

LOAN AGREEMENT

between

CITY OF RAMSEY, MINNESOTA

and

PCS BUILDING COMPANY

Dated as of _____ 1, 2013

Relating To

**\$ _____
City of Ramsey, Minnesota
Lease Revenue Refunding Bonds
(PACT Charter School Project), Series
2013A**

**\$ _____
City of Ramsey, Minnesota
Taxable Lease Revenue Refunding Bonds
(PACT Charter School Project), Series
2013B**

The interests of the City of Ramsey, Minnesota to this Loan Agreement have been assigned (except for amounts payable under Sections 4.2(b), 7.3 and 8.4 hereof) pursuant to the Indenture of Trust, of even date herewith, between the City of Ramsey, Minnesota and Wells Fargo Bank, National Association (the "Trustee"), and is subject to the security interest of the Trustee.

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LOAN AGREEMENT

This Loan Agreement is dated as of _____ 1, 2013 (this “Agreement”), and is made and entered into between the City of Ramsey, Minnesota (the “Issuer”), a municipal corporation organized and existing under the laws of the State of Minnesota, and PCS Building Company (the “Company”), a Minnesota nonprofit corporation duly formed and existing under the laws of the State of Minnesota.

WITNESSETH:

WHEREAS, pursuant to and in accordance with the provisions of the Act (as defined below), and pursuant to a resolution duly adopted by the Issuer, and in furtherance of the purposes of the Act, the Issuer proposes to issue 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, together with the Series A Bonds, the “Bonds”) and to loan the proceeds thereof to the Company to: (i) advance refund the Issuer’s Lease Revenue Bonds (PACT Charter School Project) Series 2004A (the “Prior Bonds”), the proceeds of which were used to finance the acquisition, construction, and equipping of an approximately 72,000 square foot public elementary and secondary schoolhouse located at 7250 Ramsey Parkway East Northwest in the City of Ramsey, Minnesota (the “City”) (the “Project”), owned by the Company and leased to PACT Charter School (the “School”); (ii) fund a debt service reserve fund; and (iii) pay the costs of issuing the Bonds.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein set forth, the Issuer and the Company do hereby covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 **Definitions.** Unless otherwise expressly provided herein or unless the context clearly requires otherwise, capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture and the following words and phrases shall have the following meanings:

“Act” means the Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152 through 469.1655, as amended.

“Adjusted Pledged Revenues” shall mean the “Adjusted Pledged Revenues” of the School, as defined in the Pledge Agreement.

“Agreement” means this Loan Agreement and any amendments and supplements hereto.

“Assignment of Lease” means the Assignment of Lease of even date herewith from the Company in favor of the Trustee.

“Authorizer” means _____, or any authorizer approved by the State which enters into a charter agreement with the School.

“Bond Counsel” means Briggs and Morgan, Professional Association, or any other firm of nationally recognized bond counsel acceptable to the Issuer and the Company.

“Bond Fund” means the fund created pursuant to Section 5.06 of the Indenture.

“Bond Registrar” means the Trustee in its capacity as registrar of the Bonds.

“Bond Year” means, with respect to the Bonds, the one-year period beginning on each _____ 1 and ending on the last day of each subsequent May, except that the first Bond Year shall begin on the date of issuance of the Bonds and end on _____, 2014.

“Bonds” means the Series A Bonds and the Series B Bonds.

["Bus Loan" means the loan evidenced by the \$9,000 Business Note, dated June 9, 2003, issued by the Company to the Bus Loan Lender and secured by a lien on certain vehicles.

“Bus Loan Lender” means M&I Marshall Ilsley Bank, a Wisconsin state banking corporation.”]

“Business Day” means a day on which banking business is transacted in the city in which the Trustee has its principal corporate trust office.

“Charter Agreement” means the charter agreement between the School and the Authorizer, dated as of _____, and any amendment thereto or replacement thereof.

“City” means the City of Ramsey, Minnesota.

“Code” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations proposed or in effect thereunder and applicable to the Bonds or the use of proceeds thereof, unless the context clearly requires otherwise.

“Company” means PCS Building Company, a Minnesota nonprofit corporation, and any successor owner of the Schoolhouse.

“Company Certificate” means a certificate signed by the Company Representative.

“Company Representative” means the person or persons at the time designated to act on behalf of the Company by written certificate furnished to the Issuer and the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Company by its President. Such certificate may designate an alternate or alternates.

“Costs of Issuance Fund” means the fund created pursuant to Section 5.14 of the Indenture.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the Issuer or the Company.

“Days Cash on Hand” means (I) Cash on Hand of the School, as shown under the heading “Assets, Cash and Temporary Investments” on the financial statements for each Fiscal Year divided by (II) the quotient of Operating Expenses, as shown on the financial statements for such Fiscal Year, divided by 365.

“Default” and “Event of Default” mean with respect to any Default or Event of Default under this Agreement or the Indenture, any occurrence or event specified and defined by Section 8.1 hereof or by Section 9.01 of the Indenture.

