

ATTACHMENT 6

PROMISSORY NOTE

\$2,000,000

Santa Barbara, California

Date: _____

FOR VALUE RECEIVED, THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA, a body corporate and politic formed and existing pursuant to the California Community Redevelopment Law (Health and Safety Code Section 33000, et seq.) ("Maker"), hereby promises to pay to PASEO NUEVO ASSOCIATES, a California limited partnership ("Payee"), or order (the "Holder"), at 600 Montgomery Street, Suite 3600, San Francisco, California 94111, or at such other place as the Holder hereof may from time to time designate, in writing, the principal sum of Two Million and No/100 Dollars (\$2,000,000.00), or as much thereof as has been advanced to Maker by Holder under the Developer Loan pursuant to the terms of the Disposition and Development Agreement dated _____, 1987, executed by Maker and Payee (the "Agreement"), together with interest on the Principal Balance as hereafter provided.

1. Definitions. The following terms as used in this Note shall have the following meanings:

(a) "Annual Participation Rent" shall mean the rent to be received by Maker pursuant to the terms of the Developer Lease.

(b) "Developer Lease" shall mean that certain Lease dated _____, 19____, executed by and between Maker and Payee pursuant to the terms of the Agreement.

(c) "Holder" shall mean Paseo Nuevo Associates, its successors and assigns, including, without limitation, any subsequent assignee or holder of this Note.

(d) "Principal Balance" shall mean the outstanding unpaid principal balance of this Note from time to time.

Capitalized terms not defined herein shall have the definitions as in the Agreement.

2. Advances. Each advance of principal hereunder by the Holder to Maker shall be made in accordance with and pursuant to the terms and conditions of Section 201.2 of the Agreement.

3. Interest. Interest shall accrue on the Principal Balance at the rate of ten percent (10%).

4. Payment of Principal and Interest. Principal and interest shall be due and payable as follows:

(a) If the Developer Lease is conveyed to Holder pursuant to the Agreement, all principal and interest due and payable under this Note shall be a special obligation of Maker payable only and solely from the Annual Participation Rent received by Maker under the Agreement. Payments of principal and interest under this Note from Annual Participation Rent shall be due and payable by Maker within twenty (20) days following Maker's receipt of such Annual Participation Rent. Agency shall not be liable or obligated to pay any indebtedness under this Note from any other funds, revenues, assets or monies.

(b) If (i) the Developer Lease is not conveyed to Holder pursuant to the Agreement, and (ii) the Agreement is terminated prior to conveyance of the Developer Lease, the monies so advanced or paid shall constitute an advance of principal under this Note and shall be repaid as follows:

(1) If this Agreement is terminated by Agency because of Developer's Default under the Agreement, the amounts owing under this Note and the terms of payment thereof shall be as follows:

(A) The Principal Balance and all accrued interest thereon (the "Note Indebtedness") shall be credited and reduced to the extent that the Note Indebtedness equals but does not exceed the amount specified for the Developer's Deposit under Section 106 of the Agreement, in which case the Developer's Deposit shall be deemed paid (if not already paid in cash by Developer) and the Letter of Credit required under the Agreement shall not be drawn upon for such Developer's Deposit;

(B) The balance of the Note Indebtedness remaining after such credit and reduction, if any, shall be paid in annual payments of Two Hundred Thousand and No/100 Dollars (\$200,000.00) per year until fully paid, the first payment which shall commence on the first anniversary date of the termination of the Agreement (the "Termination Date"). The amount by which the amount of the Developer's Deposit exceeds the Note Indebtedness shall remain as Developer's Deposit under the provisions of Section 106 and Section 204 of the Agreement.

