

**AMENDED AND RESTATED  
MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT OF RENTS**

**made by**

**PCS BUILDING COMPANY,  
Mortgagor**

**in favor of**

**WELLS FARGO BANK, NATIONAL ASSOCIATION,  
Mortgagee**

**Dated as of \_\_\_\_\_ 1, 2013**

**(THIS MORTGAGE IS ALSO A FIXTURE FINANCING STATEMENT AND  
CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.)**

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The current principal indebtedness secured by the Original Mortgage (defined herein) as amended and supplemented by this Amended and Restated Mortgage is \$\_\_\_\_\_. As a condition to recording the Original Mortgage, Mortgagor paid or caused to be paid on March 31, 2004 mortgage registry tax in the amount of \$26,511.50. This Amended and Restated Mortgage alters the Original Mortgage by providing for an **[increase]** in the amount of debt secured by this Amended and Restated Mortgage by \$\_\_\_\_\_ to \$\_\_\_\_\_. This Amended and Restated Mortgage is a “supplemental mortgage” within the meaning of Minnesota Statutes, § 287.05, **[as a result of which additional mortgage registry tax in the amount of \$\_\_\_\_\_ is payable as a condition to the recording of this Mortgage].**

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This instrument was drafted by:  
Briggs and Morgan, Professional Association (CJC)  
2200 IDS Center  
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Minneapolis MN 55402

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THIS AMENDED AND RESTATED MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT OF RENTS, dated as of \_\_\_\_\_ 1, 2013 (this "Mortgage"), is made between PCS BUILDING COMPANY, a Minnesota nonprofit corporation organized and existing under the laws of the State of Minnesota (the "Company" or the "Mortgagor"), as mortgagor, and Wells Fargo Bank, National Association, a national banking association (the "Trustee" or the "Mortgagee"), as mortgagee. This Mortgage is for the benefit of the Trustee and for the registered owners of the Bonds (defined below).

**WITNESSETH:**

WHEREAS, the City of Ramsey, Minnesota (the "City") previously issued its Lease Revenue Bonds, (PACT Charter School Project) Series 2004A (the "Prior Series A Bonds") and its Taxable Lease Revenue Bonds (PACT Charter School Project) Series 2004B (the "Prior Series B Bonds" and together with the Prior Series A Bonds, the "Prior Bonds"), with a final maturity date of December 1, 2033 for the Series A Bonds and December 1, 2007 for the Series B Bonds; and

WHEREAS, in connection with the issuance of the Prior Bonds and to secure payment of the Prior Bonds, the Company executed a Mortgage, Security Agreement and Assignment of Rents dated as of March 1, 2004, in favor of the Trustee and recorded with the office of the Anoka County Recorder on March 31, 2004, as Document No. 1909296 (the "Original Mortgage"); and

WHEREAS, the Prior Bonds are being restructured with the proceeds of the Bonds (defined below); and

WHEREAS, for the purpose of restructuring the Prior Bonds, the City of Ramsey, Minnesota (the "City") has issued its Lease Revenue Refunding Bonds (PACT Charter School Project) Series 2013A (the "Series A Bonds") and its Taxable Lease Revenue Refunding Bonds (PACT Charter School Project) Series 2013B (the "Series B Bonds") and, with the Series A Bonds, the "Bonds") with a final maturity date of \_\_\_\_\_ 1, 20\_\_ and bearing interest and maturing as provided therein; and

WHEREAS, the City will loan the proceeds of the Bonds to the Company pursuant to a Loan Agreement dated as of the date hereof, between the City and the Company (the "Loan Agreement") for the purpose of advance refunding the Prior Series A Bonds, the proceeds of which were used to finance the acquisition, construction and equipping of an approximately 72,000 square foot kindergarten through grade twelve education facility located at 7250 Ramsey Parkway East Northwest in the City, located on the property legally described on Exhibit A attached hereto (the "Project") and the City's interest in the Loan Agreement, except for certain reserved rights, has been assigned to the Trustee; and

WHEREAS, pursuant to the Loan Agreement, the Company has covenanted, among other things, to make loan repayments sufficient to pay amortized installments of principal and interest on the Bonds when due; and

WHEREAS, the City and the Trustee have required, as a condition for the issuance of the Bonds by the City and for the purchase and acceptance of the Bonds by the Bondholders, that the Company secure the repayment of the Bonds by this Mortgage in the maximum principal amount of \$\_\_\_\_\_.

