

ESCROW AGREEMENT

by and between

CITY OF RAMSEY, MINNESOTA

PCS BUILDING COMPANY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Escrow Agent

Dated as of _____ 1, 2013

Relating to

City of Ramsey, Minnesota
Lease Revenue Bonds, Series 2004A
(PACT Charter School Project)

This instrument was drafted by:
BRIGGS AND MORGAN (CJC)
2200 IDS Center
80 South Eighth Street
Minneapolis, Minnesota 55402-2157

THIS ESCROW AGREEMENT, dated as of _____ 1, 2013, by and between the **CITY OF RAMSEY, MINNESOTA**, a municipal corporation (the “Issuer”), **PCS BUILDING COMPANY**, a Minnesota nonprofit corporation (the “Borrower”), and **WELLS FARGO BANK, NATIONAL ASSOCIATION** in its capacity as trustee for the Prior Bonds (as hereafter defined) (the “Escrow Agent”):

WITNESSETH:

WHEREAS, the Issuer previously issued its Lease Revenue Bonds, Series 2004A (PACT Charter School Project) dated as of March 1, 2004 (the “Prior Bonds”) pursuant to that certain Indenture of Trust dated as of March 1, 2004 by and between the Issuer and Wells Fargo Bank, National Association (the “Original Indenture”).

WHEREAS, the Borrower has requested that the Issuer issue Lease Revenue Refunding Bonds (PACT Charter School Project) Series 2013A (the “Refunding Bonds”) for the purpose of, among other things, refunding in advance of their maturities the outstanding Prior Bonds as hereinafter provided.

WHEREAS, the Refunding Bonds are to be issued pursuant to that certain Indenture of Trust dated as of _____ 1, 2013 (the “Indenture”).

WHEREAS, \$_____ proceeds from the sale of the Refunding Bonds, and \$_____ from the sinking funds held under the Original Indenture and \$_____ held in the reserve fund under the Original Indenture are on hand or are being remitted to the Escrow Agent and are being used to establish a cash balance of \$_____ and the remainder will be used to purchase certain Escrow Securities, as specified in this Escrow Agreement, which Escrow Securities will be held by the Escrow Agent and be set apart and irrevocably segregated in a special trust fund to provide for the discharge of the Prior Bonds as provided in this Escrow Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants set forth in this Escrow Agreement, the parties hereto agree as follows:

Section 1. The Prior Bonds shall be called for optional redemption on June 1, 2014, and paid and redeemed at a redemption price of 102% of their principal amount. Escrow Agent agrees to pay the principal and interest on the Prior Bonds due on or before June 1, 2014. The Escrow Agent shall give proper notice of such redemption as provided in Article III of the Original Indenture and in the Notice of Redemption attached hereto as Exhibit A.

Section 2. (a) There is hereby created and established with the Escrow Agent a special, segregated and irrevocable account designated the Escrow Fund to be held in trust by the Escrow Agent.

(b) The Escrow Fund shall be invested in certain federal securities as described in Exhibit B hereto (in the aggregate the “Escrow Securities”), provided that such term may include any other securities acquired under section 12 of this Escrow Agreement. The Escrow Securities, together with the interest to be earned thereon and a beginning cash balance of \$_____ shall be used to pay principal and interest when due on the Prior Bonds on or before June

1, 2014 and to refund the Prior Bonds by the payment of the principal of, premium on, and interest on the Prior Bonds due on or before June 1, 2014.

(c) The Issuer and the Escrow Agent acknowledge receipt of a report of _____, an independent accountant (the "Accountant"), to the effect that the uninvested amounts in the Escrow Fund and the Escrow Securities, together with the interest to be earned thereon, will be sufficient to refund the Prior Bonds by the payment of the principal of, premium on, and interest on the Prior Bonds when due (by reason of maturity or early redemption on or before June 1, 2014).

Section 3. The deposits made pursuant to section 2 hereof constitute an irrevocable deposit held in trust for the benefit of the holders of the Prior Bonds, and the uninvested amounts in the Escrow Fund and the Escrow Securities, together with any income or interest earned thereon, shall be held in trust and shall be applied solely for the Prior Bonds in accordance with the provisions hereof and the Indenture.

