

**CITY OF SAN MATEO
RESOLUTION NO. ____ (2023)**

**APPROVING A CHILD CARE FACILITIES FUND LOAN OF \$430,000 TO MIGHTY TIGER
PRESCHOOL, LLC FOR TENANT IMPROVEMENTS AT 2575 FLORES STREET, SUITE 1 IN SAN
MATEO TO ESTABLISH A NEW CHILD CARE FACILITY AND AUTHORIZING THE EXECUTION OF
LOAN DOCUMENTS**

WHEREAS, the City Council has prioritized its commitment to providing and developing innovative approaches to increase the supply of child care spaces within our community and strives to serve as a model for other communities throughout the county and the country; and

WHEREAS, on November 15, 2021, the City Council adopted an ordinance codifying Chapter 23.65, "Child Care Development Fee;" and

WHEREAS, on August 15, 2022, the City Council approved the revision of the Interim Child Care Fund Guidelines facilitating the implementation of the Child Care Facilities Fund program; and

WHEREAS, in November 2022, the new Child Care Facilities Fund program was launched, allowing for access to funding assistance on an open and rolling basis; and

WHEREAS, in April 2023, the first request for financial assistance from the Child Care Facilities Fund was submitted; and

WHEREAS, a City staff committee including the Housing Manager, the Interim Community Development Department Director, and Senior Management Analyst reviewed the project application for viability and concurred in a recommendation of approval for a loan in the amount of \$430,000 to Mighty Tiger Preschool, LLC for tenant improvements at 2575 Flores Street, Suite 1 in San Mateo to establish a new child care facility.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN MATEO, CALIFORNIA,
HEREBY RESOLVES that:

1. This loan is not a project subject to CEQA, because it is an organizational and administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5).) In addition, the child care facility is categorically exempt from CEQA as an "existing facility," because it consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use. (CEQA Guidelines Section 15301.)

2. Funds have previously been allocated to CIP project CHILD CARE FACILITIES 310600 with a balance of \$1,300,000 and the loan will be drawn from project PRJ-00016.
3. The project loan listed below is approved and the City Manager or his designee is authorized to execute the loan documents, including the Loan Agreement Between the City of San Mateo and Mighty Tiger Preschool, LLC (Exhibit 1), Promissory Note (Exhibit 2), Short Form Deed of Trust (Exhibit 3) and Agreement Containing Covenants Affecting Real Property (Exhibit 4) and any related documents that do not substantially change the loan terms, on behalf of the City:
 - a. Mighty Tiger Preschool, LLC - \$430,000

LOAN AGREEMENT

BETWEEN

CITY OF SAN MATEO

AND

MIGHTY TIGER PRESCHOOL, LLC

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LOAN AGREEMENT
(City of San Mateo Child Care Loan Program)

This Loan Agreement (the “Agreement”) is dated as of _____, 20____ (the “Effective Date”), and is between the City of San Mateo, a California municipal corporation (the “City”), and **MIGHTY TIGER PRESCHOOL, a California Limited Liability Company** (“Borrower”).

RECITALS

A. In addition to defined terms in these recitals, defined terms used, but not defined, in these recitals are as defined in Article 1 of this Agreement.

B. On August 15, 2022, the City Council approved revision of the Interim Child Care Fund Guidelines for Child Care Fund Program (the “Program”).

C. Borrower leases the real property commonly known as **2575 Flores St, Suite 1, San Mateo, California**, as more particularly described in Exhibit A (the “Property”), and the Borrower desires to construct, or otherwise expand, an approximately **three thousand three hundred seven (3,307)** square foot childcare facility to provide child care services for up to **forty-eight (48)** participants on the Property (the “Development”). The Development and any additional improvements constructed on the Property are referred to as the “Improvements”. The Property Owner has provided consent for the Improvements.

D. Borrower owns the real property more commonly known as **115 Agustin Narvaez Street #4, San Jose, California**, as more particularly described in Exhibit A (the “Collateral Property”), and Borrower desires to use this real property as collateral for the Loan.

E. Borrower submitted an application and the City has selected the Borrower’s application for funding. Pursuant to the Program the Borrower desires to borrow from the City, and the City desires to lend to the Borrower **four hundred thirty thousand Dollars (\$430,000)** (the “Loan”) for the development of the Development.

F. The Loan is evidenced by the Note, the Regulatory Agreement, and is secured by the Deed of Trust. The Loan is being made solely to finance the construction of the Development, and is intended to increase the supply of quality childcare within the City. Due to the assistance provided Borrower through the Loan, the City is requiring the Borrower to enter into the Regulatory Agreement.

The Parties therefore agree as follows:

AGREEMENT

ARTICLE 1. DEFINITIONS AND EXHIBITS

Section 1.1 Definitions. The following terms have the following meanings:

- (a) “Agreement” means this Loan Agreement.
- (b) “Annual Report” shall mean the Borrower’s annual report to the City regarding the Borrower’s compliance with the Program Requirements. A form of the Annual Report is attached as Exhibit D.
- (c) “Approved Development Budget” means the proforma budget for the construction of the Development, including sources and uses of funds, as approved by the City, and attached hereto and incorporated herein as Exhibit B.
- (d) “City” means the City of San Mateo, a municipal corporation.
- (e) “Deed of Trust” means the Short Form Deed of Trust and Assignment of Rents of even date herewith among Borrower, as Trustor, **First American Title Company** Title Company, as trustee, and the City, as beneficiary, that will encumber the Collateral Property to secure repayment of the Loan and performance of the covenants of the Loan Documents.
- (f) “Default Rate” means the lesser of the maximum rate permitted by law and ten percent (10%) per annum.
- (g) “Development” has the meaning set forth in Paragraph C of the Recitals.
- (h) “Event of Default” has the meaning set forth in Section 5.1.
- (i) “Hazardous Materials” means: (1) any substance, material, or waste that is petroleum, petroleum-related, or a petroleum by-product, asbestos or asbestos-containing material, polychlorinated biphenyls, flammable, explosive, radioactive, freon gas, radon, or a pesticide, herbicide, or any other agricultural chemical; and (2) any waste, substance or material defined as or included in the definition of “hazardous substances”, “hazardous wastes”, “hazardous materials”, “toxic materials”, “toxic waste”, “toxic substances”, or words of similar import under any Hazardous Materials Law.
- (j) “Hazardous Materials Claims” means with respect to the Property: (1) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Borrower or the Property pursuant to any Hazardous Materials Law; and (2) all claims made or threatened by any third party against Borrower or the Property relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials.
- (k) “Hazardous Materials Law” means any federal, state or local laws, ordinances, or regulations relating to any Hazardous Materials, health, industrial hygiene, environmental conditions, or the regulation or protection of the environment, and all

amendments thereto as of this date and to be added in the future and any successor statute or rule or regulation promulgated thereto.

(l) “Improvements” has the meaning set forth in Paragraph C of the Recitals.

(m) “Loan Documents” means this Agreement, the Note, the Regulatory Agreement, and the Deed of Trust.

(n) “Loan” has the meaning set forth in Paragraph D of the Recitals.

(o) “Note” means the promissory note of even date herewith that evidences Borrower’s obligation to repay the Loan.

(p) “Program Requirements” shall mean the requirements set forth in Exhibit C, including, but not limited to, the Borrower’s obligation to provide child care services at the Property in accordance with the Loan Documents.

(q) “Property” has the meaning set forth in Paragraph C of the Recitals. “Collateral Property” has the meaning set forth in Paragraph C of the Recitals.

(r) “Regulatory Agreement” means the Agreement Containing Covenants Affecting Real Property, of even date herewith, between the City and Borrower related to the Loan, to be recorded against the Property.

(s) “Retention Amount” means ten percent (10%) of each disbursement of the Loan made by the City to Borrower (other than the final disbursement of the Loan).

(t) “Senior Loan” has the meaning set forth in Section 2.5.

(u) “Term” means the term of the Loan which shall commence on the Effective Date and shall terminate on the earlier of: (i) the full forgiveness of the Loan by the City, in accordance with the Note; (ii) the full repayment of the Loan; or (iii) thirty (30) years following the Effective Date.

(v) “Transfer” has the meaning set forth in Section 3.8 below.

Section 1.2 Exhibits.

The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

Exhibit A:	Legal Description of the Property
Exhibit B:	Approved Development Budget
Exhibit C:	Program Requirements
Exhibit D:	Form of Annual Report

ARTICLE 2.
LOAN PROVISIONS

Section 2.1 Loan.

Upon satisfaction of the conditions set forth in Section 2.6 of this Agreement, the City shall lend to Borrower the Loan for the purposes set forth in Section 2.3 of this Agreement. Borrower's obligation to repay the Loan is evidenced by the Note.

Section 2.2 Interest.

(a) Loan. Subject to the provisions of subsection (b) below, no interest will accrue on the outstanding principal balance of the Loan.

(b) Default Interest. Upon the occurrence of an Event of a Default, interest on the outstanding principal balance of the Loan will begin to accrue, beginning on the date of such occurrence and continuing until the date the Loan is repaid in full or the Event of Default is cured, at which time the accrued interest shall be automatically forgiven at the Default Rate.

Section 2.3 Use of Loan Funds.

Borrower shall use the Loan for the construction of the Development consistent with the Approved Development Budget. Borrower may not use the Loan proceeds for any other purposes without the prior written consent of the City.

Section 2.4 Security.

In consideration of the Loan, Borrower shall: (a) secure its obligation to repay the Loan, as evidenced by the Note, by executing the Deed of Trust, and cause or permit it to be recorded as a lien against the Collateral Property, and (b) execute the Regulatory Agreement, and cause or permit it to be recorded against the Property.

Section 2.5 Subordination.

(a) Any agreement by the City to subordinate the Deed of Trust and/or Regulatory Agreement to an encumbrance securing and/or evidencing any loan obtained by Borrower to finance the Development (each, a "Senior Loan") shall be subject to the satisfaction of each of the following conditions:

(1) All of the proceeds of the Senior Loan, less any transaction costs, are used to provide acquisition, construction and/or permanent financing for the Development.

(2) The lender of the Senior Loan is a state or federally chartered financial institution, a nonprofit corporation or a public entity that is not affiliated with Borrower or any of Borrower's affiliates, other than as a depositor or a lender.

(3) Borrower demonstrates to the City's satisfaction that subordination of the Deed of Trust and the Regulatory Agreement is necessary to ensure the viability of the Development, including the operation of the Development as a childcare facility, as required by

the Loan Documents. To satisfy this requirement, Borrower must provide to the City, in addition to any other information reasonably required by the City, evidence demonstrating that the proposed amount of the Senior Loan is necessary to provide adequate acquisition, construction, and/or permanent financing to ensure the viability of the Development, and adequate financing for the Development would not be available without the proposed subordination.