WHEREAS, as a result of the execution and delivery by the Company of the Loan Agreement, the principal balance of the debt secured by this Mortgage is **[increased]** by the sum of \$\_\_\_\_\_, from \$\_\_\_\_\_ to \$\_\_\_\_\_, and the original loan to the Company, as so amended and **[increased]** is secured by the Original Mortgage, as hereby amended and restated; and

WHEREAS, because of the **[increase]** in the principal amount of the debt secured by this Mortgage, this Mortgage is a “supplemental mortgage” within the meaning of Minnesota Statutes, § 287.05, **[as a result of which additional mortgage registry tax in the amount of \$\_\_\_\_\_ is payable as a condition to the recording of this Mortgage]**, and

WHEREAS, this Mortgage amends and restates in full the Original Mortgage.

NOW THEREFORE, the Company and the Trustee hereby agree as follows:

## ARTICLE I

### DEFINITIONS

The terms defined in this Article I shall for all purposes of this Mortgage have the meanings herein specified or those meanings specified in the Loan Agreement or the Indenture, unless the context clearly requires otherwise:

"*Bonds*" shall mean the Issuer's \$\_\_\_\_\_ Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2013A and its \$\_\_\_\_\_ Taxable Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2013B.

"*Company*" shall mean PCS Building Company, a Minnesota nonprofit corporation, and any successor owner of the Mortgaged Property who agrees to be bound by this Mortgage.

"*Event of Default*" shall mean any event defined as such in Section 8.1 of the Loan Agreement or Section 9.01 of the Indenture, or any default under the Lease or this Mortgage.

"*Indenture*" shall mean the Indenture of Trust, dated as of the date hereof, between the Issuer and the Trustee, as amended and supplemented from time to time.

"*Issuer*" shall mean the City of Ramsey, Minnesota, a municipal corporation organized and existing under the laws of the State of Minnesota, and any successor to its rights, duties and functions.

"*Lease*" means the Amended and Restated Lease Agreement with respect to the Project dated as of the date hereof by and between the Company, as Lessor, and the School, as Lessee, and any amendment thereto.

"*Loan Agreement*" shall mean the Loan Agreement, dated as of the date hereof, between the Company and the Issuer, as amended from time to time.

"*Loan Repayments*" shall mean the payments required to be made by the Company pursuant to Section 4.2(a) of the Loan Agreement.

"*Master Agreement*" shall mean the Master Development Agreement for Ramsey Town Center by and between the Issuer and Ramsey Town Center LLC.

"*Mortgage*" shall mean this Amended and Restated Mortgage, Security Agreement and Assignment of Rents, as amended and supplemented from time to time.

"*Mortgaged Property*" shall mean all real estate, buildings, equipment and other interests as more particularly described in subsections (a) through (g), inclusive, of Section 2.1 hereof, including the real estate described in Exhibit A hereto.

"*Permitted Encumbrances*" shall mean those encumbrances set forth in Section 3.2 hereof and Exhibit B hereto.

"*Pledged Accounts*" shall mean the right to receive all receipts, revenues and income derived by the Company, or on behalf of the Company by the Issuer or the Trustee or a receiver, from the Mortgaged Property, including, without limiting the generality of the foregoing, revenues derived from the operation of the Mortgaged Property, whether in the form of accounts receivable, contract rights, general intangibles or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence.

"*School*" means PACT Charter School, a Minnesota nonprofit corporation, formed as a public (charter) school.

"*Trustee*" shall mean Wells Fargo Bank, National Association, and any successor trustee under the Indenture.

## ARTICLE II

### MORTGAGE AND SECURITY INTEREST

Section 2.1. ***Mortgage and Security Interest.*** In order to secure, and as security for, (i) the making of the Loan Repayments by the Company to the Trustee for the account of the Issuer and the benefit of registered owners of the Bonds, pursuant to the Loan Agreement, and (ii) the performance and observance by the Company of all of the other covenants, agreements, representations, warranties and conditions contained herein or in the Loan Agreement, the Company by these presents does hereby sell, assign, mortgage, grant, convey, transfer, pledge, set over and confirm unto the Trustee, and its successors and assigns forever, with power of sale, and grant a lien and security interest in, the Mortgaged Property, consisting of all and singular the following described premises and property of the Company:

(a) That real estate lying and being in the City of Ramsey, located in Anoka County, Minnesota, described in Exhibit A attached hereto and made a part hereof as though set forth in full herein;

(b) All buildings, improvements, structures and appurtenances now standing, or at any time hereafter constructed or placed upon the real estate described in Exhibit A attached hereto and made a part hereof as though set forth in full herein or any part thereof, including all right, title and interest of the Company in and to all building material, plants, fixtures and trade fixtures of every kind and nature whatsoever on said premises or in any building now or hereafter standing on said real estate, or any part thereof;