Section 4. Except as set forth in this Escrow Agreement, the Escrow Agent shall have no other power or duty to invest any moneys held pursuant to this Escrow Agreement or to make substitutions of the Escrow Securities held pursuant to this Escrow Agreement or to sell, transfer or otherwise dispose of the Escrow Securities acquired pursuant to this Escrow Agreement except to collect the proceeds thereof at maturity and the interest thereon.

Section 5. The Escrow Agent hereby acknowledges that all other action has been taken that is necessary to deem the Outstanding Prior Bonds paid within the meaning of the Indenture.

Section 6. (a) The Escrow Agent shall collect the matured principal of and the interest on the Escrow Securities as the same become due and payable. Without further direction from anyone, including the Issuer or the Borrower, the Escrow Agent shall apply available funds from the Escrow Fund for the payment of the principal of, premium on, and interest due on the Prior Bonds on or before June 1, 2014.

(b) If any Prior Bond shall not be presented for payment when the principal thereof shall have become due, whether at maturity or upon redemption, and if moneys or Escrow Securities shall at such times be held by the Escrow Agent in trust for that purpose sufficient and available to pay the principal of and any premium on such Prior Bond (whether at maturity or upon redemption), it shall be the duty of the Escrow Agent to hold said moneys or Escrow Securities without liability to the holder of such Prior Bond for interest thereon subsequent to such date, in trust for the benefit of the holder of such Prior Bond, who shall thereafter be restricted exclusively to said moneys or Escrow Securities for any claim of whatever nature on the holder's part on or with respect to said Prior Bond, including any claim for the payment thereof. All moneys or Escrow Securities required by the provisions hereof to be set aside or held in trust for the payment of the Prior Bonds and interest and premiums shall be applied to and used solely for the payment of the Prior Bonds and interest and any premium thereon with respect to which such moneys and Escrow Securities have been so set aside in trust.

Section 7. The escrow created hereby shall be unconditional and irrevocable and the holders of the Prior Bonds shall have an express lien on all monies and Escrow Securities in the

Escrow Fund until paid out, used and applied in accordance with this Escrow Agreement. This Escrow Agreement may, however, be amended for the purpose of:

- (i) curing any ambiguity or formal defect or omission in this Escrow Agreement;
- (ii) granting to, or conferring upon, the Escrow Agent for the benefit of the holder or holders of the Prior Bonds any additional rights, remedies, powers or Issuer that may lawfully be granted to, or conferred upon, such holder or holders;
- (iii) providing additional funds, securities or properties under this Escrow Agreement; or
- (iv) (but only with the consent of the holders of all Prior Bonds) effecting any other modification of or supplement to this Escrow Agreement;

upon submission to the Escrow Agent of each of the following:

- (a) a certified copy of proceedings of the Issuer approving and authorizing the amendment;
- (b) an opinion of Bond Counsel to the effect that the amendment (i) will not cause the interest on the Prior Bonds or the Refunding Bonds to become includable in the gross income of the owners thereof for federal income tax purposes; (b) will not violate the covenants in the Indenture relating to the Refunding Bonds not to cause the Prior Bonds or the Refunding Bonds, respectively, to become “arbitrage bonds” under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and Treasury Regulations thereunder, or prohibited advance refunding bonds under Section 149(d) of the Code and the Treasury Regulations thereunder; and (iii) will not materially adversely affect the legal rights of the holders of the Prior Bonds; and
- (c) if the amendment affects the Escrow Fund, an opinion of a firm of independent certified public accountants or a firm that is an independent financial accountant acceptable to the Escrow Agent to the effect that after the amendment the Escrow Securities and the funds available or to be available for payment of the Prior Bonds remain sufficient to pay when due on the principal and interest on the Prior Bonds.