(4) The subordination agreement(s) is structured to minimize the risk that the Deed of Trust and the Regulatory Agreement will be extinguished as a result of a foreclosure by the holder of the Senior Loan. To satisfy this requirement, the subordination agreement must provide the City with adequate rights to cure any defaults by Borrower, including: (i) providing the City or its successor with copies of any notices of default at the same time and in the same manner as provided to Borrower; and (ii) providing the City with a cure period of at least sixty (60) days to cure any default.

(5) The subordination(s) of the Loan is effective only during the original term of the Senior Loan and any extension of its term that is approved in writing by the City.

(6) The subordination does not limit the effect of the Deed of Trust and the Regulatory Agreement before a foreclosure, nor require the consent of the Bank prior to the City exercising any remedies available to the City under the Loan Documents.

(b) Upon a determination by the City Manager that the conditions in this Section have been satisfied, the City Manager, or his/her designee, will be authorized to execute the approved subordination agreement without the necessity of any further action or approval.

Section 2.6 Conditions Precedent to Disbursement of Loan Funds.

(a) Conditions to Disbursement. The total disbursements made pursuant to this Section 2.6 may not exceed **four hundred thirty thousand Dollars (\$430,000)**. The City is not obligated to disburse any portion of the Loan, or to take any other action under the Loan Documents unless all of the following conditions have been and continue to be satisfied:

(1) There exists no Event of Default nor any act, failure, omission or condition that would constitute an Event of Default under the Loan Documents;

(2) Borrower holds a legal or equitable property interest in the Property or is acquiring a legal or equitable property interest in the Property simultaneously with the disbursement of the Loan proceeds;

(3) Borrower has delivered to the City a copy of a corporate resolution authorizing Borrower to obtain the Loan, and execute the Loan Documents;

(4) There exists no material adverse change in the financial condition of Borrower from that shown by the financial statements and other data and information furnished by Borrower to the City prior to the Effective Date;

(5) Borrower has furnished the City with evidence of the insurance coverage meeting the requirements of Section 3.8 below;

(6) Borrower has executed and delivered to the City the Loan Documents and has caused all other documents, instruments, and policies required under the Loan Documents to be delivered to the City, including, but not limited to the construction contract, the payment and performance bonds, and the applicable permits for the construction of the Development, all as more particularly set forth below;

(7) The Deed of Trust has been recorded against the Collateral Property in the Office of the Recorder of the County of Santa Clara, and the Regulatory Agreement has been recorded against the Property in the Office of the Recorder of the County of San Mateo;

(8) A title insurer reasonably acceptable to the City is unconditionally and irrevocably committed to issuing an LP-10 2006 ALTA Lender's Policy of title insurance insuring the priority of the Deed of Trust in the amount of the Loan, subject only to such exceptions and exclusions as may be reasonably acceptable to the City, and containing such endorsements as the City may reasonably require. To the extent applicable, the Borrower shall provide whatever documentation (including an indemnification agreement), deposits or surety is reasonably required by the title company in order for the City's Deed of Trust to be senior in lien priority to any mechanics liens in connection with any start of work that has occurred prior to the recordation of the Deed of Trust against the Collateral Property;

(9) The City has received a written draw request from Borrower, including certification that the condition set forth in Section 2.6(a)(1) continues to be satisfied, and setting forth the proposed uses of funds consistent with this Agreement, the amount of funds needed less the Retention Amount, and, where applicable, a copy of the bill or invoice covering a cost incurred or to be incurred. When a disbursement is requested to pay any contractor in connection with work performed on, or for the benefit of, the Property, the written request must be accompanied by lien releases and/or mechanics lien title insurance endorsements reasonably acceptable to the City. The City reserves the right to inspect the Property and make an independent evaluation that all work has been completed.

(b) Retention Amount. The City is not obligated to disburse any portion of the Retention Amount unless all of the following conditions have been and continue to be satisfied:

(1) There exists no Event of Default nor any act, failure, omission or condition that would constitute an Event of Default under this Agreement;

(2) Borrower has caused the completion of the construction of the Development (as evidenced by a certificate of occupancy, or equivalent document); and

(3) The City has received a written draw request from Borrower, including certification that the condition set forth in Section 2.6(a)(1) continues to be satisfied, and setting forth the proposed uses of funds consistent with this Agreement, the amount of the Retention Amount requested, and, where applicable, a copy of the bill or invoice covering a cost

incurred or to be incurred. When a disbursement is requested to pay any contractor in connection with work performed on, or for the benefit of, the Property, the written request must be accompanied by lien releases and/or mechanics lien title insurance endorsements reasonably acceptable to the City. The City reserves the right to inspect the Property and make an independent evaluation that all work has been completed.

Section 2.7 Repayment Schedule.

(a) Partial Forgiveness. For each year the Borrowers satisfies the Program Requirements, as evidenced by the City's approval of the Annual Report, in accordance with Section 3.1, the City shall forgive a portion of the Loan in an amount equal to ten percent (10%) of the original principal amount **four hundred thirty thousand Dollars (\$430,000)**. In the event the Borrower satisfies the Program Requirements for ten (10) years, during the Term, then the entire Loan amount shall be forgiven, and in such event, the following shall occur: (i) this Agreement shall terminate; (ii) the City shall mark the Note as "Cancelled" and return the original Note to the Borrower; and (iii) the City shall cause the reconveyance of the Deed of Trust and termination of the Regulatory Agreement. In the event the Borrower fails to satisfy the Program Requirements for ten (10) years during the Term, then upon expiration of the Term, the Loan (less any portion previously forgiven by the City pursuant to the Loan Documents) shall be immediately due and payable.

(b) Payment in Full of Loan. Borrower shall pay all outstanding principal and accrued interest on the Loan, in full, on the earliest to occur of: (i) any Transfer other than as permitted pursuant to Section 3.7; (ii) an Event of Default; and (iii) the expiration of the Term.

(c) Prepayment. Borrower may prepay the Loan at any time without premium or penalty.

Section 2.8 Non-Recourse.

Except as provided below, Borrower shall not have any direct or indirect personal liability for payment of the principal of, and interest on, the Loan. Following recordation of the Deed of Trust, the sole recourse of the City with respect to the principal of, or interest on, the Note will be to the property described in the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability limits or impairs the enforcement of all the rights and remedies of the City against all such security for the Note, or impairs the right of City to assert the unpaid principal amount of the Note as demand for money within the meaning and intent of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation to repay the principal and interest on the Note. Except as hereafter set forth; nothing contained herein is intended to relieve Borrower of its obligation to indemnify the City under this Agreement, or liability for: (i) loss or damage of any kind resulting from waste, fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance

policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

Section 2.9 Compliance with Laws. Borrower shall cause all work performed in connection with the Development to be performed in compliance with:

(a) All applicable laws, codes, ordinances, rules and regulations of federal, state, City or municipal governments or agencies now in force or that may be enacted hereafter; and

(b) All directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. Borrower may permit the work to proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and Borrower is responsible to the City for the procurement and maintenance thereof.

Section 2.10 State Prevailing Wages.

(a) To the extent required by applicable law, Borrower shall:

(1) pay, and shall cause any consultants or contractors to pay, prevailing wages for the construction of the Development as those wages are determined pursuant to California Labor Code Sections 1720 et seq.;

(2) cause any consultants or contractors to employ apprentices as required by California Labor Code Section 1777.5 et seq., and the implementing regulations of the Department of Industrial Relations (the "DIR"), and to comply with the other applicable provisions of California Labor Code Sections 1720 et seq., 1777.5 et seq., and implementing regulations of the DIR;

(3) keep and retain, and shall cause any consultants and contractors to keep and retain, such records as are necessary to determine if such prevailing wages have been paid as required pursuant to California Labor Code Section 1720 et seq., and apprentices have been employed are required by California Labor Code Section 1777.5 et seq.;

(4) post at the Property, or shall cause the contractor to post at the Property, the applicable prevailing rates of per diem wages. Copies of the currently applicable current per diem prevailing wages are available from DIR;

(5) cause contractors and subcontractors performing work on the Property to be registered as set forth in California Labor Code Section 1725.5;

(6) cause its contractors and subcontractors, in all calls for bids, bidding materials and the construction contract documents for work on the Property to specify that:

(A) no contractor or subcontractor may be listed on a bid proposal nor be awarded a contract for work on the Property unless registered with the DIR pursuant to California Labor Code Section 1725.5; and

(B) the work at the Property is subject to compliance monitoring and enforcement by the DIR;

(7) provide the City all information required by California Labor Code Section 1773.3 as set forth in the DIR's online form PWC-100 within 2 days of the award of any contract (<https://www.dir.ca.gov/pwc100ext/>);

(8) cause its contractors to post job site notices, as prescribed by regulation by the DIR; and

(9) cause its contractors to furnish payroll records required by California Labor Code Section 1776 directly to the Labor Commissioner, at least monthly in the electronic format prescribed by the Labor Commissioner.

(b) Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the City) the City against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its contractor and subcontractors) to pay prevailing wages as determined pursuant to California Labor Code Section 1720 et seq., to employ apprentices pursuant to California Labor Code Section 1777.5 et seq., to meet the conditions of California Labor Code Section 1771.4, and implementing regulations of the DIR, or to comply with the other applicable provisions of California Labor Code Sections 1720 et seq., 1777.5 et seq., and 1771.4, and the implementing regulations of the DIR, in connection with the work undertaken at the Property. The requirements in this Section survive the repayment of the Loan, and the reconveyance of the Deed of Trust.

Section 2.11 Accessibility.

Borrower shall cause the Development to be constructed in compliance with all applicable federal and state disabled persons accessibility requirements including but not limited to the Americans with Disabilities Act; and Title 24 of the California Code of Regulations (collectively, the "Accessibility Requirements"). Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the City) the City against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its architect, contractor and subcontractors) to construct the Development in accordance with the Accessibility Requirements. The requirements in this Section survive repayment of the Loan and the reconveyance of the Deed of Trust.

Section 2.12 Equal Opportunity.

During the construction of the Development, discrimination on the basis of race, color, creed, religion, age, sex, sexual orientation, marital status, national origin, ancestry, or disability in the hiring, firing, promoting, or demoting of any person engaged in the construction work on the Property is not allowed.

Section 2.13 Change in Development; Progress Reports.

