

CITY OF REDONDO BEACH
DEFERRED PAYMENT LOAN PROGRAM
PROMISSORY NOTE SECURED BY DEED OF TRUST

\$50,000.00

Borrower Walter O. Schonborg

Borrower Palmetta L. Schonborg

Loan No. DL 2005-24

Date February 15, 2006

FOR VALUE RECEIVED, the undersigned Borrower(s) promise(s) to pay to the order of the City of Redondo Beach, a public agency, with its principal office at 415 Diamond Street, Redondo Beach, California 90277, the principal sum of FIFTY THOUSAND DOLLARS (\$50,000.00), together with interest. Interest on the principal amount shall accrue at a simple interest rate of four percent (4%) per year for ten years on the unpaid principal computed from the date the Deed of Trust is recorded.

This Note is payable, at the option of the holder, upon the sale or transfer of all or part of the property, which is secured by the Deed of Trust, whether voluntary, involuntary or by operation of law, or upon the death of the surviving signator of this Note. The Borrower(s) shall pay in full the total principal amount loaned to the Borrower(s), plus interest, as evidenced by this Note and the Deed of Trust.

This Note is given in consideration for a special Deferred Payment Loan by the City of Redondo Beach, the proceeds of which are from the City of Redondo Beach Redevelopment Agency's Low and Moderate Income Housing Fund. This loan is made for the purpose of assisting in the rehabilitation of the Borrower's real property described in the Deed of Trust of this same date securing this Note. The City of Redondo Beach will not demand payment until the property subject to the Deed of Trust is transferred or sold, whether voluntarily, involuntarily or by operation of law. The Borrower(s) shall not encumber the property with any lien that is recorded in a position senior to the loan evidenced by this Note. Borrower(s) may repay the entire amount of the loan plus accrued interest at any time without penalty.

Payment shall be made in lawful money of the United States. Should default be made in payment when due and action is instituted on this Note, the undersigned promise(s) to pay all reasonable costs and expenses, including, but not limited to, reasonable attorney's fees.

This Note is secured by the Deed of Trust executed this date and covering the real property therein described.

Executed at Redondo Beach, California.

Signed Walter O. Schonborg

Walter O. Schonborg

Dated February 15, 2006

Signed Palmetta L. Schonborg

Palmetta L. Schonborg

Dated February 15, 2006

WHEN RECORDED MAIL TO:

City of Redondo Beach
Dept. of Recreation and Community Services
320 Knob Hill, Room 1
P.O. Box 270
Redondo Beach, CA 90277

THIS DOCUMENT IS RECORDED ON BEHALF OF THE CITY OF REDONDO BEACH
AND IS EXEMPT FROM RECORDING FEES PURSUANT TO GOVERNMENT CODE
SECTION 6103.

NOTICE OF COMPLETION

Notice is hereby given that:

1. The undersigned is owner of the interest or estate stated below in the property hereinafter described.
2. The full name of the owner(s) is Walter O. Schonborg and Palmetta L. Schonborg
3. The full address of the owner(s) is 525 S. Gertruda Avenue
Redondo Beach, CA 90277
4. The nature of the interest or estate of the owner(s) is In Fee Simple
5. The full names and full addresses of all persons, if any, who hold title with the undersigned as joint tenants or as tenants in common are:

NAME	ADDRESS
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6. Work or improvement on the property hereinafter described was completed on APRIL 20, 2006
 Work completed was ROOFING & CEILING, RESTROOMS, SANDCAST & PORCH
PLUMBING AND HEATING, BATH, FENCE AND MISCELLANEOUS.

7. The name of the contractor for said work or improvement was The Magic Touch Construction Corp.

8. The property on which said work or improvement was completed is in the City of Redondo Beach, County of Los Angeles, State of California, and is described as follows: LOTS 19 AND 20 IN BLOCK 132, IN THE TOWNSITE OF REDONDO BEACH, IN THE CITY OF REDONDO BEACH, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 39, PAGE 1 ET SEQ OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

9. The street address of said property is 525 S. Gertruda Avenue, Redondo Beach, CA 90277

Dated: APRIL 25, 2006 Signature of
 Owner(s) named
 in paragraph 2 Walter O. Schonborg Palmetta L. Schonborg
 Walter O. Schonborg Palmetta L. Schonborg

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

The undersigned, being duly sworn, says: That she is the owner of the aforesaid interest or estate in the property described in the foregoing notice; that she has read the same, and knows the contents thereof, and that the facts stated therein are true.