Section 8. Separate and apart from any funds held by the Escrow Agent pursuant to this Escrow Agreement, the Borrower hereby agrees to pay the reasonable fees and expenses (including reasonable attorneys’ fees) of the Escrow Agent for its services hereunder. The Escrow Agent shall have no lien whatsoever upon, and hereby unconditionally and expressly waives any such lien or any claim against any of the monies or Escrow Securities in the Escrow Fund for the payment of said fees and expenses.

Section 9. Except as provided herein, no reinvestment of any sums held by the Escrow Agent shall be permitted and any such amounts not needed to pay, when due, the principal of or interest due on the Prior Bonds on or before June 1, 2014, shall be held as cash by the Escrow Agent in the Escrow Fund.

Section 10. On or before January 1 of each year, commencing January 1, 2014, the Escrow Agent shall submit to the Borrower a report covering all money it shall have received and all payments it shall have made or caused to be made pursuant to this Escrow Agreement during the preceding twelve months. Such report shall also list all obligations held in the Escrow Fund and the amount of money contained therein as of the date of the report.

Section 11. It is recognized that neither the Issuer nor the Borrower have title to, nor any other proprietary interest in, the Escrow Securities and moneys held in the Escrow Fund. It is further recognized that title to the Escrow Securities and moneys held in the Escrow Fund from time to time shall always be subject to the prior charge and lien thereon of this Escrow Agreement and the use thereof required to be made by the provisions of this Escrow Agreement. The Escrow Agent shall hold all such money and obligations in a special trust account separate and apart from all other funds and securities of the Escrow Agent as provided in this Escrow Agreement, and shall never commingle such money or securities with any other money or securities. For purposes of the foregoing sentence, it shall be sufficient, as to funds and securities held at the Chicago Federal Reserve Bank, for the Escrow Agent to earmark the same and segregate them on its books and records. It is understood and agreed that the responsibility of the Escrow Agent under this Escrow Agreement, with respect to such funds held in the Escrow Fund, is limited to the safekeeping and segregation of the money and securities deposited in the Escrow Fund, the collection of and accounting for the principal and interest payable with respect thereto, the application of money in the Escrow Fund as herein provided and Investment Action under Section 12 hereof.

Section 12. The Escrow Agent, shall liquidate and/or reinvest proceeds of Escrow Securities in direct non-callable United States obligations or non-callable obligations unconditionally guaranteed by the United States government (collectively, "Investment Action"), upon receipt by the Escrow Agent of each of the following:

(i) an opinion of Bond Counsel to the effect that the Investment Action (A) will not cause the interest on the Refunding Bonds or the Prior Bonds to become includable in the gross income of the owners thereof for Federal income tax purposes; (B) will not violate the covenants in the Indenture relating to the Refunding Bonds not to cause the Prior Bonds or the Refunding Bonds, respectively, to become "arbitrage bonds" under Section 148 of the Code, and Treasury Regulations thereunder, or prohibited advance refunding bonds under Section 149(d) of the Code and the Treasury Regulations thereunder; and (C) will not materially adversely affect the legal rights of the holders of the Prior Bonds; and

(ii) an opinion of a firm of independent certified public accountants acceptable to the Escrow Agent to the effect that after the Investment Action the Escrow Securities and the funds available or to be available for payment of the Prior Bonds and interest thereon will remain sufficient to pay when due or called for redemption, as the case may be, all principal of and interest on the Prior Bonds;

provided that no such opinions shall be required with respect to the reinvestment of receipts from Escrow Securities so long as the new investments mature on or before the next succeeding interest payment date on the Prior Bonds.

Section 13. The Escrow Agent shall not be responsible for any recital in this Escrow Agreement other than recitals as to the Escrow Agent. As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Escrow Agent shall be entitled to rely upon a certificate signed on behalf of the Borrower or Issuer by officers thereof as sufficient evidence of the facts therein contained.

The duties and obligations of the Escrow Agent shall be determined solely by the express provisions of this Escrow Agreement and the Escrow Agent shall not be liable except for negligence on its part in the performance of such duties and obligations as are specifically set forth herein and therein, and no implied covenants or obligations shall be read into this Escrow Agreement against the Escrow Agent.