Following the Effective Date, the Borrower shall not make any change to the total square footage of the Development or any other change that will result in the reduction of the permitted number of users of the childcare facility without the City's prior written consent, which shall not be unreasonably withheld, delayed, or conditioned. Until such time as Borrower has received a certificate of occupancy from the City for the Development, Borrower shall provide the City with quarterly progress reports regarding the Property.

Section 2.14 Inspections.

Borrower shall permit and facilitate, and shall require its contractors to permit and facilitate, observation and inspection at the Development by the City and by public authorities during reasonable business hours during the Term, for the purposes of determining compliance with this Agreement.

Section 2.15 Approved Development Budget; Revisions to Budget.

As of the Effective Date, the City has approved the Approved Development Budget set forth in Exhibit B. Borrower shall submit any required amendments to the Approved Development Budget to the City for approval within five (5) days after the date Borrower receives information indicating that actual costs of the Development vary or will vary from the costs shown on the Approved Development Budget. Written consent of the City will be required to amend the Approved Development Budget.

Section 2.16 Construction Contract.

(a) Prior to commencement of work at the Property, Borrower shall submit to the City for its approval a draft of the proposed contract for the construction of the Development. All work and professional services are to be performed by persons or entities licensed or otherwise authorized to perform the applicable work or service in the State of California. The City's approval of the construction contract shall not be deemed to constitute approval of or concurrence with any term or condition of the construction contract except as such term or condition may be required by this Agreement.

(b) Upon receipt by the City of the proposed contract, the City shall promptly review same and approve or disapprove it within five (5) days. If the construction contract is not approved by the City, the City shall set forth in writing and notify Borrower of the City's reasons for withholding such approval. Borrower shall thereafter submit a revised contract for City approval, which approval is to be granted or denied in five (5) days in accordance with the procedures set forth above.

Section 2.17 Performance and Payment Bonds.

Prior to the commencement of work at the Property, Borrower shall deliver to the City copies of labor and material bonds and performance bonds for the construction of the Development in an amount equal to one hundred percent (100%) of the scheduled cost of the work (the "Construction Bonds"). Such bonds shall: (i) be in a form reasonably acceptably to

the City; (ii) be issued by a surety licensed to do business in California, named in the current list of “Surety Companies Acceptable on Federal Bonds” as published in the Federal Register by the Audit Staff Bureau of Accounts, U.S. Treasury Department, and reasonably acceptable to the City; and (iii) name the City as a co-obligee.

Section 2.18 Commencement and Completion of Construction.

Borrower shall make best efforts to commence construction of the Development on or prior to October 1, 2023; provided, however, in no event shall Borrower cause any construction work to be performed on the Property unless and until the Borrower has obtained all necessary permits for such work from the City and/or any other applicable governmental authority. Borrower acknowledges that nothing in this Agreement obligates the City to issue any permit to the Borrower or for any proposed work on the Property. Borrower shall make best efforts to diligently prosecute such work to completion by no later than January 31, 2024.

ARTICLE 3. LOAN REQUIREMENTS

Section 3.1 Annual Report; Information.

No later than each March 1, throughout the Term, the Borrower shall submit to the City the Annual Report that includes the status of implementation of the Program Requirements for the preceding year. The Annual Report shall also include a narrative summarizing the annual efforts, highlights, and challenges in achievement of goals that assure a high-quality program and includes a description of professional development and/or continuing education for staff that support quality and continuous improvement. The Borrower's submission of, and the City's approval of, the Annual Report is a condition precedent to the annual forgiveness of the Loan (if any). In the event the City disapproves of an Annual Report, then the City shall deliver, within sixty (60) days after receipt of the Annual Report, a written notice to the Borrower setting forth, in reasonable detail, the reasons for the City's disapproval. Upon approval by the City of the Annual Report, the City shall deliver a written notice to the Borrower setting forth the portion of the Loan forgiven and the remaining balance of the Loan. In addition to such Annual Report, Borrower shall deliver such other information regarding the Development the City may reasonably request from time to time during the Term, including, but not limited to any litigation affecting the Borrower or the Property, or any notices from any licensing agency.

Section 3.2 Hazardous Materials.

(a) Borrower shall keep and maintain the Property (including but not limited to, soil and ground water conditions) in compliance with all Hazardous Materials Laws and may not cause or permit the Property to be in violation of any Hazardous Materials Law. Borrower may not cause or permit the use, generation, manufacture, storage or disposal of on, under, or about the Property or transportation to or from the Property of any Hazardous Materials, except such of the foregoing as may be customarily used in projects like the Development or kept and used in and about property of this type.

(b) Borrower shall immediately advise the City in writing if at any time it receives written notice of any Hazardous Materials Claims, and Borrower's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be subject to California Health and Safety Code, Section 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise

subject to any restrictions on the ownership, occupancy, transferability or use of the Property under any Hazardous Materials Law.

(c) The City has the right to join and participate in, as a party if it so elects, and be represented by counsel acceptable to the City (or counsel of its own choice if a conflict exists with Borrower) in any legal proceedings or actions initiated in connection with any Hazardous Materials Claims and to have its reasonable attorneys' fees in connection therewith paid by Borrower.

(d) Borrower shall indemnify and hold harmless the City and its board members, supervisors, directors, officers, employees, agents, successors and assigns from and against any loss, damage, cost, fine, penalty, judgment, award, settlement, expense or liability, directly or indirectly arising out of or attributable to: (1) any actual or alleged past or present violation of any Hazardous Materials Law; (2) any Hazardous Materials Claim; (3) any actual or alleged past or present use, generation, manufacture, storage, release, threatened release, discharge, disposal, transportation, or presence of Hazardous Materials on, under, or about the Property; (4) any investigation, cleanup, remediation, removal, or restoration work of site conditions of the Property relating to Hazardous Materials (whether on the Property or any other property); and (5) the breach of any representation of warranty by or covenant of Borrower in this Section 3.5, and Section 4.1(l). Such indemnity shall include, without limitation: (A) all consequential damages; (B) the costs of any required or necessary investigation, repair, cleanup or detoxification of the Property and the preparation and implementation of any closure, remedial or other required plans; and (z) all reasonable costs and expenses incurred by the City in connection with clauses (A) and (B), including but not limited to reasonable attorneys' fees and consultant fees except to the extent caused by the City's active negligence or willful misconduct. This indemnification applies whether or not any government agency has issued a cleanup order. Losses, claims, costs, suits, liability, and expenses covered by this indemnification provision include, but are not limited to: (1) losses attributable to diminution in the value of the Property, (2) loss or restriction of use of rentable space on the Property and/or the Collateral Property, (3) adverse effect on the marketing of any rental space on the Property, and (4) penalties and fines levied by, and remedial or enforcement actions of any kind issued by any regulatory agency (including but not limited to the costs of any required testing, remediation, repair, removal, cleanup or detoxification of the Property and/or the Collateral Property and surrounding properties). This obligation to indemnify will survive termination of this Agreement and will not be diminished or affected in any respect as a result of any notice, disclosure, knowledge, if any, to or by the City of Hazardous Materials.

(e) Without the City's prior written consent, which will not be unreasonably withheld, Borrower may not take any remedial action in response to the presence of any Hazardous Materials on, under or about the Property, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Material Claims, which remedial action, settlement, consent decree or compromise might, in the City's judgment, impair the value of the City's security hereunder; provided, however, that the City's prior consent is not necessary in the event that the presence of Hazardous Materials on, under, or about the Property either poses an immediate threat to the health, safety or welfare of any individual or is of such a nature that an immediate remedial response is necessary and it is not reasonably possible to obtain the City's consent before taking such action, provided that in such event Borrower shall

notify the City as soon as practicable of any action so taken. The City agrees not to withhold its consent, where such consent is required hereunder, if: (i) a particular remedial action is ordered by a court of competent jurisdiction; (ii) Borrower will or may be subjected to civil or criminal sanctions or penalties if it fails to take a required action; (iii) Borrower establishes to the reasonable satisfaction of the City that there is no reasonable alternative to such remedial action which would result in less impairment of the City's security hereunder; or (iv) the action has been agreed to by the City.

(f) Borrower hereby acknowledges and agrees that: (1) this Section is intended as the City's written request for information (and Borrower's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5; and (2) each representation and warranty in this Agreement (together with any indemnity obligation applicable to a breach of any such representation and warranty) with respect to the environmental condition of the Property is intended by the Parties to be an "environmental provision" for purposes of California Code of Civil Procedure Section 736.

(g) In the event that any portion of the Property is determined to be "environmentally impaired" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an "affected parcel" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting the City's or the trustee's rights and remedies under the Deed of Trust, the City may elect to exercise its rights under California Code of Civil Procedure Section 726.5(a) to: (1) waive its lien on such environmentally impaired or affected portion of the Property; and (2) exercise, (A) the rights and remedies of an unsecured creditor, including reduction of its claim against Borrower to judgment, and (B) any other rights and remedies permitted by law. For purposes of determining the City's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), Borrower will be deemed to have willfully permitted or acquiesced in a release or threatened release of Hazardous Materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of Hazardous Materials was knowingly or negligently caused or contributed to by any lessee, occupant, or user of any portion of the Property and Borrower knew or should have known of the activity by such lessee, occupant, or user which caused or contributed to the release or threatened release. All costs and expenses, including (but not limited to) attorneys' fees, incurred by the City in connection with any action commenced under this paragraph, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Property is environmentally impaired, plus interest thereon at the Default Rate, until paid, will be added to the indebtedness secured by the Deed of Trust and is due and payable to the City upon its demand made at any time following the conclusion of such action.

Section 3.3 Maintenance; Damage and Destruction.

(a) During the course of construction and operation of the Development Borrower shall maintain the Development and the Property in good repair and in a neat, clean and orderly condition. If there arises a condition in contravention of this requirement, and if Borrower has not cured such condition within thirty (30) days after receiving a City notice of such a condition, then in addition to any other rights available to the City, the City may perform all acts necessary to cure such condition, and to establish or enforce a lien or other encumbrance against the Property, subject to the provisions provided in subsection (b) below.

(b) Subject to the requirements of senior lenders, and if economically feasible in the City's judgment after consultation with Borrower, if any improvement now or in the future on the Property is damaged or destroyed, then Borrower shall, at its cost and expense, diligently undertake to repair or restore such improvement consistent with the plans and specifications approved by the City with such changes as have been approved by the City. Such work or repair is to be commenced no later than the later of one hundred twenty (120) days, or such longer period approved by the City in writing, after the damage or loss occurs or thirty (30) days following receipt of the insurance proceeds, and is to be complete within one (1) year thereafter. Any insurance proceeds collected for such damage or destruction are to be applied to the cost of such repairs or restoration and, if such insurance proceeds are insufficient for such purpose, then Borrower shall make up the deficiency. If Borrower does not promptly make such repairs then any insurance proceeds collected for such damage or destruction are to be promptly delivered by Borrower to the City as a special repayment of the Loan, subject to the rights of the senior lenders, if any.

