

ADJUSTABLE RATE NOTE - UNSECURED

THIS NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGE IN INTEREST RATE AND MONTHLY PAYMENT.

THE PARTIES HAVE PREVIOUSLY AGREED TO A FINANCING AGREEMENT, WHEREBY THE COUNTY LOANED \$477,125 TO PENINSULA CONFLICT RESOLUTION CENTER UNDER THE COUNTY'S NON-PROFIT AGENCY OFFICE PURCHASE LOAN PROGRAM, AND THAT FINANCING AGREEMENT HAVING BEEN TERMINATED AFTER PARTIAL REPAYMENT, THIS NOTE IS INTENDED TO REFLECT THE PARTIES' REMAINING RIGHTS AND RESPONSIBILITIES.

Date: June 8, 2004

I BORROWERS PROMISE TO PAY

For value received, **Peninsula Conflict Resolution Center**, a California non-profit public benefit corporation ("Borrower") promises to pay to the order of the **County of San Mateo**, a political subdivision of the State of California, or its successor-in-interest ("County"), at such place as County shall from time to time designate in writing the principal sum of **Four Hundred Fifty Three Thousand Seven Hundred Seventy Five Dollars (\$453,775.00)** together with interest from the date hereof computed on the principal balances hereof from time to time outstanding at the rate of **1.25%** per annum. The interest rate will change in accordance with Section 3 of this Note. Interest will accumulate with no payments required for a period of twenty-four months ("Deferred Period"), and all interest so accumulated shall be added to the original principal due hereunder. After the Deferred Period, principal and interest shall be payable as hereinafter set forth on the first day of each calendar month commencing July 1, 2006 and continuing until June 30, 2021 (the "Maturity Date"), on which date the entire balance of principal and interest then unpaid shall be due and payable. Should interest not be paid when due, it shall become part of the principal and thereafter bear interest as herein provided. Each payment shall be credited first to interest then due, then to service fees as set forth, and the remainder to principal.

2 PAYMENTS

After the deferral period referenced above, payments shall be made each month on the first day of each month commencing July 1, 2006 as follows:

<u>Date</u>	<u>Payment</u>
July 2006 - June 2009	Interest only + \$6.00 monthly service fee
July 2009 - June 2021	\$2,040.00 per month, including \$6.00 monthly service fee

Monthly payments will be made at San Mateo Office of Housing, 262 Harbor Blvd., Building A, Belmont, CA 94002, or at a different place if required in writing by the County.

3 INTEREST RATE CHANGES

A) Change Dates

The interest rate may change as of the first day of July, 2005, and on that day every year thereafter. Each date on which the interest rate could change is called a "Change Date".

B) The Index

Beginning with the first Change Date, the interest rate will be based on an Index. The "Index" is the annualized net earnings on the County Treasurer's pooled investments for the prior year, as determined by the County Treasurer.

C) Calculation of Changes

Before each Change Date, the County will calculate the new interest rate by multiplying the Current Index by 0.5. The resulting rate will be the new interest rate until the next Change Date.

D) Effective Date of Changes

The new interest rate will become effective on each Change Date.

E) Notice of Changes

The County will deliver or mail a notice of any changes in the interest rate and the amount of the monthly payment prior to the Effective Date of any change. The notice will include information required by law to be given, and the title and telephone number of a person who will answer any questions regarding the notice.

4 BORROWER'S RIGHT TO PREPAY

PCRC has the right to make payments of principal at any time before they are due. A payment of principal only is known as a "Prepayment". If a Prepayment is made, PCRC will notify the County in writing that it is doing so.

PCRC may make a full Prepayment or partial Prepayments. The County will use all Prepayments to reduce the amount of principal owed under this Note. If there is a partial Prepayment, there will be no change in the due dates of monthly payments unless the County agrees in writing to those changes. Partial Prepayment may reduce the amount of interest-only monthly payments.

5 LOAN CHARGES

If a law that applies to this loan and which sets maximum loan charges is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then (1) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (2) any sums already collected from PCRC which exceeded permitted limits will be refunded. The County may choose to make such refund by reducing the principal owed under this Note or by making a direct payment to PCRC. If a refund reduces principal, the reduction will be treated as a partial payment.

6 BORROWER'S FAILURE TO PAY AS REQUIRED

A) Late Charges for Overdue Payments

If the County has not received the full amount of any monthly payment by the end of ten (10) calendar days after the date it is due, PCRC will pay a late charge to the County. The amount of the charge will be 6% of the overdue payment. PCRC will promptly pay the late charge, but only once on each late payment. The late charges may be deducted from any payments the County is contractually obligated to make to PCRC under any current agreement between the County and PCRC.

B) Default

If PCRC does not pay the full amount of each monthly payment on the date it is due, such failure shall constitute a default.

C) Notice of Default

If PCRC is in default, the County may send a written notice stating that failure to pay the overdue amount by a certain date, the County may require immediate payment of the full amount of principal which has not been paid and all interest owed on that amount. Such date must be at least thirty (30) days after the date on which the notice is delivered to PCRC.

D) No Waiver By County

Failure by the County at any time to enforce its right to immediate payment in full for a default as set forth herein does not constitute a waiver by the County of its right to do so in the event of a continued or later default.

E) No Personal Liability

No board, member, director, officer, or employee of PCRC shall be personally liable to County, its successors and assigns, in the event of any default or breach by PCRC or for any amount due to County, its successors and assigns, or for any obligation of PCRC under this Note.

F) Payment of County's Costs and Expenses

If the County has required PCRC to pay immediately in full as described above, the County will have the right to recover all of its cost and expenses in enforcing this Note to the extent not prohibited by applicable law. Such expenses shall include, without limitation, reasonable attorneys' fees and costs. The costs and expenses may be deducted from any payments the County is contractually obligated to make to PCRC under any current agreement between the County and PCRC.

7 GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to PCRC under this Note will be given by personal delivery or by first class mail to: 1660 South Amphlett Blvd., Suite 219, San Mateo, CA 94402, or at a different address if required in writing by PCRC. Any notice that must be given to the County under this Note will be given by mailing it by first class mail to the County at the address set forth in Section 2 with a copy to: County Manager, 400 County Center, Redwood City, CA 94063.

8 WAIVERS

PCRC waives the right of presentment and notice of dishonor. "Presentment" means the right to require the County to demand payment of amounts due. "Notice of Dishonor" means the right to require the County to give notice to other persons that amounts due have not been paid.

In Witness Whereof, this Note has been duly executed by the undersigned authorized representative of PCRC as of its date.

Peninsula Conflict Resolution Center

By: _____

Its: _____