

**PROMISSORY NOTE**

[property description/address]

**DATE:** November 18, 2020

**BORROWER:** Hawthorne Land, LLC, a Texas limited liability company

**BORROWER'S MAILING ADDRESS:**

Hawthorne Land, LLC, a Texas limited liability company  
P.O. Box 667243  
Houston, Texas 77266

**LENDER:** Hawthorne Income Fund, LLC, a Texas limited liability company

**PLACE FOR PAYMENT:**

P.O. Box 667243, Houston, TX 77266 or any other place designated by Lender  
in writing

**PRINCIPAL AMOUNT:**

[written amount (\$)]

**ANNUAL INTEREST RATE:**

[written interest (%)]

**MATURITY DATE:** [date]

**ANNUAL INTEREST RATE ON MATURED, UNPAID AMOUNTS:**

[written interest (%)]

**TERMS OF PAYMENT (PRINCIPAL AND INTEREST):**

The Principal Amount and all Interest accrued is due and payable on the Maturity Date. Interest will begin accruing upon the execution of this note and will continue to accrue at a rate of [%] per annum and shall be payable monthly on or before the 10<sup>th</sup> of every month (with prorations made for any partial month of interest).

Notwithstanding anything to the contrary herein or in the other loan documents, payments may be made to Lender by an affiliate of the Borrower (such as Hawthorne Income Fund, LLC) for administrative or other purposes, but in no event shall Hawthorne Income Fund, LLC or such affiliate be considered the "Borrower" herein or in the other loan documents.

**SECURITY FOR PAYMENT:**

This note is secured by a vendor's lien and superior title retained in a deed from [seller's name] to Borrower dated [date] and by a deed of trust of even date from Hawthorne Income Fund, LLC to [trustee name], trustee, both of which cover the following real property:

See attached Exhibit A.

Commonly known as: [address]

Other Security for Payment: None.

Escrow for Repairs to Property: Not applicable.

**PROMISE TO PAY:**

Borrower promises to pay to the order of Lender the Principal Amount plus interest at the Annual Interest Rate. This note is payable at the Place for Payment and according to the Terms of Payment. All unpaid amounts are due by the Maturity Date. If any amount is not paid either when due under the Terms of Payment or on acceleration of maturity, Borrower promises to pay any unpaid amounts plus interest from the date the payment was due to the date of payment at the Annual Interest Rate on Matured, Unpaid Amounts.

**DEFAULTS AND REMEDIES:**

If Borrower defaults in the payment of this note or in the performance of any obligation in any instrument securing or collateral to this note, Lender may declare the unpaid principal balance, earned interest, and any other amounts owed on the note immediately due. Notwithstanding any other provision of this note, in the event of a default, before exercising any of Lender's remedies under this note or any deed of trust or warranty deed with vendor's lien securing it, Lender will first give Borrower written notice of default and Borrower will have three days after notice is given in which to cure the default. If the default is not cured three days after notice, Borrower and each surety, endorser, and guarantor waive all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, protest, and notice of protest, to the extent permitted by law.

**INDEMNITY AND EXPENSES:**

The Borrower shall pay (i) all out-of-pocket expenses incurred by the Lender, its affiliates (including the fees, charges and disbursements of outside and shall pay all fees in connection with the preparation, negotiation, execution, delivery and administration of this note and the other loan documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Lender in connection with the enforcement or protection of its rights in connection with this note and the other loan documents. These expenses will bear interest from the date of advance at the Annual Interest Rate on Matured, Unpaid Amounts. Borrower will pay Lender these expenses and interest on demand at the Place for Payment.

The Borrower shall indemnify the Lender, and each affiliate and related party of any of the foregoing persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and reasonable out-of-pocket related expenses including any non-sufficient funds fees or other banking fees (including the fees, charges and disbursements of any outside counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or the guarantors arising out of, in connection with, or as a result of (i) the execution or delivery of this agreement, any other loan document or any agreement or instrument contemplated hereby or thereby, the performance or nonperformance by the Borrower or the guarantors of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any loan or the use or proposed use of the proceeds therefrom, (iii) breach of

representations, warranties or covenants of the Borrower or the guarantors under the loan documents, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, including any such items or losses relating to or arising under environmental laws or pertaining to environmental matters, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnitee is a party thereto.