Section 3.4 Fees and Taxes.

Borrower is solely responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Development, and shall pay such charges prior to delinquency. However, Borrower is not required to pay and discharge any such charge so long as: (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings; and (b) if requested by the City, Borrower deposits with the City any funds or other forms of assurance that the City in good faith from time to time determines appropriate to protect the City from the consequences of the contest being unsuccessful.

Section 3.5 Operation of Development as Childcare Facility.

Borrower shall operate the Development as a childcare facility consistent with: (a) the Regulatory Agreement; and (b) any other regulatory requirements imposed on the Borrower or the Property, including, but not limited to, obtaining and maintaining any required license(s).

Section 3.6 Nondiscrimination.

Borrower covenants by and for itself and its successors and assigns that there will be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, age, familial status, disability, sex, sexual orientation, marital status, ancestry or national origin in the admission of users of the Development, nor may Borrower or any person claiming under or through Borrower establish or permit any such practice or practices of discrimination. The foregoing covenant will run with the land.

Section 3.7 Transfer.

For purposes of this Agreement, "Transfer" means any sale, assignment, or transfer, whether voluntary or involuntary, of: (i) any rights and/or duties under this Agreement; and/or (ii) any interest in the Development, including (but not limited to) a fee simple interest, a joint tenancy interest, a life estate, a partnership interest, a leasehold interest, a security interest, or an

interest evidenced by a land contract by which possession of the Development is transferred and Borrower retains title.

(a) No Transfer is permitted without the prior written consent of the City, which the City may withhold in its sole discretion. Notwithstanding any provision to the contrary, the Loan will automatically accelerate and be due in full upon any Transfer made without the prior written consent of the City. In the event of any conflict between this subsection and any other provision of the Loan Documents, this subsection shall prevail.

(b) The City hereby approves the grant of the security interests in the Development for any deed of trust to which the City has agreed to subordinate.

Section 3.8 Insurance Requirements.

(a) Borrower shall maintain the following insurance coverage throughout the Term of the Loan:

(1) Workers' Compensation insurance to the extent required by law, including Employer's Liability coverage, with limits not less than One Million Dollars (\$1,000,000) each accident.

(2) Commercial General Liability insurance with limits not less than Two Million Dollars (\$2,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for Contractual Liability, Personal Injury, Broadform Property Damage, Products and Completed Operations.

(3) Automobile Liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for owned, non-owned and hired vehicles, as applicable.

(4) Builders' Risk insurance during the course of construction and upon completion, property insurance covering the Development, in form appropriate for the nature of such property, covering all risks of loss, excluding earthquake, for one hundred percent (100%) of the replacement value, with deductible, if any, acceptable to the City, naming the City as a Loss Payee, as its interests may appear. Flood insurance must be obtained if required by applicable federal regulations.

(5) Commercial crime insurance covering all officers and employees, for loss of Loan proceeds caused by dishonesty, in an amount approved by the City, naming the City a Loss Payee, as its interests may appear which insurance shall be maintained only until the entire balance of the Loan has been disbursed.

(b) Borrower shall cause any general contractor, agent, or subcontractor working on the Development under direct contract with Borrower or subcontract to maintain insurance of the types and in at least the minimum amounts described in subsections (1), (2), and (3) above, except that the limit of liability for commercial general liability insurance for subcontractors must be One Million Dollars (\$1,000,000), and must require that such insurance will meet all of the general requirements of subsections (d) and (e) below.

(c) The required insurance must be provided under an occurrence form, and Borrower shall maintain the coverage described in subsection (a) continuously throughout the Term. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit must be three times the occurrence limits specified above.

(d) Commercial General Liability, Automobile Liability and Property insurance policies must be endorsed to name as an additional insured the City and its officers, agents, employees and members of the City Council.

(e) All policies and bonds are to contain: (i) the agreement of the insurer to give the City at least thirty (30) days' notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies; (ii) an agreement that such policies are primary and non-contributing with any insurance that may be carried by the City; (iii) a provision that no act or omission of Borrower shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; and (iv) a waiver by the insurer of all rights of subrogation against the City and its authorized parties in connection with any loss or damage thereby insured against.

ARTICLE 4.

REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 4.1 Representations and Warranties.

Borrower hereby represents and warrants to the City as follows and acknowledges, understands, and agrees that the representations and warranties set forth in this Article are deemed to be continuing during all times when any portion of the Loan remains outstanding:

(a) Organization. Borrower is duly organized, validly existing and in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.

(b) Authority of Borrower. Borrower has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Borrower, and all actions required under Borrower's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken.

(d) Valid Binding Agreements. The Loan Documents and all other documents or instruments executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Borrower enforceable against it in accordance with their respective terms.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will: (i) conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever that is binding on Borrower, or conflict with any provision of the organizational documents of Borrower, or conflict with any agreement to which Borrower is a party; or (ii) result in the creation or imposition of any lien upon any assets or property of Borrower, other than liens established pursuant hereto.

(f) Compliance with Laws; Consents and Approvals. The construction of the Development will comply with all applicable laws, ordinances, rules and regulations of federal, state and local governments and agencies and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or agency.

(g) Pending Proceedings. Borrower is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting Borrower or the Development, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Borrower, materially affect Borrower's ability to repay the Loan or impair the security to be given to the City pursuant hereto.

(h) Title to Land. At the time of recordation of the Deed of Trust, Borrower will have good and marketable fee title to the Collateral Property and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than liens for current real property taxes and liens in favor of the City or approved in writing by the City.

(i) Financial Statements. The financial statements of Borrower and other financial data and information furnished by Borrower to the City fairly and accurately present the information contained therein. As of the date of this Agreement, there has not been any material adverse change in the financial condition of Borrower from that shown by such financial statements and other data and information.

(j) Sufficient Funds. Borrower holds sufficient funds and/or binding commitments for sufficient funds to complete the construction of the Development in accordance with the terms of this Agreement.

(k) Taxes. Borrower and its subsidiaries have filed all federal and other material tax returns and reports required to be filed, and have paid all federal and other material

taxes, assessments, fees and other governmental charges levied or imposed upon them or their income or the Property otherwise due and payable, except those that are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with generally accepted accounting principles. There is no proposed tax assessment against Borrower or any of its subsidiaries that could, if made, be reasonably expected to have a material adverse effect on the property, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of Borrower and its subsidiaries, taken as a whole, or which could result in: (i) a material impairment of the ability of Borrower to perform under any loan document to which it is a party; or (ii) a material adverse effect upon the legality, validity, binding effect or enforceability against Borrower of any Loan Document.

(l) Hazardous Materials. To the best of Borrower's knowledge, except as disclosed in writing by Borrower to the City prior to the Effective Date: (i) no Hazardous Material has been disposed of, stored on, discharged from, or released to or from, or otherwise now exists in, on, under, or around, the Property; (ii) neither the Property nor Borrower is in violation of any Hazardous Materials Law; and (iii) neither the Property nor Borrower is subject to any existing, pending or threatened Hazardous Materials Claims.

ARTICLE 5. DEFAULT AND REMEDIES

Section 5.1 Events of Default.

Any one or more of the following constitutes an "Event of Default" by Borrower under this Agreement:

(a) Failure to Obtain Permit; Failure to Complete Work. If Borrower fails to obtain the necessary permit(s), or Borrower otherwise fails to comply with the requirements of Section 2.17.

(b) Failure to Make Payment. If Borrower fails to make any payment when such payment is due pursuant to the Loan Documents and such failure continues for ten (10) days after receipt of written notice from the City.

(c) Breach of Covenants. If Borrower fails to duly perform, comply with, or observe any other condition, term, or covenant contained in this Agreement, or in any of the other Loan Documents, and Borrower fails to cure such default within thirty (30) days after receipt of written notice thereof from the City to Borrower, or if such breach cannot be cured within such 30 day period, Borrower shall not be in breach so long as Borrower is diligently undertaking to cure such breach and such breach is cured within sixty (60) days; provided, however, that if a different period or notice requirement is specified under any other section of this Article, the specific provisions shall control.

(d) Default Under Other Loans. If a default is declared under any other financing for the Development by the lender of such financing and such default remains uncured following any applicable notice and cure period.

(e) Insolvency. If a court having jurisdiction makes or enters any decree or order: (1) adjudging Borrower to be bankrupt or insolvent; (2) approving as properly filed a petition seeking reorganization of Borrower, or seeking any arrangement for Borrower under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction; (3) appointing a receiver, trustee, liquidator, or assignee of Borrower in bankruptcy or insolvency or for any of their properties; (4) directing the winding up or liquidation of Borrower if any such decree or order described in clauses (1) to (4), inclusive, is unstayed or undischarged for a period of ninety (90) calendar days; or (5) Borrower admits in writing its inability to pay its debts as they fall due or will have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (1) to (4), inclusive. The occurrence of any of the Events of Default in this paragraph will act to accelerate automatically, without the need for any action by the City, the indebtedness evidenced by the Note.

(f) Assignment; Attachment. If Borrower assigns its assets for the benefit of its creditors or suffers a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon is returned or released within ninety (90) calendar days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by the City, the indebtedness evidenced by the Note.

(g) Suspension; Termination. If Borrower voluntarily suspends or terminates its business.

(h) Liens on Property and the Development. If any claim of lien (other than liens approved in writing by the City) is filed against the Development or any part thereof, or any interest or right made appurtenant thereto, or the service of any notice to withhold proceeds of the Loan and the continued maintenance of said claim of lien or notice to withhold for a period of twenty (20) days, without discharge or satisfaction thereof or provision therefor (including, without limitation, the posting of bonds) satisfactory to the City.

(i) Condemnation. If there is a condemnation, seizure, or appropriation of all or the substantial part of the Property and the Development.

(j) Unauthorized Transfer. If any Transfer occurs other than as permitted pursuant to this Agreement.

(k) Representation or Warranty Incorrect. If any Borrower representation or warranty contained in this Agreement, or in any application, financial statement, certificate, or report submitted to the City in connection with any of the Loan Documents, proves to have been incorrect in any material respect when made.

Section 5.2 Remedies.

