

EXHIBIT B

PROMISSORY NOTE

\$605,000

Napa, California

12 / 9, 1992

FOR VALUE RECEIVED, the undersigned, Mayacamas Village Associates, a California Limited Partnership ("Maker"), hereby promises to pay to the order of Housing Authority of the City of Napa, a public body, corporate and politic ("Holder"), the principal sum of Six Hundred Five Thousand Dollars (\$605,000), or as much thereof as is disbursed to Maker, payable as follows:

1. Interest. The principal due under this Note shall bear interest at the rate of seven and thirty-four hundredths percent (7.34%) compounded annually.

2. Term. The term of this Note shall be thirty (30) years (the "Term").

3. Repayment.

(a) Maker shall pay Holder One Hundred Thirty Thousand Dollars (\$130,000) after fifteen (15) days upon receipt of the final payment of syndication proceeds.

(b) The balance owed under this Note shall be amortized in equal annual payments over the remaining term of the Note, and shall be payable in arrears to the extent of available Surplus Cash. Payments shall be due, beginning in 1995, on or before April 1 from Net Cash Flow (as defined in the Regulatory Agreement between Maker and the California Department of Housing and Community Development (the "Regulatory Agreement"), plus any funds available for Distributions to Maker (pursuant to the Regulatory Agreement) in excess of a partnership management fee of \$10,000 annually. Such determination shall be made based on the annual audited financial statement of Maker provided to Holder at least ten (10) days prior to the payment date.

(c) Payments made shall be applied first against interest due and then against principal.

(d) The principal and interest due hereunder shall be due and payable in full upon expiration of the Term or the earlier termination pursuant to this Note or the Disposition and Development Agreement between the parties with respect to this Note.

4. Secured Obligation. This Note is secured by a deed of trust of even date herewith (the "Deed of Trust") on certain property acquired by Maker (the "Land"). The Deed of Trust and a regulatory agreement (the "Authority Regulatory Agreement") shall be subordinate to the liens of the deeds of trust securing the construction and permanent financing for the improvements on the Land, and to the deeds of trust securing any refinancing of the permanent financing if such refinancing does not exceed the amount of financing existing at such time or is used to finance Holder approved rehabilitation of the improvements.

5. Terms of Payment.

(a) The payments due 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) The payments on this Note shall be made or given to Holder's account at 1115 Seminary Street, Napa, California, or to such other place as the Holder of this Note may from time to time designate.

(c) The payments due under this Note may be paid in prior to maturity in whole or in part without penalty.

6. Default.

(a) Any of the following shall constitute an event of default under this Note:

(i) Any failure to pay in full any payment required under this Note when due; or

(ii) Any failure in the performance by the Maker of any term, condition, provision or covenant set forth in this Note or under the Disposition and Development Agreement ("DDA") or the Authority Regulatory Agreement between the parties with respect to this Note.

(iii) Any default by Maker under any loan documents secured by the Land, after the expiration of applicable cure periods.

(b) Upon the occurrence of such an event of default, Holder shall provide to Maker written notice of said occurrence, consistent with Section 9(a). With respect to paragraphs (a)(i) and (ii), Maker shall have fifteen (15) days or such additional time as may be reasonably required, to cure. If, after the time

provided in this subparagraph (b), Maker has not cured the default, the entire unpaid principal balance, together with all other sums then payable under this Note shall at the option of the Holder become immediately due and payable upon written notice by Holder to Maker without further demand.

(c) If an event of default shall occur and be continuing, Holder may pursue all rights and remedies available under this Note, the Loan Agreement or as may otherwise be available to Holder.

7. Recourse. This Note shall be recourse to the Maker.

8. Right to Cure. In the event of a default by Maker under any loan document secured by a deed of trust senior to the Deed of Trust, the Holder shall be entitled to cure the default, in which event Holder shall be entitled to disbursement from the Holder of all costs and expenses Maker in curing the default. Holder shall be entitled to a lien upon the Land to the extent of such costs and disbursement, which lien shall be subordinate to all liens on the Land as of such time.

9. Waivers.

(a) Maker expressly agrees that this Note or any payment hereunder may be extended from time to time, 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.

10. Miscellaneous Provisions.

(a) All notices to Holder or Maker shall be given by United States mail, postage paid, return receipt requested or by express messenger service, return receipt requested at the following addresses:

To Holder: Housing Authority of the City of Napa
 1115 Seminary Street
 Napa, CA 94559-0660

To Maker: Mayacamas Village Associates
 2125 19th Street, Suite 101
 Sacramento, CA 95818

(b) In the event of litigation arising from the enforcement of or a defect under this Note, the non-prevailing party promises to pay all reasonable costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in such litigation.

(c) This Note may not be changed orally, but 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.

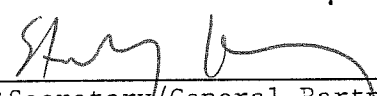
(e) The time for the performance of any obligation hereunder shall be strictly construed, time being of the essence.

Mayacamas Village Associates, a
California Limited Partnership

ATTEST:

By: Rural California Housing, a
California nonprofit public
benefit corporation, its
general partner

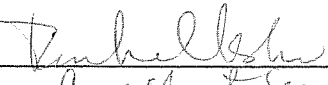
Pamyla Means, City Clerk

By: 
Its: Secretary/General Partner

Jed Christensen, Finance Dir.

APPROVED AS TO FORM:


John L. Cook, City Attorney

By: 
Its: Assistant Secretary