(2) If the Agreement is terminated as provided under Section 201.2H(2) of the Agreement, then the Note Indebtedness shall be paid promptly upon the receipt by Maker of any monies, including the return of deposits, consideration or damages, in connection with Maker's negotiation, acquisition or condemnation of the Acquisition Parcel(s). Maker will

exercise best efforts to dispose of the Acquisition Parcel(s) by sale, lease or other disposition or refinance as soon as possible after termination of this Agreement in order to pay in full such Note Indebtedness. The balance, if any, of the Note Indebtedness remaining after the application of the proceeds of the sale, lease or other disposition or refinance of the Acquisition Parcel shall be paid in not more than nine (9) equal annual installments of principal and interest, provided that no installment of principal and interest shall be less than Two Hundred Thousand Dollars (\$200,000). The first annual installment shall be due on the first anniversary date of the termination of the Agreement and similar installment payments shall be due on each succeeding anniversary date until all principal and interest have been paid in full; provided, however, that all unpaid principal and all accrued but unpaid interest due under the promissory note shall be due and payable not later than the ninth anniversary date. Maker's obligation under this paragraph 4(b)(2) shall continue to be secured in accordance with Section 201.2G of the Agreement and paragraph 5 below.

5. Security.

(a) Pledge Agreement. Prior to the conveyance of the Developer Lease to Holder, this Note shall be secured by a Tax Increment Pledge Agreement ("Tax Increment Pledge Agreement") of even date herewith, executed by Maker for the benefit of Holder, pledging the tax increment allocated to Maker under the Redevelopment Plan as security for the Principal Balance and all accrued interest hereunder. Notwithstanding the above, prior to the conveyance of the Developer Lease to Holder, Maker shall be liable for all Note Indebtedness, irrespective of the Tax Increment Pledge Agreement and Holder shall be entitled at its option to proceed to collect all indebtedness due and payable under this Note against all other assets of Maker, and Holder shall not be limited to the tax increment for such repayment.

(b) Assignment of Rents. Upon the conveyance of the Developer Lease to Payee, Maker shall execute and deliver to Holder an Assignment of Rents ("Assignment of Rents") assigning to Holder all of Maker's rights with respect to the Annual Participation Rent required to be paid by Holder to Maker under the Developer Lease as security for this Note.

6. Letter of Credit. Holder shall deliver to Maker a partial draw irrevocable and unconditional Letter of Credit as provided under Section 107 of the Agreement.

7. Conveyance of Developer Lease.

(a) Pledge Agreement. Concurrently with the conveyance of the Developer Lease to Holder, the Pledge Agreement

and restated promissory note ("Restated Note"), the principal sum of which shall be the amount of the Principal Balance. The terms and conditions of such Restated Note shall be as provided in this Note, except that Sections 4(b), 5(a), and 7 of this Note shall be deleted from the terms and conditions of such Restated Note.

8. Default. Upon the default by Maker under this Note or under the Pledge Agreement, the Assignment of Rents or any other instrument securing the indebtedness evidenced hereby, including, without limitation, a failure to make payment of principal and interest within twenty (20) days after receipt of Annual Participation Rent, then and in any such event, Holder may, at its option, declare this Note and the entire indebtedness hereunder to be immediately due and payable and collectible then or thereafter as Holder may elect, and notice of exercise of said option is hereby expressly waived by Maker.

9. Budget. Maker shall include in its annual budget provisions for payment of principal and interest required to be paid hereunder.

10. Payments. If requested by Holder, all payments made hereunder shall be made by bank wire transfer of federal funds to such places, to such accounts, and in such manner as may be designated in writing from time to time by Holder. All principal and interest due hereunder is payable in lawful money of the United States of America.

11. Deemed Payable. All payments which are due on a Saturday, Sunday or holiday shall be deemed payable on the next business day.

12. Prepayment. Maker may prepay the Principal Balance, together with accrued interest, or any portion thereof, without penalty, at any time and without prior written notice of such prepayment to Payee or Holder.

13. Joint and Several Obligation. If this Note is now, or hereinafter shall be, signed by more than one party or person, it shall be the joint and several obligation of such parties or persons (including, without limitation, all makers, endorsers, guarantors and sureties), and shall be binding upon such parties and upon their respective successors and assigns.

14. Successors and Assigns of Holder. All covenants, provisions and agreements by or on behalf of Maker and on behalf of any makers, endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of the successors and assigns of the Holder.

endorsers, guarantors and sureties), and shall be binding upon such parties and upon their respective successors and assigns.

14. Successors and Assigns of Holder. All covenants, provisions and agreements by or on behalf of Maker and on behalf of any makers, endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of the successors and assigns of the Holder.

