

PROMISSORY NOTE
(San Mateo-Child Care Loan Program)

\$ _____ San Mateo, California
_____, 20____

FOR VALUE RECEIVED, _____, a California
_____ ("Borrower"), promises to pay to the City of San Mateo, a California
municipal corporation ("Holder"), the principal sum of _____ Dollars (\$ _____)
plus interest thereon pursuant to Section 2 below. All capitalized terms used but not defined in
this Promissory Note (the "Note") have the meanings set forth in the Loan Agreement (as
defined below).

1. Borrower's Obligation. This Note evidences the Borrower's obligation to pay the
Holder the principal amount of _____ Dollars (\$ _____) loaned to
Borrower by Holder pursuant to that certain Loan Agreement between Borrower and Holder of
even date herewith (the "Loan Agreement").

2. Interest. Except as otherwise set forth herein, this Note does not bear interest. If a
Default occurs, interest on the principal balance will begin to accrue as of the date of Default
(following expiration of applicable notice and cure periods) and continuing until such time as the
Loan funds are repaid in full or the Default is cured, at which time the accrued interest shall be
automatically forgiven at the default rate of the lesser of ten percent (10%), compounded
annually, or the highest rate permitted by law.

3. Term and Repayment Requirements. Annual forgiveness and payments due
under this Note, if any, are due in accordance with this Note and as set forth in Section 2.7 of the
Loan Agreement.

4. No Assumption. This Note is not assumable by the successors and assigns of
Borrower without the prior written consent of the Holder, except as may be otherwise set forth in
the Loan Agreement.

5. Security. This Note is secured by that certain Short Form Deed of Trust and
Assignment of Rents (the "Deed of Trust") wherein the Borrower is the trustor and the Holder is
the beneficiary.

6. Terms of Payment.

(i) Borrower shall make all payments due under this Note in currency of the
United States of America to Holder at the City of San Mateo, 330 W. 20th Avenue, San Mateo,
CA 94403, Attn: Community Development Department, or such other place as Holder may from
time to time designate.

(a) All payments on this Note are without expense to Holder. Borrower shall
pay all costs and expenses, including reconveyance fees and reasonable attorney's fees of Holder,

incurred in connection with the payment of this Note and the release of any security hereof.

(b) 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 would exceed the lawful rate.

(c) 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.

(d) Upon recordation of the Deed of Trust, this Note will be nonrecourse to the Borrower, pursuant to and except as provided in Section 2.8 of the Loan Agreement.

7. Default.

(a) The entire unpaid principal balance, together with all interest thereon, and together with all other sums payable under this Note, shall at the option of the Holder become immediately due and payable without further demand, upon occurrence of:

(i) Any failure of Borrower to pay, in full, any payment required under this Note within five (5) days after receipt of written notice that such payment is due;

(ii) Any failure in the performance by the Borrower of any other term, condition, provision or covenant set forth in this Note subject to the notice and cure period set forth in the Loan Agreement;

(iii) The occurrence of any Default under any of the Loan Documents, or other instrument securing the obligations of the Borrower under this Note or under any other promissory notes hereafter issued by the Borrower to the Holder pursuant to the Loan Agreement or the Deed of Trust, subject to notice and cure periods, if any, set forth therein.

(b) The 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 a default will not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other default. The acceptance by Holder hereof of any payment which is less than the total of all amounts due and payable at the time of such payment will 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 the 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) Any 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 must not 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 therein designate.

(b) Borrower promises to 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. This Note may not be modified except upon the written consent of the parties.

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IN WITNESS WHEREOF, this Promissory Note is executed by Borrower and is effective as of the date first written above.

BORROWER:

_____, a _____

By: _____

Name: _____

Its: _____