

**PROMISSORY NOTE
SECURED BY DEED OF TRUST AND SECURITY AGREEMENT**

Borrowers: Solvang Brewing Company, Inc.
1547 Mission Drive
Solvang, CA 93463

Renfrow Family Properties, LLC
625 Atterdag Road
Solvang, CA 93463

Note Date: _____, 2015

Loan Amount: \$200,000

Loan Number: #59270

FOR VALUE RECEIVED, Solvang Brewing Company, Inc. a California corporation, and Renfrow Family Properties, LLC, a California limited liability company (jointly "**Borrowers**") jointly and severally promise to pay to the City of Lompoc, a California municipal corporation or order ("**City**") the principal sum of **Two Hundred Thousand Dollars (\$200,000)**, with principal and interest ("**Loan**") upon the terms and conditions set forth below. All terms not specifically defined herein shall have the meanings given to such terms in that certain Loan Agreement of even date herewith between Borrowers and City ("**Loan Agreement**").

1. **Disbursement of Loan.** The Loan shall be disbursed pursuant to the Loan Agreement.
2. **Interest, Payments and Maturity Date.** Commencing on the Note Date (defined above) the outstanding principal shall bear interest at four percent (4%) per annum. The Note shall be fully due and payable eight (8) years from the Note Date ("**Maturity Date**"). Commencing on May 1, 2016, and on the first (1st) day of each month thereafter, Borrowers shall make monthly payments of principal amortized over seven (7) years plus interest at the specified rate until the first to occur of the Maturity Date or the Loan is paid in full. Upon Borrowers' request from time-to-time, City shall provide a payment schedule based on the outstanding principal amount. Any payment not paid timely shall be subject to the Late Charge (as defined in Section 6). The Loan shall be disbursed and subject to the terms of the Loan Agreement.
3. **Payment Directions; Late Payment Charges.** All payments shall be paid in lawful money of the United States of America at such places as the City may designate in writing from time-to-time. Unless otherwise agreed to in writing or otherwise required by applicable law, payments will be applied first to accrued, unpaid interest, then to principal, and any remaining amount to any unpaid collection costs, late charges and other charges. All payments shall be made to the City at the City Treasurer's office located at Lompoc City Hall, Post Office Box 8001, Lompoc, California 93438-8001. Payments must be identified as E.D. Loan #59270. Any payment not received by City by 5:00 p.m. by the tenth (10) day of each month will be deemed "late" and the City may, at its sole option, assess the Late Charge (as defined in Section 10).
4. **Security Documents.** This Note is secured by that certain Deed of Trust and Assignment of Rents, Security Agreement and Fixture Filing of even date hereof ("**Deed of Trust**") recorded against the real property located at 222-234 North H Street,

Lompoc, CA 93436 ("**Property**"). This Note is also secured by that certain Security Agreement of even date herewith ("**Security Agreement**") covering equipment that is currently owned by Borrowers and which may be amended from time-to-time as specified in the Loan Agreement. The Deed of Trust and Security Agreement are sometimes collectively referred to as the "**Security Documents**".

5. **Guarantees.** This Note is guaranteed by the Personal Guarantees of even date herewith each executed by Stephen M. Renfrow and Cari Jackson Renfrow, respectively ("**Guarantees**").
6. **Default.** Any default under the Loan Agreement, the Security Documents or the Guarantees shall also constitute a default under this Note. Upon a default under this Note, the whole of principal and interest shall become immediately due at the option of City. Failure to exercise such option shall not constitute a waiver of the right to exercise it in the event of any subsequent default.
7. **Prepayment.** Borrowers may prepay this loan, in whole or in part, at any time without penalty.
8. **Waivers by Borrowers.** Borrowers and all endorsers, guarantors and persons liable or to become liable on this Note waive presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this Note and any and all other notices or matters of a like nature, and consent to any and all renewals and extensions near the time of payment hereof and agree further that at any time and from time-to-time without notice, the terms of payment herein may be modified or the security described in any documents securing this Note released in whole or in part, or increased, changed or exchanged by agreement between City and any owner of the premises affected by said documents securing this Note, without in any way affecting the liability of any party to this Note or any persons liable or to become liable with respect to any indebtedness evidenced hereby.
9. **Default Interest Rate.** During the period commencing with any default hereunder and continuing until such default is cured, City, at its option and if permitted under applicable law, shall do one or both of the following: (1) increase the interest chargeable under this Note to the Default Interest Rate (defined below); and/or (2) add the unpaid principal balance, all accrued and unpaid interest and all other amounts payable under the Note, with the resulting sum to bear interest at the Default Interest Rate. The "**Default Interest Rate**" shall be seven percent (7%). In no event shall the interest rate charged hereunder exceed the maximum rate permitted under applicable law.
10. **Late Charge.** If Borrowers shall fail to make any payment of interest or principal, including the final combined principal and interest installment, within ten (10) days after the date the same is due and payable, a late charge by way of damages shall be immediately due and payable. Borrowers recognizes that default by Borrowers in making the payments herein agreed to be paid when due will result in the City incurring additional expense in servicing the loan, in loss to the City of the use of the money due and in frustration to the City in meeting its other financial and loan commitments. Borrowers agrees that, if for any reason Borrowers fails to pay the amounts due under