15. Amendments. This Note may not be changed, modified, amended or terminated except by a writing executed by the party against whom enforcement of such change or termination is sought.

16. Authority. Maker (and the undersigned representative of Maker, if any) represents that Maker has full power, authority and legal right to execute and deliver this Note and that the debt hereunder constitutes a valid and binding obligation of Maker to the extent provided under this Note.

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

18. Use of Terms. In all matters of interpretation, whenever necessary to give effect to any provision of this Note, the singular shall include the plural, the plural shall include the singular, each gender shall include the other, and the terms "Payee" and "Maker" shall include their respective heirs, successors and assigns.

19. Collection. Should any action or suit be commenced to collect this Note or any portion hereof, such sum as the court may deem reasonable shall be added to the Principal Balance as attorneys' fees.

20. Waiver of Presentment. Maker hereby waives presentment for payment, demand, protest, notice of any kind with respect to this Note, including notice of protest, dishonor and nonpayment, and any lack of diligence or delay in collection or enforcement hereof.

21. Severability. If any provision or any word, term, clause or other part of any provision of this Note shall be invalid for any reason, the same shall be ineffective, but the remainder of this Note and the provisions hereof shall not be affected and shall remain in full force and effect.

22. Transfer by Holder. Holder may assign or transfer this Note at any time and deliver to the assignee or transferee hereof all or any part of the security hereunder, and

the assignee or transferee hereof shall thereupon become vested with all the powers and rights herein given to Holder.

23. Indebtedness of Maker. The Principal Balance and any interest accrued on this Note shall constitute the indebtedness of Maker pursuant to California Health & Safety Code Sections 33670(b) and 33675.

IN WITNESS WHEREOF, Maker has duly executed this Note on the day and year first above written.

REDEVELOPMENT AGENCY OF THE
CITY OF SANTA BARBARA

By _____

By _____

THIS PLEDGE AGREEMENT is entered into by and between THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA (hereinafter "the Agency") and SANTA BARBARA ASSOCIATES, a California general partnership, (hereinafter "Santa Barbara Associates" or "Holder"). Agency and Santa Barbara Associates agree as follows:

ARTICLE I

Section 1.01 Definitions.

Unless the context otherwise requires, the capitalized terms defined in this Section shall for all purposes of this Pledge Agreement and the Note have the meaning herein specified or as specified in the Note or the Agreement.

Agency.

The term "Agency" means the Redevelopment Agency of the City of Santa Barbara, a public body corporate and politic duly organized and existing under and pursuant to the law.

Agreement.

The term "Agreement" means the Disposition and Development Agreement by and between the Agency and Santa Barbara Associates effective as of November 23, 1987.

Holder.

The term "Holder" means Santa Barbara Associates, its successors and assigns, including, without limitation, any subsequent assignee or holder of the Note.

Independent Redevelopment Consultant.

The term "Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well-qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency and satisfactory to and approved by Holder (who shall be under no liability by reason of such approval), and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency.

Law.

The term "Law" means the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California, as amended) and all laws amendatory thereof or supplemental thereto.

Note.

That certain Promissory Note of even date herewith executed by the Redevelopment Agency of the City of Santa Barbara as Maker wherein the Agency promises to pay Santa Barbara Associates or order the principal sum of Two Million Dollars together with interest on the principal balance as therein provided.

Project.

The term "Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area.

Project Area.

The term "Project Area" means the project area described in the Redevelopment Plan.

The Redevelopment Plan.

The term "Redevelopment Plan" means the redevelopment plan for the Central City Redevelopment Project Area of the Agency in Santa Barbara, California, adopted and approved as the Redevelopment Plan for the Project by Ordinance No. 3566, adopted by the City Council of the City of Santa Barbara, California, on November 14, 1972, as amended by Ordinance No. 3923, adopted by the City Council of the City of Santa Barbara, California, on August 30, 1977, and as amended by Ordinance No. 4438, adopted by the City Council of the City of Santa Barbara, California, on December 16, 1986, together with all further amendments thereto hereafter made in accordance with the Law, the Resolution, and this Pledge Agreement.

Senior Bonds.

