

PROMISSORY NOTE
CDBG Loan
(Future Colours Corp.)

\$452,550

Martinez, California
December 8, 2010

FOR VALUE RECEIVED, the undersigned FUTURE COLOURS CORP., a California nonprofit public benefit corporation ("Borrower") hereby promises to pay to the order of the COUNTY OF CONTRA COSTA, a political subdivision of the State of California ("Holder"), the principal amount of Four Hundred Fifty-Two Thousand Five Hundred Fifty Dollars (\$452,550) plus interest thereon pursuant to Section 2 below.

1. Borrower's Obligation. This promissory note ("Note") evidences Borrower's obligation to pay Holder the principal amount of Four Hundred Fifty-Two Thousand Five Hundred Fifty Dollars (\$452,550) loaned to Borrower by Holder to finance the acquisition of the Property pursuant to the CDBG Loan Agreement between Borrower and Holder of even date herewith (the "Loan Agreement"). All capitalized terms not defined in this Note have the meanings set forth in the Loan Agreement.

2. Interest.

This Note does not bear any interest, except that on the occurrence of any of the following events, Borrower shall pay Holder interest in an amount equal to the Appreciated Value:

- (a) A change in the use of the Property that triggers the application of 24 CFR 570.503(b)(7)(ii).
- (b) Any Transfer.
- (c) An Event of a Default.

3. Term and Repayment Requirements. The term of this Note is the same as the Term of the Loan Agreement. This Note is due and payable as set forth in Section 2.7 of the Loan Agreement; however, payment under this Note may be accelerated pursuant to Section 7 below.

4. No Assumption. This Note is not assumable by the successors and assigns of Borrower without the prior written consent of Holder.

5. Security. This Note, with interest, is secured by the Deed of Trust. Upon execution, the Deed of Trust will be recorded in the official records of Contra Costa County, California. Upon recordation of the Deed of Trust, this Note will become nonrecourse to Borrower, pursuant to and except as provided in Section 2.8 of the Loan Agreement.

6. Terms of Payment.

(a) Borrower shall make all payments due under this Note in currency of the United States of America. Borrower shall make all payments to Holder at the following address: Department of Conservation and Development – Redevelopment Division, 2530 Arnold Drive, Suite 190, Martinez, CA 94553, Attention: Deputy Director-Redevelopment, or to such other place as Holder may from time to time designate.

(b) All payments on this Note are without expense to Holder. Borrower shall pay all costs and expenses, including re-conveyance fees and reasonable attorney's fees of Holder, incurred in connection with the payment of this Note and the release of any security hereof.

(c) Notwithstanding any other provision of this Note, or any instrument securing the obligations of Borrower under this Note, if, for any reason whatsoever, the payment of any sums by Borrower pursuant to the terms of this Note would result in the payment of interest that exceeds the amount that Holder may legally charge under the laws of the State of California, then the amount by which payments exceed the lawful interest rate will automatically be deducted from the principal balance owing on this Note, so that in no event is Borrower obligated under the terms of this Note to pay any interest that exceeds the lawful rate.

(d) The obligations of Borrower under this Note are absolute and Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reason whatsoever.

7. Event of Default.

(a) Any Event of Default, pursuant to and as defined in Section 5.1 of the Loan Agreement, is also an event of default under this Promissory Note. Upon the occurrence of such an event of default, the entire unpaid principal balance, together with all interest thereon, and together with all other sums then payable under this Note and the Deed of Trust is, at the option of the Holder, immediately due and payable without further demand.

(b) Holder's failure to exercise the remedy set forth in Subsection 7(a) above or any other remedy provided by law upon the occurrence of an Event of Default does not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other event of default. The acceptance by Holder of any payment that is less than the total of all amounts due and payable at the time of such payment does not constitute a waiver of the right to exercise any of the foregoing remedies or options at that time or at any subsequent time, or nullify any prior exercise of any such remedy or option, without the express consent of Holder, except as and to the extent otherwise provided by law.

8. Waivers.

(a) Borrower hereby waives diligence, presentment, protest and demand, and notice of protest, notice of demand, notice of dishonor and notice of non-payment of this Note. Borrower 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 Borrower.

(b) No extension of time for payment of this Note or any installment hereof made by agreement of Holder with any person now or hereafter liable for payment of this Note will operate to release, discharge, modify, change or affect the original liability of Borrower under this Note, either in whole or in part.

9. Miscellaneous Provisions.

(a) All notices to Holder or Borrower are to be given in the manner and at the addresses set forth in the Loan Agreement, or to such addresses as Holder and Borrower may hereinafter designate.

(b) Borrower shall pay all costs and expenses, including reasonable attorney's fees, incurred by Holder in the enforcement of the provisions of this Note, regardless of whether suit is filed to seek enforcement.

(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 is governed by the laws of the State of California.

(e) The times for the performance of any obligations hereunder are to be strictly construed, time being of the essence.

(f) The Loan Documents, of which this Note is a part, contain the entire agreement between the parties as to the Loan.

BORROWER:

**FUTURE COLOURS CORP., a California nonprofit public
benefit corporation**

By: _____

Name: _____

Its: _____

By: _____

Name: _____

Its: _____