(c) The reversion or reversions, remainder or remainders, in and to the real estate described in Exhibit A hereto and each and every part thereof, together with the entire interest of the Company in and to all and singular the tenements, hereditaments, easements, rights, privileges and appurtenances to said real estate belonging or in any way appertaining thereto;

(d) All the estate, right, title, interest, claim or demand whatsoever of the Company, either in law or in equity in possession or expectancy, of, in and to the real

estate described in Exhibit A hereto, it being the intention of the parties hereto that so far as may be permitted by law, all tangible personal property now owned or hereafter acquired by the Company and affixed to or attached to said real estate shall be deemed to be, and shall be considered as, fixtures and appurtenances to said real estate of the Company;

(e) All of the Company's right, title and interest, if any, in and to any streets, rights-of-way, and alleys on or adjoining the real estate described in Exhibit A hereto;

(f) All and singular the furniture, goods, equipment, machinery, inventory and other tangible personal property owned by the Company used or suitable for use in the operation or maintenance of the real estate described in Exhibit A hereto and located on the real estate described in Exhibit A hereto, and any items of furniture, goods, equipment, machinery, inventory and other tangible personal property acquired and installed on the real estate described in Exhibit A hereto in addition thereto or in substitution or replacement therefor, and any proceeds of the same, less any such item as may be released from the lien of this Mortgage pursuant to the terms hereof or of the Loan Agreement; and

(g) All of the Company's present and future Pledged Accounts arising out of or in connection with the Mortgaged Property, and all proceeds thereof.

TO HAVE AND TO HOLD, all and singular, the Mortgaged Property and the rights and privileges hereby granted, mortgaged, conveyed, assigned and pledged by the Company or intended so to be, ratably unto the Trustee and its successors and assigns forever, in trust, nevertheless, with power of sale for the equal and pro rata benefit and security of each and every registered owner of the Bonds issued under the Indenture, without preference, priority or distinction as to the participation in the lien, benefit and protection hereof of one Bond over or from the others, by reason of priority in the issue or negotiation or maturity thereof, or for any reason whatsoever, except as otherwise expressly provided in the Indenture or the Loan Agreement, so that each and all of such Bonds hereby secured shall have the same right, lien and privilege under this Mortgage and shall be secured equally hereby;

SUBJECT, NEVERTHELESS, to Permitted Encumbrances;

PROVIDED, NEVERTHELESS, and these presents are upon the express condition, that if the Company, or their respective successors or assigns, shall well and truly pay all Loan Repayments applicable to the Bonds on behalf of the Issuer according to the provisions set forth in the Loan Agreement (which is by reference incorporated herein and made a part hereof with the same effect as if it were set forth in full herein) and shall also pay or cause to be paid all other sums payable under the Loan Agreement by the Company and the Company shall faithfully and punctually perform all other conditions, covenants and agreements set forth in the Loan Agreement on behalf of the Issuer, then these presents and the estate, lien, security interests and rights hereby granted shall cease, determine and become void, and thereupon the Trustee, on payment of its lawful charges and disbursements then unpaid, on demand of the Company, shall duly execute, acknowledge and deliver to the Company such instruments of satisfaction or release in respect of the Mortgaged Property as may be necessary or proper to discharge this

Mortgage of record, and if necessary shall grant, reassign and deliver to the Company, its successors or assigns, all and singular the property and interest by it hereby granted, conveyed, mortgaged and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as provided in the Loan Agreement; otherwise this Mortgage shall be and remain in full force.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto that all of the Mortgaged Property is to be held and applied, subject to the covenants, agreements and conditions set forth in the Loan Agreement and herein.

Section 2.2. ***Payments and Performances Secured.*** This Mortgage shall cover and secure:

(a) Payment of any and all Loan Repayments pursuant to the Loan Agreement, together with any renewals or extensions thereof but only to the extent such Loan Repayments are applied or will be applied to the payment of the Bonds. Notwithstanding anything to the contrary contained herein, the maximum principal amount secured hereby is \$\_\_\_\_\_.

(b) Performance of each covenant, agreement or condition of the Company set forth in the Loan Agreement.

(c) The final maturity dates of the obligations secured by this Mortgage are \_\_\_\_\_ 1, 20\_\_ for the Series A Bonds and \_\_\_\_\_ 1, 20\_\_ for the Series B Bonds.