Upon the occurrence of an Event of Default and until such Event of Default is cured or waived, the City is relieved of any obligation to disburse any portion of the Loan. In addition, upon the occurrence of an Event of Default and following the expiration of all applicable notice and cure periods the City may proceed with any and all remedies available to it under law, this

Agreement, and the other Loan Documents. Such remedies include but are not limited to the following:

(a) Acceleration of Note. The City may cause all indebtedness of Borrower to the City under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The City may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the City as a creditor and secured party under the law including the Uniform Commercial Code, including foreclosure under the Deed of Trust. Borrower is liable to pay the City on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the City in connection with the collection of the Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.

(b) Specific Performance. The City has the right to mandamus or other suit, action or proceeding at law or in equity to require Borrower to perform its obligations and covenants under the Loan Documents or to enjoin acts on things that may be unlawful or in violation of the provisions of the Loan Documents.

(c) Right to Cure at Borrower's Expense. The City has the right (but not the obligation) to cure any monetary default by Borrower under a loan other than the Loan. Upon demand therefor, Borrower shall reimburse the City for any funds advanced by the City to cure such monetary default by Borrower, together with interest thereon from the date of expenditure until the date of reimbursement at the Default Rate.

Section 5.3 Right of Contest.

Borrower may contest in good faith any claim, demand, levy, or assessment the assertion of which would constitute an Event of Default hereunder. Any such contest is to be prosecuted diligently and in a manner unprejudicial to the City or the rights of the City hereunder.

Section 5.4 Remedies Cumulative.

No right, power, or remedy given to the City by the terms of this Agreement or the other Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy is cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise against Borrower and any other person. Neither the failure nor any delay on the part of the City to exercise any such rights and remedies will operate as a waiver thereof, nor does any single or partial exercise by the City of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

ARTICLE 6. GENERAL PROVISIONS

Section 6.1 Relationship of Parties.

Nothing contained in this Agreement is to be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the City and Borrower or its agents, employees or contractors, and Borrower will at all times be deemed an independent contractor and to be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under the Agreement. In regards to the demolition or construction work, and operation of the Development, Borrower is solely responsible for all matters relating to payment of its employees, including compliance with Social Security, withholding, and all other laws and regulations governing such matters, and must include requirements in each contract that contractors are solely responsible for similar matters relating to their employees. Borrower is solely responsible for its own acts and those of its agents and employees.

Section 6.2 No Claims.

Nothing contained in this Agreement creates or justifies any claim against the City by any person that Borrower may have employed or with whom Borrower may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the work, or the operation of the Development, and Borrower shall include similar requirements in any contracts entered into for the construction or operation of the Development.

Section 6.3 Amendments.

No alteration or variation of the terms of this Agreement is valid unless made in writing by the Parties.

Section 6.4 Indemnification.

Borrower shall indemnify, defend and hold the City and its Council members, directors, officers, employees, agents, successors and assigns harmless against any and all claims, suits, actions, losses and liability of every kind, nature and description made against it and expenses (including reasonable attorneys' fees) which arise out of or in connection with this Agreement, including but not limited to the construction, marketing and operation of the Development, except to the extent such claim arises from the gross negligence or willful misconduct of the City, its agents, and its employees. The provisions of this Section will survive the expiration of the Term and the reconveyance of the Deed of Trust.

Section 6.5 Non-Liability of City Officials, Employees and Agents.

No member, official, employee or agent of the City is personally liable to Borrower in the event of any default or breach of this Agreement by the City or for any amount that may become due from the City pursuant to this Agreement.

Section 6.6 No Third Party Beneficiaries.

There are no third party beneficiaries to this Agreement.

Section 6.7 Discretion Retained By City.

The City's execution of this Agreement in no way limits any discretion the City may have in the permit and approval process related to the construction of the Development.

Section 6.8 Notices, Demands and Communications.

Formal notices, demands and communications between the City and the Borrower shall be sufficiently given if, and shall not be deemed given unless, (a) dispatched by certified mail, postage prepaid, return receipt requested, or (b) sent by express delivery or overnight courier service, or (c) sent via email to the email address set forth below, with a copy of such notice concurrently sent by either of the methods set forth in the preceding clauses (a) or (b), to the office of the Parties shown as follows, or such other address as the Parties may designate in writing from time to time:

City: City of San Mateo
330 W. 20th Avenue
San Mateo, CA 94403
Attn: Community Development Department
Email: childcarefacilitiesfund@cityofsanmateo.org

Borrower: Mighty Tiger Preschool, LLC
508 Davey Glen Rd
Belmont, CA 94002

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected party may from time to time designate by mail as provided in this Section. Receipt will be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable).

Section 6.9 Applicable Law.

This Agreement is governed by the laws of the State of California.

Section 6.10 Parties Bound.

Except as otherwise limited herein, this Agreement binds and inures to the benefit of the parties and their heirs, executors, administrators, legal representatives, successors, and assigns. This Agreement is intended to run with the land and to bind Borrower and its successors and assigns in the Property and the Development for the entire Term, and the benefit hereof is to inure to the benefit of the City and its successors and assigns.

Section 6.11 Attorneys' Fees.

If any lawsuit is commenced to enforce any of the terms of this Agreement, the prevailing party will have the right to recover its reasonable attorneys' fees and costs of suit from the other party.

Section 6.12 Severability.

If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions will continue in full force and effect unless the rights and obligations of the parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 6.13 Force Majeure.

In addition to specific provisions of this Agreement, performance by either party will not be deemed to be in default where delays or defaults are due to war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, quarantine restrictions, freight embargoes, lack of transportation, or court order. An extension of time for any cause will be deemed granted if notice by the party claiming such extension is sent to the other within ten (10) days from the commencement of the cause and such extension of time is not rejected in writing by the other party within ten (10) days after receipt of the notice. In no event will the City be required to agree to cumulative delays in excess of one hundred eighty (180) days.

Section 6.14 City Approval.

The City has authorized the City Manager, or his or her designee, to execute the Loan Documents and deliver such approvals or consents as are required by this Agreement, and to execute estoppel certificates concerning the status of the Loan and the existence of Borrower defaults under the Loan Documents.

Section 6.15 Waivers.

Any waiver by the City of any obligation or condition in this Agreement must be in writing. No waiver will be implied from any delay or failure by the City to take action on any breach or default of Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Borrower to perform any obligation under this Agreement does not operate as a waiver or release from any of its obligations under this Agreement. Consent by the City to any act or omission by Borrower may not be construed to be consent to any other or subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

Section 6.16 Title of Parts and Sections.

Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and are to be disregarded in interpreting any part of the Agreement's provisions.

Section 6.17 Entire Understanding of the Parties.

The Loan Documents constitute the entire agreement of the parties with respect to the Loan. This Agreement shall not be construed as if it had been prepared by one of the Parties, but rather as if both Parties had prepared it. The parties have read and reviewed this Agreement and agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party (including but not limited to Civil Code Section 1654 as may be amended from time to time, or any other state law, or common law principle) shall not apply to the interpretation of this Agreement.

Section 6.18 Multiple Originals; Counterpart.

This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Remainder of Page Left Intentionally Blank

IN WITNESS WHEREOF, this Agreement has been executed by the Parties as of the Effective Date.

CITY:

CITY OF SAN MATEO,
a California municipal corporation

By: _____

Name: Alex Khojikian

Its: City Manager

APPROVED AS TO FORM

CHILD CARE FACILITATOR:

MIGHTY TIGER PRESCHOOL,
a California Limited Liability Company

By: _____

Name: Mazarin Vakharia

Its: Assistant City Attorney

By: _____

Name: Geoffrey K. Choy

Its: LLC Member

By: _____

Name: Ruth-Heidi Choy

Its: LLC Member

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

2575 Flores Street, Unit #1, San Mateo, CA 94403

BEGINING AT THE INTERSECTION OF THE EASTERLY LINE OF FLORES STREET WITH THE NORTHWESTERLY LINE OF A 15 FOOT EASEMENT FOR STREET OR TRAVEL PURPOSES AND PUBLIC UTILITIES, AS GRANTED BY DEED OF DEDICATION OF EASEMENT FROM STADER, ALSO KNOWN AS FRED WILLIAM STADER, TO THE CITY OF SAN MATEO, A MUNICIPAL CORPORATION, DATED AUGUST 7, 1950 AND RECORDED NOVEMBER 13, 1950 IN BOOK 1974 OF OFFICIAL RECORDS AT PAGE 535, RECORDS OF SAN MATEO COUNTY, CALIFORNIA; THENCE FROM SAID POINT OF BEGINNING, ALONG SAID NORTHWESTERLY LINE, NORTH 70° 44' EAST 167.87 FEET; THENCE LEAVING SAID NORTHWESTERLY LINE, NORTH 27° 41' WEST 40.44 FEET; THENCE SOUTH 70° 44' WEST 151.99 FEET TO THE EASTERLY LINE OF FLORES STREET AS ABOVE MENTIONED; THENCE ALONG SAID EASTERLY LINE SOUTH 1° 58' EAST 3.07 FEET AND ALONG A CURVE TO THE LEFT, WITH A RADIUS OF 305.00 FEET, A CENTRAL ANGLE OF 7° 10' 22", AN ARC DISTANCE OF 38.18 FEET TO THE POINT OF BEGINNING.

LEGAL DESCRIPTION OF THE COLLATERAL PROPERTY

115 Agustin Narvaez Street #4, San Jose, CA 95136

EXHIBIT A

The land referred to is situated in the County of Santa Clara, City of San Jose, State of California, and is described as follows:

Parcel One (Unit):

Unit 17, of Building Common Area Parcel 39, of Lot 59, as shown on the Final Map of Tract 10368, filed for record on June 20, 2018, in Book 915 of Maps, at Pages 4 through 17, inclusive, in the Official Records of the County of Santa Clara, State of California ("Map"), as such Building Common Area Parcel and Unit are shown on the Condominium Plan recorded February 25, 2019, as Document No. 24122138, of Official Records together with any amendments or modifications, thereto ("Condominium Plan") and described and defined in the Declaration of Covenants, Conditions and Restrictions of Communications Hill, recorded April 19, 2016, as Document No. 23280806, of Official Records together with any amendments, modifications, or annexations thereto, as may occur from time to time ("Declaration"), in the Official Records of the County of Santa Clara, State of California.

Parcel Two (Undivided Interest in Building Common Area):

An undivided one-seventh (1/7th) interest as Tenant in Common in and to the Building Common Area (as that term is defined in the Declaration) contained in the Building Common Area Parcel in which the Owner's Unit described in Parcel One, above, is situated, and as shown on the Condominium Plan.