this Note when due, the City hereof shall be entitled to damages for the detriment caused thereby, but that it is extremely difficult and impractical to ascertain the extent of such damages. Borrowers therefore agree that a sum equal to five percent (5%) of each payment which becomes delinquent ("**Late Charge**") is a reasonable estimate of said damages to the City of this Note, which sum Borrowers agree to pay on demand. Prior to collecting any late charge hereunder, City shall comply with the provisions of California Civil Code section 2954.5, as such section or any successor section may now or hereafter be in effect.

11. **Acceleration on Transfer or Encumbrance of Property.** The Deed of Trust contains the following provision: "If Trustor sells, contracts to sell, gives an option to purchase, conveys, leases with an option to purchase, encumbers, or alienates the Property, or any interest in it, or suffers its title to, or any interest in, the Property to be divested, whether voluntarily or involuntarily; or if there is a sale or transfer of beneficial interests in Trustor or SBC equal to fifty percent (50%) or more of the beneficial ownership interests of that entity outstanding at the date of this Deed of Trust; or if Trustor changes or permits to be changed the character or use of the Property; or if title to such Property becomes subject to any lien or charge, voluntary or involuntary, contractual or statutory, without Beneficiary's prior written consent, then Beneficiary, at Beneficiary's option, may, without prior notice, declare all sums secured by this Deed of Trust, regardless of their stated due date(s), immediately due and payable and may exercise all rights and remedies in this Deed of Trust."
12. **Governing Law.** This Note is to be governed according to the laws of California.
13. **Attorneys' Fees.** Borrowers further promise to pay all reasonable attorneys' fees incurred by any City hereof in connection with any default hereunder and in any proceeding brought to enforce any of the provisions of this Note.
14. **Severability.** The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable.
15. **Notices.** All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Note shall be in writing and shall be given by personal delivery, certified mail, return receipt requested, or overnight guaranteed delivery service and addressed as follows:

SBC: Solvang Brewing Company, Inc.
1547 Mission Drive
Solvang, CA 93463
Attn: Stephen M. Renfrow, President

Renfrow LLC Renfrow Family Properties, LLC.
625 Atterdag Road
Solvang, CA 93463
Attn: Stephen M. Renfrow, Manager

City: City of Lompoc
100 Civic Center Plaza
Post Office Box 8001
Lompoc, California 93438-8001
Attention: Community Development Program Manager

With copy to: City of Lompoc
100 Civic Center Plaza
Post Office Box 8001
Lompoc, California 93438-8001
Attention: City Attorney

Notices shall be effective upon the earlier of receipt or refusal of delivery. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Note.

16. **Modifications.** Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrowers and City.
17. **No Waiver by City.** No waiver of any breach, default or failure of condition under the terms of this Note shall be implied from any failure of the City to take action, or any delay be implied from any failure by the City in taking action, with respect to such breach, default or failure from any prior waiver of any similar or unrelated breach, default or failure.
18. **Time of Essence.** Time is of the essence in the performance of the obligations and provisions set forth in this Note.

IN WITNESS WHEREOF, the undersigned has executed this Promissory Note Secured by Deed of Trust and Security Agreement at Lompoc, California on the date first written herein above.

BORROWERS:

Solvang Brewing Company, Inc.,
a California corporation

Renfrow Family Properties, LLC,
a California limited liability company

By: _____
Stephen M. Renfrow
President

By: _____
Stephen M. Renfrow
Manager

By: _____

Its: _____