Section 2.3. ***Remedies Upon Event of Default.*** If one or more Events of Default shall have occurred and be continuing, the Trustee shall be entitled to exercise any or all of the remedies set forth or provided in the Loan Agreement, the Indenture or herein, to the extent permitted by law, including, but not limited to, (i) petitioning a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate the Mortgaged Property for the benefit of the Issuer, and (ii) declaring all Loan Repayments under the Loan Agreement applicable to the payment of the Bonds immediately due and payable without notice, and the Trustee is hereby authorized and empowered to the extent as may from time to time be permitted by law, to foreclose this Mortgage by judicial proceedings or by advertisement with full authority to sell the Mortgaged Property at public auction and convey the same to the purchaser in fee simple in accordance with the laws of the State of Minnesota, and out of the moneys arising from such sale to retain all sums secured hereby, together with interest and all legal costs and charges of such foreclosure, which costs and charges the Company agrees to pay.

Without limiting the foregoing, upon an Event of Default the Trustee shall have the right, to the extent as may from time to time be permitted by law, to:

(a) Foreclose on this Mortgage, enter and take possession of the Mortgaged Property or any part thereof without termination of the Loan Agreement, and use its best efforts to lease for any commercial purpose or foreclose and sell the Mortgaged Property or any part thereof for the account of the Company, holding the Company liable, to the extent permitted by law, for the difference between the amounts received and the Loan

Repayments and other amounts payable by the Company under the Loan Agreement or otherwise secured hereby, but only such Loan Repayments as are applicable to the payment of the Bonds;

(b) Foreclose on this Mortgage, terminate the Loan Agreement, exclude the Company from possession of the Mortgaged Property or any part thereof and use its best efforts to lease for any commercial purpose or sell the Mortgaged Property or any part thereof, subject to the Master Agreement, to another for the account of the Company, holding the Company liable, to the extent permitted by law, for the difference between the amounts received and the Loan Repayments and other amounts payable by the Company under the Loan Agreement or otherwise secured hereby, but only such Loan Repayments as are applicable to the payment of the Bonds;

(c) Foreclose on this Mortgage, terminate the Loan Agreement, exclude the Company from possession of the Mortgaged Property or any part thereof, and all Loan Repayments theretofore made by the Company shall be retained and applied to the payment of principal of and interest on the Bonds, and all interest of the Company in the Mortgaged Property shall terminate;

(d) Exercise any remedies available to a secured party under the Minnesota Uniform Commercial Code; and

(e) Pay the costs and expenses incurred by the Issuer, the Trustee, their agents and counsel, including reasonable fees and disbursements of the attorneys involved to the extent permitted by law; provided, however, that the Trustee shall distribute to the registered owners of the Bonds, as partial payment of the Bonds in the case of any Event of Default, all moneys in the Reserve Fund not needed for the expenses of the Issuer or the Trustee, prior to commencing any foreclosure hereunder.

The Company agrees, to the extent permitted from time to time by law, to pay to the Trustee any deficiency which may be assessed against the Company, such deficiency being the difference between (i) the amounts received from foreclosure of this Mortgage and remedies pursued under the Minnesota Uniform Commercial Code or otherwise and (ii) the aggregate amount remaining unpaid as principal of and interest on the outstanding Bonds.

Section 2.4. ***Right of Entry.*** If the Trustee exercises one of the remedies provided for in subsection (a), (b) or (c) of Section 2.3 hereof, pursuant to a foreclosure of this Mortgage, the Trustee may then or at any time thereafter, to the extent permitted from time to time by law, take complete and peaceful possession of the Mortgaged Property or any portion thereof, and may remove all persons therefrom, and the Company covenants in any such event, to the extent required from time to time by law, peacefully and quietly to yield up and surrender the Mortgaged Property or such portion thereof to the Trustee.

Section 2.5. ***Assignment of Rents, Profits and Other Income; Receivership.*** As additional security for the obligations secured by this Mortgage, the Company does hereby bargain, sell, assign and set over unto the Trustee all the rents, profits and other income of any

kind which, whether before, during or after foreclosure or during any period of redemption, shall accrue and be owing for the use or occupation of the Mortgaged Property or any part thereof.

The Company agrees that upon or any time after (i) the occurrence of an Event of Default, (ii) the first publication of any notice of sale for the foreclosure of this Mortgage, (iii) the commencement of any action to foreclose this Mortgage pursuant to Minnesota law, or (iv) the commencement of any period of redemption after foreclosure of this Mortgage, then in any such event, the Trustee shall be entitled, but shall not be required, to apply to the appropriate court in the County where the Mortgaged Property is located, by an action separate from any permissible foreclosure for the appointment of a receiver for the rents, profits and all other income of every kind which shall accrue and be owing for the use or occupation of the Mortgaged Property or any part thereof. The court shall determine the amount of the bond to be posted by any receiver. The receiver, who shall be an experienced manager of facilities similar to the Mortgaged Property, if available, shall collect (until the indebtedness secured hereby is paid in full and, in the case of a foreclosure sale, during the entire redemption period, if any) the rents, profits and all other income of any kind from the Mortgaged Property, manage the Mortgaged Property so as to prevent waste, execute leases without or beyond the period of the receivership, if approved by the court, and apply all rents, profits and other income collected by such receiver in the following manner and in the following order of priority:

(a) reasonable fees (including reasonable attorney's fees) of the receiver, the Issuer and the Trustee;

(b) expenses for normal maintenance, operation and management of the Mortgaged Property; and

(c) the balance to the Trustee to be credited against the obligations secured hereby, and, with respect to that to be credited against amounts owed on the Bonds, in the manner set forth in the Indenture, or to the amount required to be paid to effect a reinstatement or redemption, as the case may be, pursuant to law, if applicable.

The receiver shall file periodic accountings as the court determines are necessary and a final accounting at the time of such receiver's discharge. The Trustee shall have the right, but shall not be required, at any time and without limitation, to the extent provided by law, to advance money to the receiver to pay any part or all of the expenses which the receiver should otherwise pay if cash were available from the Mortgaged Property, and sums so advanced, with interest at the rate provided in the Loan Agreement, shall be a part of the sum required to be paid to redeem from any sale. Said sums shall be proved by the affidavit of the Trustee, its agents or attorneys, describing the expenses for which the same were advanced and describing the real estate, if such must be filed for record in the office where this Mortgage is recorded, and a copy thereof shall be furnished to the sheriff and the receiver at least 10 days before the expiration of any period of redemption.

The expense (including any receiver's fees, attorney's fees, costs and agent's compensation) incurred pursuant to the powers herein contained shall be deemed to be immediately due and payable by the Company to the Trustee and shall be secured hereby. The

Trustee shall not be required to take any action under this Section unless it is indemnified to its satisfaction.

Section 2.6. *Acknowledgment of Waiver of Hearing Before Sale.* Company understands and agrees that if an Event of Default occurs under the terms of this Mortgage, Trustee has the right, inter alia, to foreclose this Mortgage by advertisement pursuant to Minnesota Statutes, Chapter [580], as hereafter amended, or pursuant to any similar or replacement statute hereafter enacted; that if Trustee elects to foreclose by advertisement, it may cause the Mortgaged Property, or any part thereof, to be sold at public auction; that notice of such sale must be published for six (6) successive weeks at least once a week in a newspaper of general circulation and that no personal notice is required to be served upon the Company. The Company further understands that in the event of such default Trustee may also elect its rights under the Minnesota Uniform Commercial Code and take possession of the collateral, or any part thereof, and dispose of the same by sale or otherwise in one or more parcels provided that at least ten days' prior notice of such disposition must be given, all as provided for by the Minnesota Uniform Commercial Code, as hereafter amended or by any similar or replacement statute hereafter enacted. The Company further understands that under the Constitution of the United States and the Constitution of the State of Minnesota it may have the right to notice and hearing before the Mortgaged Property may be sold and that the procedure for foreclosure by advertisement described above does not insure that notice will be given to the Company and neither said procedure for foreclosure by advertisement nor the Minnesota Uniform Commercial Code requires any hearing or other judicial proceeding. THE COMPANY HEREBY RELINQUISHES, WAIVES AND GIVES UP ANY CONSTITUTIONAL RIGHTS IT MAY HAVE TO NOTICE AND HEARING BEFORE SALE OF THE MORTGAGED PROPERTY AND EXPRESSLY CONSENTS AND AGREES THAT THE MORTGAGED PROPERTY MAY BE FORECLOSED BY ADVERTISEMENT AND THAT THE COLLATERAL MAY BE DISPOSED OF PURSUANT TO THE MINNESOTA UNIFORM COMMERCIAL CODE, ALL AS DESCRIBED ABOVE. THE COMPANY ACKNOWLEDGES THAT IT IS REPRESENTED BY LEGAL COUNSEL; THAT BEFORE SIGNING THIS DOCUMENT, THIS SECTION AND THE COMPANY'S CONSTITUTIONAL RIGHTS WERE FULLY EXPLAINED BY SUCH COUNSEL AND THAT THE COMPANY UNDERSTANDS THE NATURE AND EXTENT OF THE RIGHTS WAIVED HEREBY AND THE EFFECT OF SUCH WAIVER.

### **ARTICLE III**

#### **REPRESENTATIONS, COVENANTS AND PERMITTED ENCUMBRANCES**

Section 3.1. *Warranty of Title.* The Company hereby covenants and warrants that it is and will continue to be well and truly seized of good title in fee simple to the Mortgaged Property and that it has good right and lawful authority to convey and grant a lien and security interest in the same to the Trustee and that the title, lien and security interest hereby conveyed is and will forever be free, clear and unencumbered, subject, however, to Permitted Encumbrances. The Company covenants and agrees to warrant and defend its good and insurable title to the Mortgaged Property (subject to Permitted Encumbrances) and its good right and lawful authority to grant a lien and security interest in the same to the Trustee.