The term "Senior Bonds" means the Agency's outstanding Central City Redevelopment Project Tax Allocation Bonds, Series A, in the original principal amount of \$7,000,000, the Agency's outstanding Central City Redevelopment Project Tax Allocation Bonds, Series B, in the original principal amount of \$19,830,000, the Agency's outstanding Central City Redevelopment Project Tax Allocation Bonds of 1987 known as "Subordinated Tax Allocation Bonds" in the original principal amount of \$13,085,000.

Senior Bond Resolutions.

The term "Senior Bond Resolutions" means the Agency's Resolution No. 679 as amended and supplemented by the First Supplemental Resolution No. 689 adopted on June 26, 1984, the Second Supplemental Resolution No. 692 adopted on July 10, 1984, the Third Supplemental Resolution No. 699 adopted on August 21, 1984, the Fourth Supplemental Resolution No. 721 adopted on November 19, 1985 and the Fifth Supplemental Resolution No. 724 adopted on November 26, 1985 and Agency Resolution 750 adopted on September 29, 1987 authorizing the issuance of \$13,085,000 of 1987 Subordinated Tax Allocation Bonds, pursuant to which the Senior Bonds were issued.

Subordinated Tax Revenues.

The term "Subordinated Tax Revenues" means, for each Fiscal Year (July 1 to June 30) beginning with the Fiscal Year as of the date of the execution of the Note, the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law (exclusive of amounts not exceeding 20% of certain of such taxes which may be required by the Law to be set aside for certain housing purposes for Fiscal Years commencing with July 1, 1996), as provided in the Redevelopment Plan, after allocation of a portion of such taxes to the fiscal agent(s) for the Senior Bonds to make all payments required by the Senior Bond Resolutions with respect to the Senior Bonds, up to an amount that is equal to one hundred twenty-five percent (125%) of the annual debt service for the Senior Bonds for the next ensuing one-year period from July 2, to July 1 beginning after the start of such Fiscal Year.

Tax Allocations.

The term "Tax Allocations" means, for each Fiscal Year, (July 1 to June 30) the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law (exclusive of amounts not exceeding 20% of certain of such taxes which may be required by the Law to be set aside for certain housing purposes for Fiscal Years commencing with July 1, 1996), as provided in the Redevelopment Plan.

ARTICLE II SUBORDINATED TAX REVENUES

SECTION 2.01. Pledge of Subordinated Tax Revenues. Agency hereby irrevocably pledges to Santa Barbara Associates all Subordinated Tax Revenues as security for payment of all amounts payable by Agency under the Note. This pledge shall constitute

a first and exclusive lien on the Subordinated Tax Revenues. Agency represents and warrants to Santa Barbara Associates that the Subordinated Tax Revenues shall not be used for any other purpose other than payment of all amounts becoming due and payable under the Note so long as any amount remains outstanding under the Note.

SECTION 2.02. Receipt and Deposit of Subordinated Tax Revenues. All Subordinated Tax Revenues shall be set aside by the Agency and held in trust for the benefit of the Holder pursuant to the terms of this Pledge Agreement. If any monies, including the return of deposits, consideration or damages in connection with the Agency's negotiation, acquisition or condemnation of the Acquisition Parcels, or any proceeds from the sale, lease or other disposition or refinancing of the Acquisition Parcels (collectively "Proceeds") received by Agency pursuant to Section 4(c) of the Note are not paid to the Holder of the Note within twenty (20) days after the receipt thereof, or if any installment of principal and interest is not paid within twenty (20) days after such installment becomes due pursuant to Section 4(a), (b) and (c) of the Note, then Agency shall immediately pay to Holder Subordinated Tax Revenues in an amount equal to the amount of the Proceeds (not to exceed the outstanding principal and interest on the Note) or installment payment. To the extent the amount of Subordinated Tax Revenue is not sufficient to pay the entire amount of the Proceeds or installment payment, Agency shall, immediately upon receipt, pay to Holder all additional Subordinated Tax Revenues received by Agency until either (i) the Proceeds or installment payment, or (ii) the entire outstanding principal balance and all interest accrued under the Note are paid in full.