Section 14. This Escrow Agreement shall terminate when all payments required under this Escrow Agreement to be made to the holders of the Prior Bonds have been made in accordance with the provisions of this Escrow Agreement and the Indenture. Any monies held in the Escrow Fund upon termination hereof shall (after deduction for any fees and expenses then owed to the Escrow Agent for its services under the provisions hereof) be transmitted by the Escrow Agent to the Borrower.

Section 15. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument. This Escrow Agreement shall be governed by the laws of the State of Minnesota.

Section 16. The Issuer acknowledges that regulations of the Comptroller of the Currency grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur. The Issuer specifically waives such notification to the extent permitted by law and will receive periodic cash transaction statements that will detail all investment transactions.

Section 17. This Escrow Agreement shall be binding upon and shall inure to the benefit of the Issuer, the Escrow Agent and their respective successors and assigns. In addition, this Escrow Agreement shall constitute a third party beneficiary contract for the benefit of the holders of the Prior Bonds. Such third party beneficiaries shall be entitled to enforce performance and observance by the Issuer and the Escrow Agent of the respective agreements and covenants contained in this Escrow Agreement as fully and completely as if such third party beneficiaries were parties hereto. Any corporation into which the Escrow Agent may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which it shall be a party or any corporation to which it may sell or transfer all or substantially all of its corporate trust business shall be a successor escrow agent without the execution of any document or the performance of any further act.

Except as provided above in Section 7, all of the rights, powers, duties and obligations of the Escrow Agent hereunder shall not be subject to amendment by the Escrow Agent and shall be binding on any successor to the Escrow Agent during the term of this Agreement.

Except as provided above in Section 7, all of the rights, powers, duties and obligations of the Issuer under this Escrow Agreement shall not be subject to amendment by the Issuer or the

Borrower and shall be binding on any successor to the Issuer or the Borrower during the term of this Agreement.

All capitalized terms used but not defined in this Escrow Agreement shall have the meaning given them in the Indenture.

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Agreement to be executed by their duly authorized officers as of the date first above written.

CITY OF RAMSEY, MINNESOTA

By _____
Its Mayor

By _____
Its Administrator

This is a signature page to the Escrow Agreement by and between Wells Fargo Bank, National Association, the City of Ramsey, Minnesota, and PCS Building Company.

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By _____
Its _____

This is a signature page to the Escrow Agreement by and between Wells Fargo Bank, National Association, the City of Ramsey, Minnesota, and PCS Building Company.

PCS BUILDING COMPANY

By _____
Its _____

This is a signature page to the Escrow Agreement by and between Wells Fargo Bank, National Association, the City of Ramsey, Minnesota, and PCS Building Company.

EXHIBIT A

NOTICE OF REDEMPTION AND PREPAYMENT

TO THE HOLDERS OF

City of Ramsey, Minnesota
Lease Revenue Bonds, Series 2004A
(PACT Charter School Project)

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture of Trust dated as of March 1, 2004, by and between the City of Ramsey, Minnesota and Wells Fargo Bank, National Association, that the principal amount of all of the above-referenced bonds maturing 2015 and thereafter, in the aggregate principal amount of \$10,025,000 (the "Bonds") will be prepaid and redeemed on June 1, 2014 (the "Redemption Date") at a price of 102% of the principal amount (the "Redemption Price") together with interest accrued to the Redemption Date.

Payment of the Redemption Price on the Bonds will become due and payable on each of the Bonds on the Redemption Date upon presentation and surrender to Wells Fargo Bank, National Association (the "Paying Agent") at the following addresses:

If By Hand:

If By Mail:

It is suggested that the Bonds be mailed using registered insured mail since the method of delivery to the Trustee is at the option and risk of the holder of the Bonds. If payment of the Redemption Price is to be made to the registered owner of the Bond, you are not required to endorse the Bond to collect the Redemption Price. Interest on the principal amount of Bonds to be redeemed shall cease to accrue from and after the Redemption Date.

By WELLS FARGO BANK, NATIONAL
ASSOCIATION,
Trustee

EXHIBIT B
Accountant's Report