Section 3.2. **Permitted Encumbrances.** "Permitted Encumbrances" shall mean, with respect to the Mortgaged Property, the Lease and the following:

(a) **[the Subordinate Loan including the Line of Credit in an amount up to \$600,000;]**

(b) liens for taxes, levies, assessments, utility rents, rates and charges, licenses or permits or other impositions, provided that in each case the same shall either (i) not be due and payable, (ii) not be delinquent to the extent that penalties for nonpayment may then be assessed, or the Mortgaged Property or any portion thereof, shall then be subject to forfeiture, or (iii) be a lien, the amount or validity of which is being contested in good faith by the Company in accordance with Section 4.5 of the Loan Agreement;

(c) mechanics', workmen's, repairmen's, supplier's, vendors' or carriers' liens or other similar liens, provided that the contract price secured by the lien is not yet due or the amount or validity of the lien shall be contested in good faith by the Company in accordance with Section 4.4 of the Loan Agreement;

(d) financing statements naming the Issuer or the Company as debtor and naming the Issuer or the Trustee as secured party, filed to perfect the security interests granted by the Indenture, the Loan Agreement and this Mortgage;

(e) rights of the United States or any state or political subdivision thereof (which for purposes of this definition shall include any taxing or improvement district), or other public or governmental authority or agency, to take, use or control property or to terminate any right, power, franchise, grant, license or permit previously in force;

(f) any leases or subleases or assignments permitted under Section 7.1 of the Loan Agreement;

(g) the pendency or filing of any application or proceedings seeking to annex or rezone the Mortgaged Property or any portion thereof, or to include it in any political subdivision;

(h) those liens, encumbrances, easements, servitudes, licenses, rights-of-way described in Exhibit B attached hereto; and

(i) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the Mortgaged Property and as do not, in the opinion of independent counsel delivered to the Issuer, materially impair the property affected thereby for the purposes of the Mortgaged Property.

Section 3.3. **Hazardous Materials.** The Company covenants, warrants and represents to the Trustee, its successors and assigns, (i) that to the best of the Company's knowledge, without independent investigation, and except as disclosed to the Trustee in writing, no dangerous, toxic or hazardous pollutants, chemical wastes or substances as defined in the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA"), or the Federal Resource Conservation and Recovery Act of 1976 ("RCRA"), or the Minnesota

Environmental Response and Liability Act, (the "MERLA"), or any other federal, state or local environmental laws, statutes, regulations, requirements and ordinances ("Hazardous Substance") are present on the Mortgaged Property; (ii) that, to the best of the Company's knowledge, no part of the Mortgaged Property is listed in the United States Environmental Protection Agency's National Priorities List of Hazardous Waste Sites or in any list of hazardous waste priorities in the State of Minnesota; (iii) that the Company shall not store, locate, generate, treat or discharge any Hazardous Substance in, on or from the Mortgaged Property except in compliance with CERCLA, RCRA, the MERLA, and other applicable federal, state or local environmental laws, statutes, regulations, requirements and ordinances (collectively, "Environmental Regulations"); and (iv) that the Company shall cause all Hazardous Substances found on or in the Mortgaged Property (including Hazardous Substances on the Mortgaged Property on the date of the issuance and delivery of the Bonds) to be properly removed therefrom and properly disposed of to the extent required by and in accordance with all applicable Environmental Regulations and shall comply with all applicable Environmental Regulations with respect to the Mortgaged Property. The Company agrees to indemnify and reimburse the Trustee, the registered owners of the Bonds, their successors and assigns, and any successor owner of the Mortgaged Property acquiring title upon foreclosure of the Mortgage or deed in lieu of foreclosure, for any breach of these representations and warranties and from any loss, damage, expense or cost arising out of or incurred by them or any of them which is a result of a breach, misstatement of or misrepresentation of the above covenants, representations and warranties, together with all attorneys' fees incurred in connection with the defense of any action against the Trustee arising out of the above unless caused by the Trustee. Promptly after receipt by a person or party indemnified hereunder of notice of commencement of any action in respect of which indemnity may be sought against the Company under this Section, such person or party will notify the Company in writing of the commencement thereof and, subject to the provisions hereinafter stated, the Company shall assume the defense of such action (including the employment of counsel, who shall be counsel satisfactory to the Company and the indemnified person or party) insofar as such action shall relate to any alleged liability in respect of which indemnity may be sought against the Company. The indemnified person or party shall have the right to employ separate counsel in any such action, and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the Company unless the employment of such counsel has been specifically authorized by the Company. The Company shall not be liable to indemnify any person or party for any settlement of any such action effected without its prior written consent. These covenants, representations and warranties are for the benefit of the Trustee, the registered owners of the Bonds, their successors and assigns, and any successor owner of the Mortgaged Property acquiring title upon foreclosure of the Mortgage or deed in lieu of foreclosure, and shall be deemed to survive termination of this Mortgage.

