usbank

Bay Area Commercial Banking
One California Street, Suite 2100
San Francisco, CA 94111

July 25, 2012

Rosalind Hamar
Head of School
Valley Montessori School
1273 North Livermore Avenue
Livermore, CA 94551

Dear Rosalind:

U.S. Bank National Association is pleased to consider your request to provide the following facility to Valley Montessori School. A summary of the general terms and conditions of the proposed financing are outlined below:

BORROWER:	Valley Montessori School ("School" or "Borrower")
FACILITY:	**DIRECT PURCHASE OF TAX EXEMPT BONDS ("BONDS")** Tax Exempt Bonds purchased directly by US Bank ("Facility"), with either a floating or fixed rate (or a combination), and monthly principal payments reflecting a 30 year amortization.
BOND PURCHASER:	Firstar Realty, LLC ("Firstar"), an unconsolidated subsidiary of U.S. Bank, National Association.
AMOUNT:	Up to $7,300,000.
PURPOSE:	The Facility will be used to purchase the Bonds. Proceeds from the Bonds are utilized to 1) refinance existing term debt, and 2) finance associated issuing costs.
CLOSING:	The closing ("Closing Date") of the Facility will occur upon execution of the definitive documentation containing the terms and conditions governing the Facility and satisfaction of all conditions precedent.
TERM OF DEBT:	The Bonds have a final maturity of up to 30 years from closing.
AMORTIZATION:	Amortization schedule to be determined, with annual principal payments based on a 30 year mortgage-style amortization.
PRICING:	**Floating Rate:** One month LIBOR Reset Monthly plus a Liquidity

premium of 0.88%, multiplied by the Tax-Exempt Multiplier as described below, plus a spread of 1.10% for a seven year facility.

As of July 25, 2012 the floating rate would be 1.85% for seven years – (0.25% + 0.88%)*.6669 = 0.7869% + 1.10% = 1.85%.

The liquidity premium is an internal funding cost component determined by the Bank, in its sole discretion, based upon the current costs of variable funding in the wholesale market. Such premium may be increased by U.S. Bank prior to the initial funding in the event there is a material change in the financial, bank debt, or capital markets affecting an increase in the cost of such funding.

Fixed Rate: The prevailing Cost of Funds as internally published by the Bank, times the Tax Exempt Multiplier, plus a spread of 1.10%.

As of July 25, 2012 the all-in fixed rate would be:
5 years: (1.43% *.6669) = 0.954% + 1.10% = 2.054%
6 years: (1.67% *.6669) = 1.114% + 1.10% = 2.214%
7 years: (1.88% *.6669) = 1.254% + 1.10% = 2.354%

The fixed interest rate would be subject to a "make whole" prepayment penalty.

Calculations of interest shall be made on the basis of actual number of days elapsed in a 360-day year.

MATURITY DATE: The Facility will have a maturity date of up to seven years after the date of issuance. At the end of the initial commitment period the bonds will provide the Borrower with options to renew the bank purchase mode, switch to a letter of credit structure or pursue a long term fixed rate placement. Each option will be subject to credit approval and market conditions at that time.

UPFRONT FEE: 0.20% of the total Facility amount payable at closing.

FINANCIAL COVENANTS: Shall include the following:

1) Fixed Charge Coverage Ratio Not less than 1.15x, defined as Change in Unrestricted Net Assets plus depreciation expense plus interest expense plus operating leases minus Maintenance Capital Expenditures; divided by Principal Payments plus cash interest plus operating leases. Maintenance Capital Expenditures are defined as 50% of Depreciation, excluding depreciation of real estate. Unrestricted Net Assets are defined to include those assets Restricted for Debt Service, and to exclude the effects of Unrealized Gains and Losses. To be tested quarterly on a trailing four quarter basis.

2) Liquidity – Unrestricted Liquid Assets not less than $750,000 at any time. Unrestricted Liquid Assets are defined to include cash and highly liquid marketable securities, including such assets that are restricted to allow their use for debt service. To be tested on a semi-annual basis.

COLLATERAL: Perfected First Deed of Trust on School Property located in Livermore, CA ("Collateral")

OTHER CONDITIONS: Other negative covenants customary for this type of transaction and acceptable to the Bank and the Borrower, including, without limitation:

- A minimum of 50% of the Bond principal is to have some form of interest rate protection (fixed rate bank purchased bonds, interest rate cap, swap, etc.)
- Restriction on additional indebtedness and liens without Bank approval;
- Restriction on the prepayment of any other indebtedness;
- Restriction on loans or advances to affiliates, employees and/or officers without prior Bank approval;
- Restriction on investments in affiliates without prior Bank approval;
- Restriction on sale of assets;
- Restriction on mergers and acquisitions;
- Standard prohibitions on change of control

PRIMARY BANK ING RELATIONSHIP: Primary operating accounts and short term liquid investments to be maintained at Bank.

FINANCIAL REPORTING: Including but not limited to the following:

- Annual fiscal year end audited financial statements within 120 days of fiscal year end;
- Quarterly company-prepared financial statements, within 45 days of quarter end;
- Signed Quarterly Compliance Certificates, within 45 days of quarter end;
- Quarterly statements indicating Borrower's liquidity position, using the market value of marketable securities, within 45 days of quarter end;
- Annual budget, within 60 days of fiscal year end.

CONDITIONS PRECEDENT: Customary conditions and due diligence to include, without limitation:

- Appraisal of Collateral acceptable to Bank, reflecting an as-proposed Loan-to-Value ratio not exceeding 75%.
- Phase I Environmental Review of Collateral, acceptable to Bank.
- Additional information as requested by Bank.

Review, and Legal Fees, to be borne by Borrower, regardless of whether or not the Facility is closed.

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U.S. BANCORP DEBT RATINGS:	Long Term:	A+	Aa3	AA-
	Short Term:	A-1	P-1	F1+

As we obtain more information, additional substantive conditions will be required and terms may be changed or be supplemented. In addition, upon completion of our analysis and due diligence and if we obtain credit approval of this proposal, we will prepare loan documentation which will include terms and conditions customary to U.S. Bank, as well as warranties and covenants specific to this transaction.

To that end, this letter is an expression of interest only, and it is not a contract, commitment nor intent to be bound. U.S. Bank does not intend that this letter or discussions relative to the terms of this letter create any legal rights or obligations, implicit or explicit, in favor of or against the other party. Also, no oral discussions and/or written agreements shall be in place of or supersede written loan agreements executed by your business and accepted by U.S. Bank.

Please note that this proposal is for your review only. It may not be disclosed to any third party other than your attorney, accountant and authorized agents representing you.

Thank you for discussing your financing needs with U.S. Bank. Should you wish us to continue to consider your credit request, you will be responsible for all of U. S. Bank's out-of-pocket expenses related to this financing request. Please remit $10,000 as a deposit against our out-of-pocket expenses. Amounts remitted pursuant to this proposal letter shall not constitute any form of commitment fee. If you have any questions regarding this letter, please contact Scott Smith at 415-677-3511 or Cecily Person at 415-677-3525.

We look forward to your response and the opportunity to work with you.

Sincerely,

Scott Smith, VP
Relationship Manager

Cecily Person, VP
Portfolio Manager