(A) Excepting therefrom, all numbered Condominium Units shown on the Condominium Plan and described in the Declaration and in the Declaration of Annexation;

(B) Reserving therefrom unto Grantor, exclusive use Common Areas for the possession, use, and enjoyment of those areas designated on the Condominium Plan and defined in the Declaration as Decks, Patios, and Porches, together with the right to subsequently grant and convey such easements;

(C) Further reserving therefrom unto the Grantor, non-exclusive easements for use, enjoyment, ingress, egress, and support in and to the Building Common Area, as shown on the Condominium Plan and described in the Declaration and in the Declaration of Annexation, together with the right to subsequently grant and convey such easements; and

(D) Further reserving therefrom unto Grantor, all easements as provided for in the Declaration and in the Declaration of Annexation, together with the right to subsequently grant and convey such easements.

Parcel Three (Non-Exclusive Easements):

Non-exclusive easements for use, enjoyment, ingress, egress, and support in and to the Building Common Area and the Project Common Area, as shown on the Condominium Plan and

described in the Declaration and in the Declaration of Annexation, for the benefit of Parcel One, above.

Parcel Four (Exclusive Use Common Area):

Exclusive easement appurtenant to Parcel One above, for the possession, use and enjoyment of the Deck shown as "D" and the corresponding Unit Number on the Plan, as said easement is provided for in the Declaration.

APN: 455-98-020

EXHIBIT B

APPROVED DEVELOPMENT BUDGET

DEVELOPMENT COSTS		APPLICANT	Mighty Tiger Preschool LLC		This column provides more specific information regarding the content that may be included in the budget and the uses of the funds. Provide totals of the applicable line items, do not list individually. This should reflect "all" funds for the project, not only the requested Child Care Facilities Fund
Filling in green spaces only, list all construction & development expenses for this project.					
Number of New Child Care Spaces		48			
Gross Building Area (Square Feet)		3,307			
PROPERTY COSTS			TOTAL COST	\$ PER SPACE	\$ PER SF
Property Acquisition			\$ -	\$ -	\$ -
Other (Specify below)			\$ -	\$ -	\$ -
N/A			\$ -	\$ -	\$ -
TOTAL PROPERTY COSTS			\$ -	\$ -	\$ -
CONSTRUCTION COSTS					
Construction Costs			\$ 350,951.25	\$ 7,311.48	\$ 106.12
Construction Loan Interest			\$ -	\$ -	\$ -
Construction Loan Fees/Expenses			\$ -	\$ -	\$ -
Other (Specify below)			\$ 51,236.95	\$ 1,067.44	\$ 15.40
Design Contingency, market					
Adjustment, Escalation based on					
Projected Start, Construction					
Contingency					
TOTAL CONSTRUCTION COSTS			\$ 402,188.20	\$ 8,378.92	\$ 121.62
INDIRECT COSTS					
Local Permits and Impact Fees			\$ 28,153.17	\$ 586.52	\$ 8.51
Architectural and Engineering Fees			\$ 36,565.00	\$ 761.77	\$ 11.06
Consultants and Professional Services			\$ -	\$ -	\$ -
Other (Specify below)			\$ -	\$ -	\$ -
N/A			\$ -	\$ -	\$ -
TOTAL INDIRECT COSTS			\$ 64,718.17	\$ 1,348.30	\$ 19.57
START UP COSTS					
Fixed Furnishings			\$ -	\$ -	\$ -
Other (Specify below)			\$ -	\$ -	\$ -
N/A			\$ -	\$ -	\$ -
TOTAL START UP COSTS			\$ -	\$ -	\$ -
TOTAL DEVELOPMENT COSTS			\$ 466,906.37	\$ 9,727.22	\$ 141.19

EXHIBIT C

PROGRAM REQUIREMENTS

1. **Child Care Spaces.** Borrower shall retain and make available a total of [written number] (#) licensed child care spaces. Exception only accepted if Borrower is unable to provide a sufficient number of qualified staff to meet required ratios for a period of time not exceeding ninety (90) days.
2. **Affordable Child Care Spaces.** Borrower shall provide [written number] (#) of affordable spaces available to households who do not exceed 80% Area Median Income (AMI) as is annually published by the City. This shall include the reporting of the following documented data: 1) number of households, 2) annual household income, 3) amount of child care tuition charged, and 4) market rate tuition.
3. **Licensing.** Borrower shall provide third-party confirmation of current facility licensing.
4. **Financial Reports.** Borrower shall submit annual financial documents for the facility operation, either organizational audits or tax records.

EXHIBIT D

FORM OF ANNUAL REPORT

This document will be provided to borrowers in Word format to complete and submit.
This is an image of the document template.

City of San Mateo Child Care Loan Annual Report

January 20__ through December 20__

This form is due not later than March 1 of each calendar year for the term of the loan.



Borrower Name: _____

Date of Report _____

This is the number of spaces required as part of the project's loan agreement.

Number of Spaces: ____

Number of Affordable to households not exceeding 80% AMI: ____

Report the total number spaces available each month, both the total number available and the number of affordable spaces provided.

Month	# Total	# Afford.	Month	# Total	# Afford.
January			July		
February			August		
March			September		
April			October		
May			November		
June			December		

Please describe any circumstances that prevented the ability to meet the number of spaces required.

Please list data for households receiving tuition assistance. Use confidential coding, not household names.

The market rates and tuition charged may vary depending on when the child was accepted or if rates change.

Household (HH) Identifier	Annual HH Income	Tuition Charged	Market Rate

Contact Information

If you need to provide any changes for the contacts that follow, do that here. If not, you can select this placeholder (arrow to the left of the section title) and press Delete to remove it.

Borrower Primary Contact

Office: Office Phone

Mobile: Cell Phone

Email: Email

Child Care Facility Operator Contact

Office: Office Phone

Mobile: Cell Phone

Email: Email

Required Documentation

Please attach the following documents:

1. Third-party confirmation of current facility licensing.
2. Annual financial documents for the facility operation, either organizational audits or tax records.

Program Narrative

Please provide a brief narrative summarizing the annual efforts, highlights, and challenges in achievement of goals that assure a high-quality program and includes a description of professional development and/or continuing education for staff that support quality and continuous improvement.

PROMISSORY NOTE
(San Mateo-Child Care Loan Program)

\$430,000

San Mateo, California
_____, 20____

FOR VALUE RECEIVED, **MIGHTY TIGER PRESCHOOL, a California Limited Liability Company** ("**Borrower**"), promises to pay to the City of San Mateo, a California municipal corporation ("**Holder**"), the principal sum of **four hundred thirty thousand Dollars (\$430,000)** 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 **four hundred thirty thousand Dollars (\$430,000)** 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.**

(1) 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.

Remainder of Page Left Intentionally Blank

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

BORROWER:

MIGHTY TIGER PRESCHOOL,
a California Limited Liability Company

By: _____

Name: Geoffrey K. Choy

Its: LLC Member

By: _____

Name: Ruth-Heidi Choy

Its: LLC Member

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of San Mateo
330 W. 20th Avenue
San Mateo, CA 94403
Attention: Community Development Department

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

ARTICLE 7.SHORT FORM DEED OF TRUST AND ASSIGNMENT OF RENTS

This Deed of Trust, made as of _____, 20____, between, **Eddy K. Choy and Maria Y. Choy and Geoffrey Kamen Choy**, herein called **Trustor**,
whose address is: **508 DAVEY GLEN RD,
BELMONT, CA 94002**

First American Title Company, a California corporation, herein called **Trustee**, and the City of San Mateo, a California municipal corporation, herein called **Beneficiary**,

Witnesseth: That Trustor **IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to TRUSTEE IN TRUST, WITH POWER OF SALE**, That property located at **115 Agustin Narvaez Street #4, San Jose, California, 95136**, described as follows:

SEE EXHIBIT A, incorporated herein by this reference

TOGETHER WITH the rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power and authority given to and conferred upon Beneficiary by paragraph (10) of the provisions incorporated herein by reference to collect and apply such rents, issues and profits.

For the Purpose of Securing:

1. Performance of each agreement of Trustor incorporated by reference or contained herein.
2. Payment of the indebtedness evidenced by one promissory note of even date herewith, and any

extension or renewal thereof, in the principal sum of up to **four hundred thirty thousand Dollars (\$430,000)** executed by Trustor in favor of Beneficiary or order. 3. Payment of such further sums as the then record owner of said property hereafter may borrow from Beneficiary, when evidenced by another note (or notes) reciting it is so secured.

To Protect the Security of This Deed of Trust, Trustor Agrees: By the execution and delivery of this Deed of Trust and the note secured hereby, including the provisions set forth EXHIBIT B of this Deed of Trust, which are incorporated by this reference, and the provisions (1) to (14) inclusive, of the fictitious deed of trust recorded in San Mateo County, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of the county, viz.:

(a)			(c)			(e)			(g)		
NTY	BOOK	(b) PAGE	COU	OUNTY	(d) BOOK	C PAGE	(f) COUNTY	BOOK	UNT	(h) BOOK	CO PAGE
Alameda	435	684									
Alpine	1	250		Kings	792	(1) 833	Placer	895 301	Sierra	29 335	
Amador	104	348					Plumas	151 5	Siskiyou	468 181	
Butte	1145	1		Lake	362	(2) 39	verside	(1) Ri 3005 523	Solano	1105 182	
Calaveras	145	152							Sonoma	1851 689	
		(1) 296		Lassen	171 471		Sacramento	4331 62	Stanislaus	1715 456	
Colusa		617		Los Angeles	T2055 899		San Benito	271 383	Sutter	572 297	
							San Bernardino	5567 61	Tehama	401 289	
Contra Costa	3978	47		Madera	810	(3) 170	San Francisco	A332 905	Trinity	93 366	
Del Norte	78	414							Tulare	2294 275	
El Dorado	568	456		Marin	1508 339		San Joaquin	2470311	Tuolumne	135 47	
Fresno	4626	572		Mariposa	77 292		San Luis Obispo	1151	Ventura	2062 386	
									Yolo	653 245	

(which provisions, identical in all counties, are printed on attached herewith) hereby are adopted and incorporated herein and made a part hereof as fully as though set forth herein at length; that Trustor will observe and perform said provisions; and that the references to property, obligations and parties in said provisions shall be construed to refer to the property, obligations, and parties set forth in this Deed of Trust.

TRUSTOR:

**Eddy K. Choy and Maria Y. Choy,
husband and wife and Geoffrey Kamen
Choy, a single man as joint tenants**

By: _____

Name: Eddy K. Choy

Its: Owner

By: _____

Name: Maria Y. Choy

Its: Owner

By: _____

Name: Geoffrey Kamen Choy

Its: Owner

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public,
personally appeared _____, who proved to me on the
basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s),
or the entity upon behalf of which the person(s) acted, executed the instrument.
I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.
WITNESS my hand and official seal.