SECTION 2.03. Cancellation of Pledge. Concurrently with the conveyance of the Developer Lease to Developer, this Pledge Agreement shall be null and void, the Pledge Agreement endorsed by Santa Barbara Associates or Holder as cancelled and released, and returned to Agency by Santa Barbara Associates or Holder. The Agency acknowledges that the Promissory Note contains a provision whereby Agency, prior to the Close of Escrow under the Agreement, shall be liable in accordance with the Pledge Agreement for Note Indebtedness irrespective of its pledge of Subordinated Tax Revenues hereunder and that Santa Barbara Associates or Holder shall be entitled, at its option, to proceed to collect Note Indebtedness against any other assets of Agency, subject to Section 201.2C of the Agreement, and Santa Barbara Associates or Holder shall not be limited to the Subordinated Tax Revenues for such repayment.

ARTICLE III COVENANTS OF THE AGENCY

The Agency covenants and agrees with the Holder of the Note as follows:

SECTION 3.01. **Punctual Payment - Note.** The Agency will punctually pay when due the interest on and principal of the Note, in strict conformity with the terms of the Note and of this Pledge Agreement and will faithfully satisfy, observe and perform all conditions, covenants and requirements of the Note and of this Pledge Agreement.

SECTION 3.02. **Punctual Payment - Senior Bonds.** The Agency will punctually pay the interest on and principal due with respect to the Senior Bonds, in strict conformity with the terms of the Senior Bonds and of the Senior Bond Resolutions and will faithfully satisfy, observe and perform all conditions, covenants and requirements of the Senior Bonds.

SECTION 3.03. **Against Encumbrances.** The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinated Tax Revenues, except as provided in this Pledge Agreement. The Agency represents and warrants that the Subordinated Tax Revenues have not previously been pledged in payment to any other person or entity.

SECTION 3.04. **Management and Operation of Properties.** The Agency will manage and operate all properties owned by the Agency and comprising any part of the Project Area in a sound and businesslike manner and in conformity with all valid requirements of any governmental authority having jurisdiction over the Project or any part thereof, and will keep such properties insured at all times in conformity with sound business practice.

SECTION 3.05. **Payment of Taxes and Other Charges.** The Agency will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area or upon the revenues therefrom, when the same shall be come due; provided, that nothing herein contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

SECTION 3.06. **Amendment or Disposition.** If the Agency proposes to amend the Redevelopment Plan affecting in any manner the allocation of taxes to the Agency under the Law, or if the Agency proposes to authorize the disposition of any real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect as of the date of this Pledge Agreement, or property to be used for public streets or public off-street parking facilities or easements or rights or way for public utilities, or similar uses) if such dispositions, together with all similar prior dispositions on or subsequent to the date of this Pledge Agreement shall comprise more than ten percent (10%) of the land area in the Project Area, the Agency shall

appoint an Independent Redevelopment Consultant and direct such consultant to submit a report on the effect of such proposed amendment or disposition and shall apply to the Holder for approval of such proposed amendment or disposition. If the Independent Redevelopment Consultant's report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law will not be materially reduced by such proposed amendment or disposition, the Holder shall approve such proposed amendment or disposition. If the Independent Redevelopment Consultant's report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law may be materially reduced by such proposed amendment or disposition, the Holder may disapprove such proposed amendment or disposition and the proposed amendment or disposition shall not be adopted or authorized by the Agency.

SECTION 3.07. Subordinated Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Subordinated Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Santa Barbara County. The Agency covenants to defend the priority of the Holder's lien on the Subordinated Tax Revenues if any person or entity other than a Senior Bondholder should claim priority over the Holder with respect to the Subordinated Tax Revenues.

SECTION 3.08. Housing Set-Aside Findings. The Agency hereby covenants and agrees, for so long as the Note is outstanding, to make the findings provided for in subdivisions (d) and (e) of Section 33334.6 of the Law, at such time or times as are necessary in order to allow the deposit in each Fiscal Year of less than the amount otherwise required by Section 33334.6 to be set aside in the low and moderate income housing fund, to the extent such reduced deposit is necessary in order for the Agency to make payments under existing obligations (as that term is defined in said Section of the Law) incurred prior to January 1, 1986, of amounts due or required to be committed, set aside, or reserved during that Fiscal Year, or to provide for the orderly and timely completion of existing public and private projects, programs, or activities approved by the Agency prior to January 1, 1986; provided, that the Agency shall have no obligation to make such findings if the same are not then authorized or permitted by the Law.