#### **ARTICLE IV**

##### **REMOVAL OF MORTGAGED PROPERTY; EASEMENTS; ADDITION OF IMPROVEMENTS TO LIEN OF MORTGAGE; RELEASE**

Section 4.1. *Removal of Mortgaged Property.* The Company will not physically move any portion of the Mortgaged Property or relocate any portion necessarily incident to its operations to any site which is not a part of the Mortgaged Property unless this Mortgage is

appropriately amended to include such site within the lien hereof; provided, that unnecessary or obsolete personal property may be removed without replacement and other personal property may be removed so long as the Company replaces such personal property with other personal property of substantially similar value or utility.

Section 4.2. ***Grant of Easements, Liens, Etc.*** The Company may at any time or times grant to itself or others easements, licenses, rights of way and other rights or privileges in the nature of easements with respect to the Mortgaged Property, free from the lien of this Mortgage, or the Company may release existing easements, licenses, rights of way and other rights or privileges with or without consideration, and the Trustee will execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or privilege; provided, however, that prior to any such grant or release, the Company shall provide to the Trustee a certificate from the Company to the effect that such grant or release does not adversely and materially affect the value or the operation of the Mortgaged Property or the security of the Trustee.

Section 4.3. ***Addition of Improvements to Lien of Mortgage.*** All buildings, structures or improvements which may be acquired or constructed by the Company subsequent to the date hereof and which are located on the real estate described in Exhibit A hereto, all property of every kind or nature added to or installed in building, structure or improvement located on said land, and all equipment located on said land, acquired by the Company after the date hereof, shall, immediately upon the acquisition thereof by the Company, and without any further conveyance or assignment, become subject to the mortgage, lien and security interest of this Mortgage. Nevertheless, the Company, will do, execute, acknowledge and deliver all and every such further actions, conveyances and assurances as the Trustee shall require for accomplishing the purpose of this Section.

Section 4.4. ***Release.*** Upon payment in full of the Bonds (so that such Bonds are no longer Outstanding under the Indenture) and all other obligations secured by this Mortgage, this Mortgage shall be released of record, and the Trustee agrees to execute a release of this Mortgage.

Section 4.5. ***Partial Release.*** The Company shall have the right, in its sole discretion and at any time, to subdivide the Mortgaged Property into two or more separate parcels of land in accordance with any subdivision law in effect at the time the Company elects to subdivide, provided, (i) upon completion of the subdivision the Mortgaged Property shall be on a separate parcel that may legally be conveyed as a separate parcel (the "Mortgaged Property Parcel"), independent of the other resulting parcels. In the event the Company elects to subdivide, the Trustee shall, without expense to Trustee, (i) cooperate with that subdivision by executing any plat or consent to plat or other instrument required in connection with the subdivision process and (ii) upon completion of the subdivision process, the Trustee shall release of record all of the Mortgaged Property except the Mortgaged Property Parcel.

## ARTICLE V

### MISCELLANEOUS

Section 5.1. **Recording.** The Company will cause this Mortgage and all supplements hereto and any other instruments of further assurance to be promptly recorded, filed and registered, and at all times to be recorded, filed and registered, in such manner and in such places as may be required by law fully to preserve and protect the rights of the Trustee hereunder as to all Mortgaged Property.

Section 5.2. **Title Opinion or Title Insurance.** The Company will furnish to the Trustee simultaneously with the recordation and filing of this Mortgage, (i) a title opinion in form satisfactory to the Trustee, or (ii) an A.L.T.A. form of Mortgagee insurance policy naming the Trustee as mortgagee, insuring that the Company has good and marketable fee simple title to the real estate comprising the Mortgaged Property, subject only to this Mortgage and Permitted Encumbrances as defined herein. Moreover, the Company will furnish to the Trustee promptly after the execution and delivery of each supplemental instrument of further assurance, an opinion of counsel stating that, in the opinion of such counsel, such supplemental instrument of further assurance has been properly recorded, filed and/or registered in each requisite jurisdiction and reciting the date or dates of such recordation, filing and/or registration.