Dated: APRIL 25, 2006 Signature of
 Owner(s) named
 in paragraph 2 Walter O. Schonborg Palmetta L. Schonborg
 Walter O. Schonborg Palmetta L. Schonborg

SUBSCRIBED AND SWORN TO (or affirmed) before me on this ___ day of _____, 2006, by _____

personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared to me.

WITNESS my hand and official seal

Signature _____
Notary Public in and for said State

ITEMIZATION OF LOAN AMOUNT FINANCED

Total Rehabilitation Loan Funds

Construction Contract with Magic Touch Construction	<u>\$37,000.00</u>
Estimated Contingency Available for Additional Rehab Activities	<u>\$12,500.00</u>

Amount Paid to Others on Your Behalf

Estimated Amount to be Paid to Chicago Title Company (Title Report Fee/Recording Fees)	<u>\$ 500.00</u>
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LOAN AMOUNT FINANCED (TOTAL)	<u>\$50,000.00</u>
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I (WE) HAVE RECEIVED A COPY OF THIS STATEMENT.

Walter O. Schonborg
(Borrower)

February 15, 2006
Date

Walter O. Schonborg
525 S. Gertruda Avenue
Redondo Beach, CA 90277

Palmetta L. Schonborg
(Borrower)

February 15, 2006
Date

Palmetta L. Schonborg
525 S. Gertruda Avenue
Redondo Beach, CA 90277

DISCLOSURE STATEMENT - TRUTH IN LENDING

1. ANNUAL PERCENTAGE RATE (interest) 4%
2. LOAN AMOUNT FINANCED (principal) \$50,000.00
The loan will be secured by a lien recorded against your property. The lien will be in the form of a Deed of Trust and will remain until such time as all sums due are paid in full.
3. TOTAL NUMBER OF PAYMENTS ONE
Your payments of principal and interest are deferred for the term of the loan. See Loan Term below.
4. INTEREST (4% per year - simple interest)
Interest on the principal amount shall accrue at a fixed simple interest rate of 4% (four percent) per year for ten years on the unpaid principal computed from the date the Deed of Trust is recorded.
5. FINANCE CHARGE (the dollar amount the credit will cost)
Borrower(s) to pay appropriate interest, plus principal, depending on the year in which the loan becomes due and payable.

	<u>Interest Charges</u>
If the loan is REPAYED during the: 1 st year	<u>\$ 2,000.00</u>
2 nd year	<u>\$ 4,000.00</u>
3 rd year	<u>\$ 6,000.00</u>
4 th year	<u>\$ 8,000.00</u>
5 th year	<u>\$10,000.00</u>
6 th year	<u>\$12,000.00</u>
7 th year	<u>\$14,000.00</u>
8 th year	<u>\$16,000.00</u>
9 th year	<u>\$18,000.00</u>
10 th year	<u>\$20,000.00</u>
6. If the loan is repaid at any time after the tenth year, the maximum amount of interest shall be no more than: \$20,000.00
7. LOAN TERM
The principal balance and all accrued interest must be repaid to the City upon the sale or transfer of all or part of the property, whether voluntary, involuntary or by operation of law, or upon the death of the surviving signator of the Promissory Note. The Borrower(s) shall not encumber the property with any lien that is recorded in a position senior to this loan.
8. NO PREPAYMENT PENALTY
Borrower(s) may prepay the entire principal borrowed and accrued interest without penalty at any time during the term of the loan.

REGULATION 'Z' DISCLOSURE STATEMENT (Page 2)

SECURITY: Regardless of any other agreement now existing between you and me or between you and anyone else, as security for my obligations under this loan, and any obligations of mine not subject to the Federal Truth in Lending Act, the property described below will secure my loan and performance of my obligations under the Deed of Trust on the property, but will not secure any other or future indebtedness I may have with you.

I(We) am(are) giving you a security interest in my(our) house located at:
525 S. Gertruda Avenue

Redondo Beach, CA 90277

JOINT AND SEVERAL LIABILITY: If more than one person signs this loan agreement, all signators will be jointly and severally liable. You can waive or delay enforcing your rights as to one of us without affecting your ability to enforce your rights as to the rest of us. Also, you can release one of us from his or her obligations without releasing any others. If I am married, I expressly agree that my separate property shall be liable for all payments due under this loan agreement.