SECTION 3.09. Books and Accounts. The Agency will keep proper books of records and accounts, separate from all other records and accounts of the Agency, in which the amount of Subordinated Tax Revenues available to Agency from time to time will be shown. Such books of records and accounts shall at all times during business hours be subject to inspection by Holder or its authorized representatives.

ARTICLE IV

SECTION 4.01. **Article and Section Headings and References.** The headings or titles of the several articles and sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Pledge Agreement.

All references herein to "Articles," "Sections" and other subdivisions are to the corresponding articles, sections or subdivisions of the Pledge Agreement and the words "herein," "hereof," "hereunder" and other words of similar import refer to the Pledge Agreement as a whole and not to any particular article, section or subdivision hereof.

SECTION 4.02. **Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof provided in this Pledge Agreement to be performed on the part of the Agency should be contrary to law, then such agreement or agreements, such covenant or covenants, or such portions thereof, shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity of this Pledge Agreement or the Note but the Holder shall retain all the rights and benefits accorded to them under the Law or any other applicable provisions of law. The Agency hereby declares that it would have approved this Pledge Agreement and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution of the Note pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Pledge Agreement or the application thereof to any person or circumstance may be held to be unconstitutional unenforceable or invalid.

SECTION 4.03. **Repeal of Inconsistent Resolutions.** Any resolution of the Agency, and any part of any resolution, inconsistent with this Pledge Agreement is hereby repealed to the extent of such inconsistency.

SECTION 4.04. **General Authorization to Agency Chairman and Other Agency Officers.** The Chairman of the Agency and all other officers of the Agency are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Note and otherwise to effectuate the purposes of this Pledge Agreement and any such actions previously taken by the Chairman and such other officers are hereby ratified, confirmed and approved in all respects.

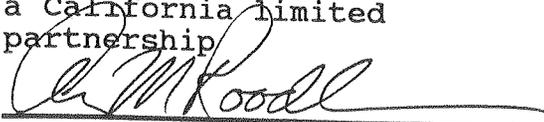
SECTION 4.05. **Effective Date of the Pledge Agreement** This Agreement shall take effect from and after the adoption of a

Resolution authorizing this Pledge Agreement and approval and upon the delivery of the executed Note to Santa Barbara Associates.

THIS PLEDGE AGREEMENT has been executed by the Agency and Santa Barbara Associates as of the 16th day of September 1988 and shall become effective as provided herein.

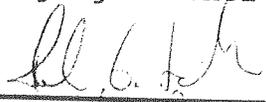
SANTA BARBARA ASSOCIATES,
a California general partnership

By: PASEO NUEVO ASSOCIATES,
a California limited
partnership

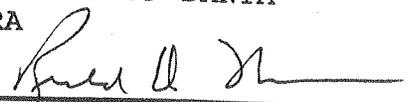
By: 
General Partner

By: JMB/PASEO NUEVO ASSOCIATES
an Illinois general
partnership

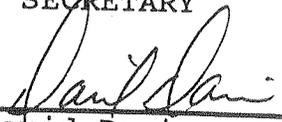
By: JMB/PN, INC., an
Illinois corporation,
its Managing Partner

By: 
Its Vice President

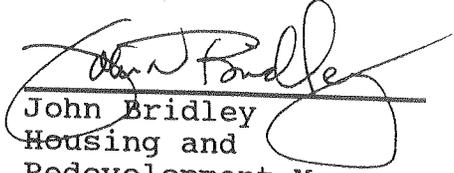
THE REDEVELOPMENT AGENCY
OF THE CITY OF SANTA
BARBARA

By: 
Richard D. Thomas
Executive Director

ATTEST:
AGENCY SECRETARY

By: 
David Davis
Assistant Agency
Secretary

APPROVED AS TO CONTENT:

By: 
John Bridley
Housing and
Redevelopment Manager

APPROVED AS TO FORM:

By: 
Steven A. Amerikaner
Agency Counsel