Section 5.3. **Binding Effect; Mortgage Covenants.** All terms, covenants, conditions and agreements of the Company contained herein or set forth in this Mortgage shall be binding upon the Company, its successors and assigns, and every covenant, condition and agreement herein contained or set forth in the Loan Agreement in favor of the Trustee shall apply to and inure to the benefit of the Trustee, its successors or assigns. This Mortgage is expressly made subject to all terms, conditions, covenants and agreements set forth in the Loan Agreement. The representations and warranties made in this Mortgage shall survive the closing of the financing transaction contemplated hereby and remain valid and effective for the term of this Mortgage.

This Mortgage contains Minnesota mortgage covenants and is subject to Minnesota statutory mortgage conditions for the breach of which it is subject to foreclosure as required by law.

Section 5.4. **Amendments.** Except as provided in Article IV hereof, this Mortgage may not be amended.

Section 5.5. **Use of Mortgaged Property; Redemption; Insurance.** It is recognized by the parties hereto that unless and until an Event of Default shall have occurred under the Loan Agreement, and the Trustee shall have exercised one of the remedies under Article II hereof, the Company shall have the unencumbered right to the use of the Mortgaged Property in the ordinary course of its business, subject to the Loan Agreement. The Company has agreed in Article IV of the Loan Agreement to maintain specific types of insurance in specific amounts.

Section 5.6. ***Exercise of Trustee Rights.*** All proceeds obtained by the Trustee in the exercise of rights and remedies hereunder shall be applied as set forth in Article IX of the Indenture.

Section 5.7. ***This Instrument is a Fixture Financing Statement.*** This instrument shall be deemed to be a Fixture Financing Statement within the meaning of the Minnesota Uniform Commercial Code:

- (a) Name and address of Debtor: PCS Building Company  
c/o PACT Charter School  
7250 Ramsey Parkway East Northwest  
Ramsey, MN 55303  
Attention: Chief Financial Officer  
Organizational No. 1Z-125
- (b) Name and address of Secured Party: Wells Fargo Bank, National Association  
MAC: N9311-115  
625 Marquette Avenue, 11<sup>th</sup> Floor  
Minneapolis, MN 55479  
Attn: Corporate Trust Services
- (c) Description of the types or items of property covered by this Financing Statement: See Section 2.1 hereof

Description of real estate to which the collateral is attached or upon which it is located is attached as Exhibit A hereto.

Some of the above-described collateral is or is to become fixtures or trade fixtures upon the real estate described upon Exhibit A hereto, and this Financing Statement is to be filed for record in the real estate records of Anoka County, Minnesota.

Section 5.8. **Counterparts.** This Mortgage may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.9. **Notices.** All notices, certificates or other communication required to be given to the Company and the Trustee in accordance with the provisions of the Mortgage shall be given to those parties at the addresses set forth in Section 5.7 above or at such other addresses as the parties may direct by written notice to each other.

IN WITNESS WHEREOF, the parties have caused this Mortgage, Security Agreement and Assignment of Rents to be executed as of the date first above written.

PCS BUILDING COMPANY, a Minnesota nonprofit corporation

By: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF MINNESOTA    )  
  )ss.  
COUNTY OF ANOKA     )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2013, by \_\_\_\_\_, the \_\_\_\_\_ of PCS Building Company, a Minnesota nonprofit corporation, on behalf of the corporation.

\_\_\_\_\_  
Notary Public

(SEAL)



**EXHIBIT A**

**MORTGAGED REAL ESTATE**

Lot 1, Block 1, Ramsey Town Center, Anoka County, Minnesota

## **EXHIBIT B**

### **PERMITTED ENCUMBRANCES**

1. Real estate taxes and assessments not yet due and payable.
2. Easement for utilities and drainage as shown on the recorded plat.
3. Terms and conditions of City of Ramsey Master Development Agreement for Ramsey Town Center dated September 17, 2003, filed September 24, 2003, as Document No. 1854364.
4. Limitation of right of access to Ramsey Boulevard taken in Final Certificate filed August 28, 1985, as Document No. 684425.
5. Terms and conditions of Declaration of Restrictive Covenant Regarding Banking or Financial Institution Agreement dated September 24, 2003, filed September 26, 2003, as Document No. 1855389.
6. Lack of right of access to and from the subject property.
7. Involuntary liens.
8. The Amended and Restated Lease Agreement dated as of \_\_\_\_\_ 1, 2013 between the Company and PACT Charter School as evidenced by that certain Amended and Restated Memorandum of Lease dated as of \_\_\_\_\_ 1, 2013, and recorded in the Office of the County Recorder of Anoka County, Minnesota on \_\_\_\_\_, 2013, as document number \_\_\_\_\_.