California Law Applicable: This agreement has been made in, and shall be governed by, the laws of the State of California.

SIGNATURE: I(We) understand that this form and the accompanying Deed of Trust, Rider, and Promissory Note make up the agreement for my(our) loan. I(We) have read and received a completed copy of the agreement before signing it. By signing below, I(we) realize that I(we) am(are) agreeing to all terms and conditions of the agreement.

Borrower's Name: Walter O. Schonborg

Signature: Walter O. Schonborg

Borrower's Name: Palmetta L. Schonborg

Signature: Palmetta L. Schonborg

Date Signed: February 15, 2006

HOMEOWNER'S AGREEMENT

Loan Amount: \$50,000.00 Interest Rate: 4% (four percent)

Homeowner(s): Walter O. Schonborg and Palmetta L. Schonborg

Property Address: 525 S. Gertruda Avenue
Redondo Beach, CA 90277

The undersigned owner(s) of the above property do(es) hereby authorize the City of Redondo Beach to cause to be recorded as a lien against the above property a Trust Deed securing a four percent (4%) interest bearing Promissory Note in the amount of \$50,000.00, in favor of the City of Redondo Beach.

The Promissory Note shall be due and payable upon the sale or transfer of all or part of the property, which is secured by the Deed of Trust, whether voluntary, involuntary or by operation of law, or upon the death of the last surviving signator of the Promissory Note who was, at the time of signing, an eligible applicant for the Deferred Payment Loan Program. The Owner(s) shall pay in full the total principal amount loaned to the Owner(s), plus interest, as evidenced by the Promissory Note and Deed of Trust.

The undersigned Owner(s) affirm(s) that the herein referred to Promissory Note and Deed of Trust are given in consideration for monies expended from the City of Redondo Beach Redevelopment Agency's Low and Moderate Income Housing Fund for the rehabilitation of the above property.

Signed Walter O. Schonborg
Walter O. Schonborg

Signed Palmetta L. Schonborg
Palmetta L. Schonborg

Dated February 15, 2006

Dated February 15, 2006

NOTICE OF OPPORTUNITY TO RESCIND TRANSACTION

(Notice to Customer Required by Federal Law)

You have entered into a transaction on February 15, 2006 that will result in a lien, mortgage or other security interest on your home. You have a legal right under federal law to cancel this transaction without any penalty or obligation within three business days from the above date or any later date on which all material disclosures required under the Truth in Lending Act have been given to you.

If you cancel the transaction, any lien, mortgage, or other security interest on your home arising from this transaction is automatically void. You are also entitled to receive a refund of any down payment or other consideration if you cancel. Within 20 calendar days after receipt of a notice of rescission, we shall return to you any money or property given as earnest money, down payment, or otherwise, and shall take any action necessary or appropriate to reflect the termination of any security interest created under the transaction.

If we have delivered any property to you, you may retain possession of it until we have done what was mentioned in the above paragraph, but then you must offer to return the property. If return of the property in kind would be impracticable or inequitable, you must offer its reasonable value. Tender shall be made at the location of the property or at your residence. If we do not take possession of the property within 20 calendar days after tender by you, ownership of the property vests with you without obligation on your part to pay for it.

If you decide to cancel this transaction, you may do so by notifying us in writing at:

City of Redondo Beach
 Department of Recreation & Community Services
 320 Knob Hill, Room 1
 Redondo Beach, CA 90277

If you cancel by mail or telegram, you must send the notice no later than midnight of February 22, 2006. You may also use any other form of written notice identifying the transaction if it is delivered to the above address not later than that time. This notice may be used for that purpose by dating and signing below.

I/We hereby cancel this transaction

 Borrower's Signature

 Borrower's Signature

 Date

I/We Acknowledge Receipt Of Two Copies Of This Notice.

Walter O. Schonborg
 Walter O. Schonborg
 Borrower's Signature

Palmetta L. Schonborg
 Palmetta L. Schonborg
 Borrower's Signature

February 15, 2006
 Date

Barbara Ann...-Hanks
 Witness' Signature

February 15, 2006
 Date