Name: _____
Notary Public

Exhibit A
Property Description

EXHIBIT A

The land referred to is situated in the County of Santa Clara, City of San Jose, State of California, and is described as follows:

Parcel One (Unit):

Unit 17, of Building Common Area Parcel 39, of Lot 59, as shown on the Final Map of Tract 10368, filed for record on June 20, 2018, in Book 915 of Maps, at Pages 4 through 17, inclusive, in the Official Records of the County of Santa Clara, State of California ("Map"), as such Building Common Area Parcel and Unit are shown on the Condominium Plan recorded February 25, 2019, as Document No. 24122138, of Official Records together with any amendments or modifications, thereto ("Condominium Plan") and described and defined in the Declaration of Covenants, Conditions and Restrictions of Communications Hill, recorded April 19, 2016, as Document No. 23280806, of Official Records together with any amendments, modifications, or annexations thereto, as may occur from time to time ("Declaration"), in the Official Records of the County of Santa Clara, State of California.

Parcel Two (Undivided Interest in Building Common Area):

An undivided one-seventh (1/7th) interest as Tenant in Common in and to the Building Common Area (as that term is defined in the Declaration) contained in the Building Common Area Parcel in which the Owner's Unit described in Parcel One, above, is situated, and as shown on the Condominium Plan.

(A) Excepting therefrom, all numbered Condominium Units shown on the Condominium Plan and described in the Declaration and in the Declaration of Annexation;

(B) Reserving therefrom unto Grantor, exclusive use Common Areas for the possession, use, and enjoyment of those areas designated on the Condominium Plan and defined in the Declaration as Decks, Patios, and Porches, together with the right to subsequently grant and convey such easements;

(C) Further reserving therefrom unto the Grantor, non-exclusive easements for use, enjoyment, ingress, egress, and support in and to the Building Common Area, as shown on the Condominium Plan and described in the Declaration and in the Declaration of Annexation, together with the right to subsequently grant and convey such easements; and

(D) Further reserving therefrom unto Grantor, all easements as provided for in the Declaration and in the Declaration of Annexation, together with the right to subsequently grant and convey such easements.

Parcel Three (Non-Exclusive Easements):

Non-exclusive easements for use, enjoyment, ingress, egress, and support in and to the Building Common Area and the Project Common Area, as shown on the Condominium Plan and

described in the Declaration and in the Declaration of Annexation, for the benefit of Parcel One, above.

Parcel Four (Exclusive Use Common Area):

Exclusive easement appurtenant to Parcel One above, for the possession, use and enjoyment of the Deck shown as "D" and the corresponding Unit Number on the Plan, as said easement is provided for in the Declaration.

APN: 455-98-020

TO BE REMOVED PRIOR TO RECORDATION:

SHORT FORM DEED OF TRUST AND ASSIGNMENT OF RENTS (INDIVIDUAL)

The following is a copy of provisions (1) to (14), inclusive, of the fictitious deed of trust, recorded in each county in California, as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

To Protect the Security of This Deed of Trust, Trustor Agrees:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such actions or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay: at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, the Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior to or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

That any award of damages in connection with any condemnation for public use or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him/her/them in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(6) That any award of damages in connection with any condemnation for public use or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him/her them in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(7) That by accepting payment of any sum secured hereby after its due date, beneficiary does not waive his right either to require prompt payment when due all other sums so secured or to declare default for failure so to pay.

(8) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said Note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may; reconvey any part of said property, consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(9) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." Five years after issuance of such full reconveyance, Trustee may destroy this document (unless directed in such request to retain it).

(10) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to adequacy of any security for the indebtedness hereby secured enter upon and take possession of said property or any part thereof, in his/her/their own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(11) That upon default by trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said Note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not the repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(12) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(13) That this Deed applies to inure to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the Note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(14) That trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of San Mateo
330 W. 20th Avenue
San Mateo, CA 94403
Attention: Community Development Department

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 27383

AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY
(Child Care Loan Program)

This Agreement Containing Covenants Affecting Real Property (this "**Agreement**") is made and entered into as of _____, 20__ (the "**Effective Date**"), by and between the City of San Mateo, a California municipal corporation (the "**City**"), **MIGHTY TIGER PRESCHOOL, LLC** a California Limited Liability Company, and its successors or assigns (collectively, the "**Child Care Operator**"), and **CBR Flores LLC**, a California Limited Liability Company (the "**Owner**"), with reference to the following facts, purposes, and understandings.

RECITALS

A. The Child Care Operator will operate a child care facility on that certain real property located at **2575 Flores St, Suite 1, San Mateo, CA 94403** in the City of San Mateo, County of San Mateo, State of California, as more particularly described in Exhibit A and also known by Assessor Parcel Number 039-371-370 (the "**Child Care Facility**" as further defined below).

B. Owner owns a fee title interest in the real property and the improvements located at **2575 Flores St, San Mateo, CA 94403** in the City of San Mateo, County of San Mateo, State of California, as more particularly described in Exhibit A (collectively, the "**Property**").

C. The Child Care Operator and the City are parties to that certain Loan Agreement dated as of _____, 20__ (the "**Loan Agreement**"). Pursuant to the Loan Agreement, the City has made a loan to the Child Care Operator in the amount **four hundred thirty thousand Dollars (\$430,000)** (the "**Loan**") for the development of an approximately **three thousand three hundred seven (3,307)** square foot childcare facility providing child care services for up to **forty-eight (48)** participants (the "**Child Care Facility**").

D. In addition to this Agreement, the Loan is evidenced by certain loan documents, as more particularly set forth in the Loan Agreement (collectively, the "**Loan Documents**"), including, but not limited to a deed of trust executed by the Child Care Operator, as trustor, in

favor of the City, as beneficiary, recorded against the Collateral Property (the "**Deed of Trust**") in the official records of the County of San Mateo (the "Official Records"). The City, the Owner, and the Child Care Operator desire to enter into this Agreement to set forth their mutual understandings regarding the use of a portion of the Property for the Child Care Facility.

THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the City, the Child Care Operator, and the Owner (each a "**Party**", and, collectively, the "**Parties**") hereby agree as follows.

Section 1. Use Restriction. The Child Care Facility shall be used as a licensed child care facility providing child care services for up to **forty-eight (48)** participants, including **eight (8)** spaces for participants whose income does not exceed **eighty percent (80%)** of area median income for the County of San Mateo, in accordance with the Loan Documents (the "**Permitted Use**"). No other use of the Child Care Facility that is inconsistent with the Permitted Use is permitted by this Agreement. Owner and Child Care Operator acknowledge that the City made the Loan to the Child Care Operator, pursuant to the Loan Documents, in consideration for, and in reliance on, the Owner's and Child Care Operator's obligation to restrict the Child Care Facility for the Permitted Use, in accordance with this Agreement, and that the City would not have agreed to make the Loan without the Owner's and Child Care Operator's execution of, and obligation to comply with, this Agreement. The use restriction of the Permitted Use applies only to the ground floor (Suite 1) of the Property. The second floor of the Property is currently leased to another tenant and not part of the Permitted Use.

Section 2. Term of Agreement. The term of this Agreement shall commence as of the Effective Date and shall expire on the day that is ten (10) years from the Effective Date (the "**Term**"). This Agreement shall automatically terminate (without further action of the Parties) upon the expiration of the Term, and as evidenced by the reconveyance of the Deed of Trust; provided, however, upon the written request of the Child Care Operator, following the expiration of the Term, the City shall promptly execute a release, termination or similar document necessary to cause the release of this Agreement as an encumbrance on the title of the Property. The Child Care Operator shall be solely liable and responsible for all costs and expenses related to the removal of this Agreement as an encumbrance against the Property following the expiration of the Term. Any damage to, or destruction of, the Child Care Facility shall have no impact on the Term. The Permitted Use shall terminate upon expiration of the Term or in the event of default, after the tenant default and lender cure period described below.

Section 3. Violations by Child Care Operator and Owner. The use of the Child Care Facility for any use other than the Permitted Use, in accordance with the requirements of this Agreement, shall be a violation of this Agreement. The failure of the Child Care Operator and/or Owner to cure any default in the Child Care Operator's obligations under the terms of this Agreement within thirty (30) days after the delivery of a written notice of default from the City or Owner, or such longer period of time up to an additional sixty (60) days as may be necessary to remedy such default, provided that the Child Care Operator has commenced action during the thirty (30) days necessary to remedy such default and the Child Care Operator is proceeding with reasonable diligence to remedy such default, will constitute a default under this Agreement. In

the event of default by the Child Care Operator, Owner shall have right to replace the Child Care Operator with a new child care operator tenant following the end of the cure period.

Section 4. Remedies.

(a) Subject to the applicable notice and cure period set forth above, the City may exercise any and all remedies available to it under the Loan Documents, or otherwise available at law or equity, with respect to the Child Care Operator's or Owner's failure to satisfy the terms of this Agreement. Child Care Operator and Owner acknowledge that any breach in Child Care Operator's performance of Child Care Operator's obligations under this Agreement would frustrate the public policy objectives desired by the City pursuant to the Loan Documents, and shall cause irreparable harm to the City. Therefore, Child Care Operator and Owner agree that the City is entitled to equitable relief in the form of specific performance, and that an award of damages may not be adequate to compensate the City for Child Care Operator's or Owner's failure to perform according to the terms of this Agreement. The City, in its sole and absolute discretion, may elect the appropriate remedy for Child Care Operator's default under this Agreement. The City, in its sole and absolute discretion, may elect the appropriate remedy for Owner's default under this Agreement.

(b) The City may exercise any and all remedies available to it at law or equity with respect to Owner's failure to have the Child Care Facility used for the Permitted Use for the Term of this Agreement.

Section 5. Covenants to Run With the Land. The Parties hereby declare their express intent that the covenants and restrictions set forth in this Agreement shall run with the land, and shall bind all successors in title to the Property, provided, however, that on the expiration of the Term said covenants and restrictions shall expire. Throughout the Term, each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof shall be held conclusively to have been executed, delivered and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless the City expressly releases such conveyed portion of the Property from the requirements of this Agreement. All of the provisions of this Agreement shall be enforceable as equitable servitudes and shall constitute covenants running with the land pursuant to applicable laws, including without limitation Section 1468 of the California Civil Code. Each covenant to do, or to refrain from doing, some act on the Property hereunder: (a) is for the benefit of the Property and is a burden on the Property, (b) runs with the Property, and (c) is binding upon each Party and each successive Child Care Operator during its operation of the Child Care Facility at the Property or any portion thereof, and shall be a benefit to and a burden upon each Party and the Property hereunder and each other person or entity succeeding in an interest to the Property.

