HOME BUYER ASSISTANCE LOAN PROMISSORY NOTE

$_____ Davidson, N.C.
_____ 20__

FOR VALUE RECEIVED, the undersigned (individually and/or collectively "Borrower"), jointly and severally, promise(s) to pay to the TOWN OF DAVIDSON, a municipal corporation ("Lender"), the principal sum of _____and __/100 Dollars ($_____) payable as hereinafter set forth in lawful money of the United States of America at the office of Finance Department , The Town of Davidson , P. 0. Box 579, Davidson, North Carolina 28036, or such other place as the legal holder hereof may designate in writing.

The loan evidenced by this Promissory Note ("Note") is being made pursuant to the Home Investment Partnerships Program and the regulations issued thereunder [title II, the Cranston-Gonzalez National Affordable Housing Act, Public Law No. 101-625, 104 State. 4079 (1990), 24 C.F.R. Part 92 (the "Home Program"), and is being made pursuant to the Home Buyer Assistance Program of the Town of Davidson.

This Note is given for money borrowed and is governed and secured by: 1) a loan agreement ("Loan Agreement") of even date herewith between the Borrower and the Town of Davidson, the terms and conditions of which are incorporated herein by reference, and 2) a deed of trust ("Deed of Trust") constituting a second lien on real property being purchased in part with the loan proceeds thereby secured ("Property"). The loan is subject to, and shall be due and payable in accordance with the terms and provisions of this Note, the Deed of Trust and Loan Agreement,(collectively referred to as "Loan Documents").

1. PAYMENT. The principal sum of _____, with interest thereon from _____, 201_, at the rate of zero percent (0%) per annum, shall be due and payable in full upon the first occurrence of any of the following events:

(a) the death of the Borrower;

(b) any default under this Note, the Loan Agreement, the Deed of Trust, or the First Mortgage Loan (defined below);

(c) the refinancing of any mortgage superior to the lien of the Deed of Trust securing this loan resulting in cash back to the Borrower; or

(d) the sale, transfer, conveyance, devise, gift, rental or other disposition of the Property.

2. FORGIVENESS. Provided that Borrower complies with the terms of this Note, the Deed of Trust, and the Loan Agreement, and that the Property is used for "low-income housing" within the meaning of the Home Program or "affordable housing" as defined by the Lender, and barring the occurrence of any of the foregoing events listed in Section 1 above, this Note shall be forgiven as follows: Principal is repayable at no interest on a declining, sliding scale, of 20% per year for five years, and being more specifically outlined as follows:

In the event the home is sold in the first year (between the dates of_____, 2012, and _____, 2013) $_____;

In the event the home is sold in the second year (between the dates of _____, 2013, and _____, 2014) $_____;

In the event the home is sold in the third year (between the dates of _____, 2014, and _____, 2015) $_____;

In the event the home is sold in the fourth year (between the dates of_____, 2015, and _____, 2016) $_____;

In the event the home is sold in the fifth year (between the dates of _____, 2016, and _____, 2017) $_____.

In the event Borrower does not sell the property prior to _____, 2017, this loan shall be deemed null and void.

3. SUBORDINATION. The indebtedness evidenced by this Note, and any other financial obligation which may hereafter be imposed on Borrower by the Lender, is subordinate to the indebtedness evidenced by a note payable to a senior lien holder (Senior Lien Holder), which note is secured by a first deed of trust on the Property (the "First Deed of Trust").

4. PREPAYMENT. Unless otherwise provided, this Note may be prepaid in full or in part at any time without penalty or premium. Partial prepayments shall be applied to installments due in reverse order of their maturity.

5. ACCELERATION; REMEDIES. Lender shall give notice to Borrower and the Senior Lien Holder prior to acceleration following Borrower's breach of any covenant or agreement in the Loan Documents. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than thirty (30) days from the date the notice is given to Borrower (and with respect to the Senior Lien Holder, sixty (60) days from the date the notice is given to the Senior Lien Holder), by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may

result in acceleration of the sums secured by this Note and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by the Borrower on or before the date specified in the notice, and the Senior Lien Holder has not exercised its right to cure the default, then Lender at its option may require immediate payment in full of all sums secured by the Deed of Trust without further demand and may invoke the power of sale and any other remedies permitted by applicable law.

6. WAIVERS. All parties to this Note, including Maker(s) and any surety(ies), endorser(s), or guarantor(s), hereby waive protest, presentment and notice of dishonor, and agree to continue to remain bound for the payment of principal, interest, and all other sums due under this Note, notwithstanding any change(s) by way of release, surrender, exchange, modification, or substitution of any security for this Note or by way of any extension(s) of time for the payment of principal and interest; and all such parties waive all and every kind of notice of such change(s) and agree that the same may be made without notice or consent of any of them.

Upon default, the holder of this Note may employ an attorney to enforce the holder's rights and remedies, and the Borrower, principal(s), surety(ies), guarantor(s), and endorser(s) of this Note hereby agree to pay to the holder reasonable attorney's fees not exceeding a sum equal to fifteen (15%) percent of the outstanding balance owing on said Note plus all other reasonable expenses incurred by the holder in exercising any of the holder's rights and remedies upon default. The rights and remedies of the holder, as provided in this Note and any instrument securing this Note, shall be cumulative and may be pursued singly, successively, or together against the property described in the Deed of Trust securing this Note or any other funds, property or security held by the holder for payment or security, in the sole discretion of the holder. The failure to exercise any such right or remedy shall not be a waiver or release of such rights or remedies or the right to exercise any of them at another time.

This Note is to be governed and construed in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, each individual Borrower hereof has hereunto set his hand and adopted as his seal the word "SEAL" appearing beside his name or, if corporate, the Borrower has caused this instrument to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, the day and year first above written.

_____(SEAL)
_____, Borrower