These expenses and interest and indemnification obligations will become part of the debt evidenced by the note and will be secured by any security for payment.

**Application of Prepayment:** Prepayments will be applied to installments on the last maturing principal, and interest on that prepaid principal will immediately cease to accrue.

**USURY SAVINGS:**

Interest on the debt evidenced by this note will not exceed the maximum rate or amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the Principal Amount or, if the Principal Amount has been paid, refunded. On any acceleration or required or permitted prepayment, any excess interest will be canceled automatically as of the acceleration or prepayment or, if the excess interest has already been paid, credited on the Principal Amount or, if the Principal Amount has been paid, refunded. This provision overrides any conflicting provisions in this note and all other instruments concerning the debt.

**Partial Release of Tracts**

To the extent the Borrower wishes to obtain a partial release of lien with respect to any specific tract of the Property, the Borrower shall prepay this Note in a principal amount equal to at least the amount enumerated opposite such tract below; provided that the Lender may at its discretion decrease the amount required below with its written consent. The Lender shall execute such partial release of lien and any other documents necessary or desirable in relation thereto.

| Tract | Prepayment Amount |
|-------|-------------------|
|       |                   |
|       |                   |

**Other Clauses**

Each Borrower is responsible for all obligations represented by this note.

When the context requires, singular nouns and pronouns include the plural.

If any installment becomes overdue for more than fifteen days, at Lender's option a late payment charge of 5% of the amount of the payment may be charged in order to defray the expense of handling the delinquent payment.

A default exists under this note if (1) (a) Borrower or (b) any other person liable on any part of this note or who grants a lien or security interest on property as security for any part of this note (an "Other Obligated Party") fails to timely pay or perform any obligation or covenant in any written agreement between Lender and Borrower or any Other Obligated Party; (2) any representation in this note or in any other written agreement between Lender and Borrower or any Other Obligated Party is materially false when made; (3) a receiver is appointed for Borrower, any Other Obligated Party, or any property on which a lien or security interest is created as security (the "Collateral Security") for any part of this note; (4) any

Collateral Security is assigned for the benefit of creditors; (5) a bankruptcy or insolvency proceeding is commenced by Borrower, a partnership of which Borrower is a general partner, or an Other Obligated Party; (6) (a) a bankruptcy or insolvency proceeding is commenced against Borrower, a partnership of which Borrower is a general partner, or an Other Obligated Party and (b) the proceeding continues without dismissal for sixty days, the party against whom the proceeding is commenced admits the material allegations of the petition against it, or an order for relief is entered; (7) any of the following parties is terminated, begins to wind up its affairs, is authorized to terminate or wind up its affairs by its governing body or persons, or any event occurs or condition exists that permits the termination or winding up of the affairs of any of the following parties: Borrower, a partnership of which Borrower is a general partner, a limited liability company of which Borrower is a managing member or an Other Obligated Party; or (8) any Collateral Security is impaired by loss, theft, damage, levy and execution, issuance of an official writ or order of seizure, or destruction, unless it is promptly replaced with collateral security of like kind and quality or restored to its former condition.

If any provision of this note conflicts with any provision of a loan agreement, deed of trust, or security agreement of the same transaction between Lender and Borrower, the provisions of the deed of trust will govern to the extent of the conflict.

Notwithstanding anything to the contrary herein or in the other loan documents and documents related to or in connection with this note and the transactions contemplated hereby and thereby, Lender does not have the right to sell, assign, pledge, collaterally assign, hypothecate or otherwise transfer this note and the indebtedness evidenced to any person, unless the Borrower has provided its written consent.

This note will be construed under the laws of the state of Texas, without regard to choice-of-law rules of any jurisdiction.

We may report information about your account to credit bureaus. Late payments, missed payments, or other defaults on your account may be reflected in your credit report.

Hawthorne Land, LLC, a Texas limited liability company

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Douglas Lee Smith, Manager