circumstances existing on the date of this Note, of the additional costs and expenses Lender will incur by reason of the Borrower’s delinquent payment and the additional compensation Lender is entitled to receive for the increased risks of nonpayment associated with a delinquent loan.

1. **NONRECOURSE PROVISION**

The obligation to pay the indebtedness evidenced by or arising under this Note will be nonrecourse as to Borrower and its members or partners provided, however, that Borrower and its managing member(s) or general partner(s) will be personally liable for (a) failure to pay taxes, assessments, or other charges which could result in liens (including construction liens), (b) retention by Borrower or its managing member(s) or general partner(s) of any rental or other income or insurance or condemnation proceeds arising with respect to such collateral which, under the terms of the Loan Agreement, should have been paid to Lender, and (c) any liability or losses incurred by Lender as a result of any fraud or deceit by Borrower in connection with this Loan.

1. **MISCELLANEOUS**

This Note may not be modified or amended except in writing and signed by Borrower and Lender. This Note also reflects and sets forth the entire agreement and supersedes all prior agreements and understanding relating to such subject matter. Time is of the essence of each provision of this Note. Borrower waives presentment for payment, notice of dishonor, protest, notice of protest and diligence in collection, and consents that the time of payment of the principal balance and accrued interest, or any part thereof, may be extended by Lender without otherwise modifying, altering, releasing, affecting or limiting Borrower's liability or the security for this Note. If any provision of this Note is held to be invalid, such event will not affect, in any respect whatsoever, the validity of the remainder of this Note. This Note will be construed in accordance with Oregon law.

***(Signature Page Follows)***

**BORROWER:**

By: