

PROMISSORY NOTE

March 15, 2001

designate in writing, a principal amount equal to FIFTEEN THOUSAND AND NO/100 Dollars (\$15,000.00). The obligations of the Borrower and the Holder being upon and subject to the terms of the deed of trust of even date herewith (the "deed of trust"). Said deed of trust will secure performance under this Note. The Borrower also promises to pay to the order of the Holder the "Appreciation Payment" as defined in paragraph 2 below.

1. Borrower's Obligation. This Note evidences the obligation of the Borrower to the Holder for the payment of funds given in connection with the purchase of the property (the "Residence") as part of a program of the Holder to assist low and moderate income persons to purchase homes (the "Agency Loan").

2. Appreciation Payment. The Appreciation Payment shall be determined by calculating the percentage of the total down payment and closing costs paid by the Borrower that was comprised of the Agency Loan where the Agency Loan is the numerator and the total of the down payment and closing costs is the denominator. For purposes of calculating the Appreciation Payment, the Borrower's closing costs shall include title and escrow fees, legal fees, loan fees, transfer tax, title insurance costs, and any other costs reasonably related to the close of escrow on the Residence and approved by the Holder. In no event shall the Appreciation Payment exceed fifty percent (50%) of the Borrower's appreciation in the Residence as defined in subparagraph 2A below.

A. Residence's Appreciation Definition. The Residence's Appreciation shall mean the amount the Residence has increased in value since the Borrower purchased the Residence, decreased by (1) closing costs attributable to the purchase of the Residence by the Borrower and (2) expenses borne by the Borrower in connection with the transfer of the Residence and (3) that share of the appreciation attributable to improvements made to the Residence by the borrower since the Borrower purchased the Residence which cost One Thousand Dollars (\$1,000) or more and which were approved by

the Holder at the time the improvements were constructed, and (4) increased by the amount of damage or deferred maintenance has decreased the value of the Residence while the Borrower has owned the Residence. The Appraised Value at the time of the Borrower's purchase of the Residence is \$110,000.00. The Residence is commonly known as 2739 Ocean Avenue, Eureka, CA.

B. Fair Market Value Definition. Fair Market Value means the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity or obligation for so doing, and a buyer, being ready, willing and able to buy but under no particular or urgent necessity or obligation for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the Residence is reasonably adaptable and available.

C. Stipulated Price. The Borrower may, for the purpose of facilitating a Transfer of the Residence, request the Holder to stipulate the amount which the Holder considers to be the Fair Market Value of the Residence. The Holder shall advise the Borrower within thirty (30) working days of the receipt of such request of the its estimate of the minimum Fair Market Value. Such estimate shall remain effective and be binding upon the Holder for sixty (60) days.

D. Appraisal Process. At the Borrower's option, exercised in writing to the Holder, the Fair Market Value shall be determined by an appraisal of the Residence performed as described in this subparagraph. If possible, the appraisal shall be based upon the sale prices of comparable properties in the market area sold in the preceding three-month period. The appraisal shall be made by an independent residential appraiser selected by the Borrower, from a list of appraisers provided by the Holder. Each appraiser on the Holder's list shall have been previously approved by the Federal National Mortgage Association or the Federal Housing Administration and placed on their list of approved single family housing appraisers. The cost of the appraisal shall be borne by the Borrower. In the event the Borrower has made capital improvements to the Residence which have increased the value of the Residence or if damage or deferred maintenance has occurred while the Borrower owned the Residence which has decreased the value of the Residence, the appraisal shall specifically ascribe a value to these adjustment factors and state what the fair market value of the Residence would be without such adjustments. Nothing in this subparagraph shall preclude the Borrower and the Holder from establishing the Fair Market Value of the Residence by mutual agreement in lieu of an appraisal pursuant to this subparagraph.