Section 6. Recording and Filing. The Parties shall cause this Agreement, and all amendments and supplements to it (if any), to be recorded against the Property in the Official Records.

Section 7. Amendments, Modifications, and Waivers. This Agreement may not be amended, modified or changed, nor shall any waiver of any provision hereof be effective, except by an instrument in writing and signed by the Parties.

Section 8. Waiver. In accordance with Section 7 above, the City may (but shall not be obligated to) waive any obligation imposed on the Owner and/or Child Care Operator pursuant to this Agreement; provided, however, the City's waiver of any term, covenant, or condition shall not be deemed to be a waiver of such term, covenant or condition of any subsequent breach of the same or any other term, covenant or condition. The City's failure to exercise any right, option or privilege hereunder shall not be deemed a waiver of such right, option or privilege nor shall it relieve the Owner and/or Child Care Operator from: (1) their obligation to perform each and every covenant and condition on their part to be performed, or (2) from any damages or other remedy for failure to perform the obligations of this Agreement.

Section 9. Entire Understanding of the Parties. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the use of the Improvements on the Property. In the event of any conflict between the terms of this Agreement and the Loan Documents, the terms of this Agreement shall prevail. The Parties and their counsel have read and reviewed this Agreement and agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party (including, but not limited to Civil Code Section 1654, as may be amended from time to time) shall not apply to the interpretation of this Agreement.

Section 10. Severability. If any term, provision, covenant or condition of this Agreement is held in a final disposition by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force and effect.

Section 11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to conflict of laws principles. In the event that suit shall be brought by either Party to this Agreement, the Parties agree that venue shall be exclusively vested in the state courts of the County of San Mateo, and the Parties consent to the personal and exclusive jurisdiction and venue of such court.

Section 12. Time. In all matters under this Agreement, the Parties agree that time is of the essence. References in this Agreement to days shall be to calendar days, unless otherwise indicated. If the last day of any period to give or reply to a notice, meet a deadline or undertake any other action occurs on a day that is not a day of the week on which the City of San Mateo is open to the public for carrying on substantially all business functions (a "Business Day"), then the last day for giving or replying to such notice, meeting such deadline or undertaking any such other action shall be the next succeeding Business Day. In no event shall a Saturday or Sunday be considered a Business Day.

Section 13. Notice. All notices given or certificates delivered under this Agreement shall be in writing and be deemed received on the delivery, or refusal, date shown on the delivery receipt, if: (i) personally delivered, (ii) mailed by certified mail, return receipt requested, postage prepaid, addressed as shown below, or (iii) delivered by reputable overnight delivery service with a receipt showing date of delivery. Either of the Parties may, by notice given hereunder,

designate any further or different addresses to which subsequent notices, certificates or communications shall be sent.

City: City of San Mateo
330 W. 20th Avenue
San Mateo, CA 94403
Attention: Community Development Department

Child Care Operator: Mighty Tiger Preschool, LLC
508 Davey Glen Rd
Belmont, CA 94002

Owner CBR Flores LLC
1336 Sanchez Ave.
Burlingame, CA 94010
Attn.: Chris Baker

Section 14. Indemnity.

(a) The Child Care Operator shall indemnify, defend (with counsel reasonably selected by the City), and hold harmless the City and its officers, officials, agents, and employees against any and all liability, claims, actions, causes of action or demands whatsoever against any of them, including any injury or death of any person or damage to property or other liability of any nature, arising out of the Child Care Operator's and Owner's performance of their obligations hereunder, except where the cause of such is solely due to the negligence or willful misconduct of City. The indemnification obligations set forth in this Section shall survive any termination of this Agreement.

(b) The Owner shall indemnify, defend (with counsel reasonably selected by the City), and hold harmless the City and its officers, officials, agents, and employees against any and all liability, claims, actions, causes of action or demands whatsoever against any of them, including any injury or death of any person or damage to property or other liability of any nature, arising out of the Child Care Operator's and Owner's performance of their obligations hereunder, except where the cause of such is solely due to the negligence or willful misconduct of City. The indemnification obligations set forth in this Section shall survive any termination of this Agreement.

(c) The Child Care Operator shall indemnify, defend (with counsel reasonably selected by the Owner), and hold harmless the Owner and its officers, officials, agents, and employees against any and all liability, claims, actions, causes of action or demands whatsoever against any of them, including any injury or death of any person or damage to property or other liability of any nature, arising out of the Child Care Operator's performance of their obligations hereunder and the lease for the Child Care Facility, except where the cause of such is solely due to the negligence or willful misconduct of Owner. The indemnification obligations set forth in this Section shall survive any termination of this Agreement.

Section 15. Discretion Retained by City. The Owner and Child Care Operator acknowledge and agree that nothing in this Agreement shall waive, limit, or otherwise impair any municipal power or authority of any office or department of the City acting in its capacity as a governmental regulatory authority with jurisdiction over the development, use, or operation of the Property.

Section 16. City Approval. The City has authorized the City Manager, or his or her designee, to execute this Agreement and deliver such approvals or consents as are required by this Agreement, and to execute estoppel certificates concerning the status of the Loan and the existence of Child Care Operator' defaults under the Loan Documents.

Section 17. No Third Party Beneficiaries. This Agreement is not intended to create, nor shall it be in any way interpreted or construed to create any third party beneficiary rights in any person not a party hereto.

Section 18. No Partnership. This Agreement shall not be construed to constitute any form of partnership or joint venture between the Parties.

Section 19. Interpretation. The use in this Agreement of the words "including", "such as" or words of similar import when used with reference to any general term, statement or matter shall not be construed to limit such statement, term or matter to the specific statements, terms or matters, unless language of limitation, such as "and limited to" or words of similar import are used with reference thereto. The headings of this Agreement are for convenience only and do not in any way limit or amplify the terms or provisions hereof. All pronouns and variations thereof shall be deemed to refer to the masculine, feminine, or neuter, and to the singular or plural, as the identity of the party or parties may require.

Section 20. Estoppel Certificate. Upon the Owner and/or Child Care Operator's request, the City will execute and deliver to Owner or the Child Care Operator no more than fifteen (15) business days after the Owner's and/or Child Care Operator's written request an estoppel certificate, stating that, to the best of the City's knowledge:

- (a) This Agreement is unmodified and in full force and effect, or, if the Agreement is modified, how it has been modified;
- (b) There is no outstanding default under the Agreement, or identifying any default which exists; and
- (c) Such other matters as may be reasonably requested by the Owner and/or Child Care Operator.

If the Owner and/or Child Care Operator requests an estoppel certificate, and the City does not respond within fifteen (15) business days, the City shall be deemed to have delivered a certificate containing the requested statements.

Section 21. Owner and Child Care Operator Acknowledgement. The Owner and/or Child Care Operator agree and acknowledge that adequate, and good and valuable, consideration has been obtained by the Owner and/or Child Care Operator, pursuant to this Agreement and the

Loan Documents. The Owner and/or Child Care Operator further acknowledges that due to the limitations on the Child Care Operator's use of the Property, as set forth in this Agreement, the Owner and/or Child Care Operator may suffer economic loss or other consequences, including, but not limited to, economic loss or other consequences due to the Child Care Operator's inability to operate, or to permit the operation of, any particular form of business at the Property that does not constitute the Permitted Use. The Owner and/or Child Care Operator, on behalf of themselves and anyone claiming by, through or under the Owner and/or Child Care Operator specifically release and waive any claim against the City for such loss or economic consequences in connection with the limitations imposed pursuant to this Agreement, including but not limited any claim for inverse condemnation or similar claims. By its execution of this Agreement, the Owner and/or Child Care Operator, on behalf of themselves and anyone claiming by, through or under the Owner and/or Child Care Operator, hereby assume the above-mentioned risks and hereby expressly waives any right the Owner and/or Child Care Operator and anyone claiming by, through or under the Owner and/or Child Care Operator, may have against the City pursuant to Section 1542 of the California Civil Code, which reads as follows:

"A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

Section 22. Multiple Originals; Counterparts. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Remainder of Page Left Intentionally Blank

IN WITNESS WHEREOF, the Parties have executed this Agreement by duly authorized representatives, all as of the Effective Date.

CITY:

CITY OF SAN MATEO,
a California municipal corporation

By: _____
Name: Alex Khojikian
Its: City Manager

APPROVED AS TO FORM

CHILD CARE OPERATOR:

MIGHTY TIGER PRESCHOOL,
a California Limited Liability Company

By: _____
Name: Mazarin Vakharia
Its: Assistant City Attorney

By: _____
Name: Geoffrey K. Choy
Its: LLC Member

By: _____
Name: Ruth-Heidi Choy
Its: LLC Member

(Signatures continue on next page)

OWNER:

CBR Flores LLC, a California Limited
Liability Company

By: _____

Name: Chris Baker

Its: Manager

DRAFT

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY
(2575 Flores Street, San Mateo, CA)

BEGINING AT THE INTERSECTION OF THE EASTERLY LINE OF FLORES STREET WITH THE NORTHWESTERLY LINE OF A 15 FOOT EASEMENT FOR STREET OR TRAVEL PURPOSES AND PUBLIC UTILITIES, AS GRANTED BY DEED OF DEDICATION OF EASEMENT FROM STADER, ALSO KNOWN AS FRED WILLIAM STADER, TO THE CITY OF SAN MATEO, A MUNICIPAL CORPORATION, DATED AUGUST 7, 1950 AND RECORDED NOVEMBER 13, 1950 IN BOOK 1974 OF OFFICIAL RECORDS AT PAGE 535, RECORDS OF SAN MATEO COUNTY, CALIFORNIA; THENCE FROM SAID POINT OF BEGINNING, ALONG SAID NORTHWESTERLY LINE, NORTH 70° 44' EAST 167.87 FEET; THENCE LEAVING SAID NORTHWESTERLY LINE, NORTH 27° 41' WEST 40.44 FEET; THENCE SOUTH 70° 44' WEST 151.99 FEET TO THE EASTERLY LINE OF FLORES STREET AS ABOVE MENTIONED; THENCE ALONG SAID EASTERLY LINE SOUTH 1° 58' EAST 3.07 FEET AND ALONG A CURVE TO THE LEFT, WITH A RADIUS OF 305.00 FEET, A CENTRAL ANGLE OF 7° 10' 22", AN ARC DISTANCE OF 38.18 FEET TO THE POINT OF BEGINNING.

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public