

March 18, 2021

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VIA FEDEX

Kim Saxton, Head of School
Santa Cruz Montessori School
6230 Soquel Drive
Aptos, California 95003

Kathleen Warfield, CFO
Santa Cruz Montessori School
6230 Soquel Drive
Aptos, California 95003

COPY

Re: Notice of Default

Dear Ms. Saxton and Ms. Warfield:

As you may know, this firm represents U.S. Bank National Association (the "**Bank**") in connection with that certain Continuing Covenant Agreement, dated as of July 1, 2013, and as amended, between Santa Cruz Montessori School, a nonprofit public benefit corporation organized under the laws of the State of California (the "**Santa Cruz**") and the Bank (the "**Agreement**"). Capitalized terms used in this letter but not defined herein shall have the meaning as provided in the Agreement.

As of the date hereof, the Bank hereby declares and notifies Santa Cruz that it is in default under the Agreement for, among other things, the following reasons:

- (a) September 30, 2020 Fixed Charge Coverage Ratio. Pursuant to Section 6.30(a) of the Agreement, Santa Cruz is required to maintain a Fixed Charge Coverage Ratio of not less than 1.15 to 1.00, measured on a quarterly basis on each March 31, June 30, September 30 and December 31. Santa Cruz failed to maintain the required Fixed Charge Coverage Ratio as of September 30, 2020 (the "**September 2020 FCC Default**").
- (b) December 31, 2020 Fixed Charge Coverage Ratio. Pursuant to Section 6.30(a) of the Agreement, Santa Cruz is required to maintain a Fixed Charge Coverage Ratio of not less than 1.15 to 1.00, measured on a quarterly basis on each March 31, June 30, September 30 and December 31. Santa Cruz failed to maintain the required Fixed Charge Coverage Ratio as of December 31, 2020 (the "**December 2020 FCC Default**" and together with the September 2020 FCC Default, the "**Events of Default**").

Pursuant to the terms of the Agreement, upon the occurrence of an Event of Default, the Bank shall have the right: (a) to declare the outstanding amount of the Obligations under this Agreement to be immediately due and payable without presentment, demand, protest or further notice of any kind; (b) to cause a mandatory tender or acceleration of the Bonds or take such other remedial action as is provided for in the Indenture; (c) to take whatever action at law or in equity that may appear necessary or desirable to collect the amounts due and payable under the Related Documents or to enforce performance or observance of any obligation, agreement or covenant of Santa Cruz under the Related Documents, whether for specific performance of any agreement or covenant of Santa Cruz or in aid of the execution of any power granted to the Bank in the Related Documents; (d) to place an administrative freeze on any deposit account of

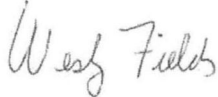
Santa Cruz with the Bank; and (e) to exercise, or cause to be exercised, any and all remedies as it may have under the Related Documents and as otherwise available at law and at equity.

The Bank hereby expressly reserves every right, power and remedy specifically provided by the Agreement, including, but not limited to the rights, powers and remedies described herein, and any related documents, now or hereafter existing at law, in equity or by statute and each and every right, power and remedy, whether specifically given by Santa Cruz or otherwise existing, which may be exercised from time to time and as often and in such order as may be deemed expedient by the Bank and the exercise or beginning of the exercise of any such right, power or remedy shall not be construed as a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. Any action or inaction the Bank determines, in its sole discretion, to take from and after the occurrence of the Events of Default shall not operate as a waiver of any Event of Default or any right or remedy under the Agreement, and will not be deemed to establish a course of conduct nor justify an expectation by Santa Cruz that the Bank will take any further action or continue to not take any action and will not preclude the Bank from exercising any and all remedies available at any time thereafter.

Notwithstanding anything to the contrary contained in this letter, the Bank expressly reserves all rights and remedies available to it under the Agreement in connection with any other Event of Default that has occurred or will occur under the Agreement. Furthermore, nothing contained in this letter is intended to (a) waive or release Santa Cruz from any of its obligations under the Agreement, and/or (b) waive or estop the Bank from pursuing any of its rights or remedies under the Agreement.

Please do not hesitate to contact us with any questions.

Very truly yours,



Wesley O. Fields

WOF/ps

cc: Clark Howatt, ABAG Finance Authority for Nonprofit Corporations, *VIA Fedex*
David Jones, US Bank