“Determination of Taxability” means receipt by the Trustee of a written notification of the issuance, prior to the maturity date or redemption prior to maturity of all Outstanding Bonds, of a statutory notice of deficiency by the United States Department of the Treasury, Internal Revenue Service, or a decision by a court of competent jurisdiction, holding in effect that interest on any Bond is includable for federal income tax purposes in the gross income of the registered owner thereof, which statutory notice or court decision is either (a) not contested by the Company in accordance with Section 6.8 hereof, or (b) contested by the Company in accordance with Section 6.8 hereof and resolved adversely to the interests of, or abandoned by, the Company.

“EMMA” means the Electronic Municipal Market Access system operated by the Municipal Securities Rulemaking Board as the primary portal for complying with the continuing disclosure requirements of SEC Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

“Fiscal Year” means any period of 12 consecutive months adopted by the Company or the School, as applicable, as its fiscal year for financial reporting purposes and initially means the period beginning July 1 of each year and ending on June 30 of the next year.

“Generally Accepted Accounting Principles” means those accounting principles applicable in the preparation of financial statements of the Company or the School, as applicable, as promulgated by the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants.

“Governmental Obligations” means direct general obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

“Improvement” means any addition, enlargement, improvement, extension or alteration of or to the Project Building as it then exists (other than the expansion to be financed from the proceeds of the Bonds as contemplated hereunder), and any fixtures, structures or other facilities acquired or constructed by the Company and located on the Project Site.

“Income Available for Debt Service” means, for any period, the excess of revenues over operating and non-operating expenses of the School, as determined in accordance with generally accepted accounting principles (but excluding extraordinary items and excluding unrealized

gains or losses on the valuation of investments) plus amounts that have been deducted for (a) payments under the Lease with respect to interest on the Bonds and the Subordinate Loans, (b) interest on other Indebtedness with a stated maturity of more than one year, (c) amortization and (d) depreciation.

“Indebtedness” means (i) all the indebtedness of the obligor for borrowed money which has been incurred in connection with the acquisition of assets and (ii) the capitalized value of the liability under any lease of real or personal property which is properly capitalized on the statement of assets, liabilities and fund balances of the obligor in accordance with generally accepted accounting principles consistently applied.

“Indenture” means the Indenture of Trust, of even date herewith, between the Issuer and the Trustee, pursuant to which the Bonds are authorized to be issued, including any indenture supplemental thereto and any amendments thereof.

“Independent Accountant” means any certified public accounting firm licensed to practice in the State (which may be the firm of accountants that regularly audits the books and accounts of the Company or the School, as applicable) from time to time selected by the Company or the School, as applicable, and who is not a full-time employee, director or shareholder of the Issuer or the Company or the School.

“Independent Architect” means a person who is a registered architect in the State of Minnesota, and who is not a full-time employee, director or shareholder of the Issuer or the Company.

“Independent Consultant” means a management consultant, bookkeeper or certified public accountant experienced in the management, operation and/or financing of charter schools in Minnesota.

“Independent Counsel” means an attorney duly admitted to practice law before the highest court of any state and who is not a full-time employee, director or shareholder of the Issuer, the Company or the School.

“Insurance Consultant” means a person or firm not employed full-time by the Company or the School, that is nationally recognized as knowledgeable about insurance for public schools.

“Interest Payment Date” means _____ 1 and _____ 1 of each year, commencing _____ 1, 201_.

“Issuer” means the City of Ramsey, Minnesota, a municipal corporation organized and existing under the laws of the State of Minnesota of the State, and any successor.

“Issuer Fee” means the Issuer’s fee for issuing the Bonds in the aggregate amount set forth in Section 4.2(b) of this Agreement.

“Issuer Representative” means the Executive Director of the Issuer, and any other person or persons at the time designated to act on behalf of the Issuer by written certificate furnished to the Company and the Trustee containing the specimen signatures of such person or persons and

signed on behalf of the Issuer by its duly authorized agent. Such certificate may designate an alternate or alternates.

“Late Payment Rate” means 10% per annum.

“Lease” means the Amended and Restated Lease Agreement with respect to the Schoolhouse dated as of _____ 1, 2013 by and between the Company, as lessor, and the School, as lessee, and any amendment thereto.

“Lease Aid” means amounts received by the School from the State pursuant to Minnesota Statutes, Section 124D.11, Subd. 4, to fund payments due under the Lease, or any replacement therefor pursuant to a successor statute, to fund payments due under the Lease.

“Lease Revenues” means the revenues to be received by the Company from the School pursuant to the Lease.

[“Line of Credit” means the revolving line of credit in the amount of up to \$600,000 between the School and the Line of Credit Lender.

“Line of Credit Lender” means Wells Fargo Bank, National Association, a national banking association.]

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

“Majority Bondholder” shall mean any beneficial owner of or owners who together own greater than 50% of the aggregate outstanding principal amount of the Bonds.

“Monthly Deposit” means \$_____.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of New York, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company by notice to the Trustee.

“Mortgage” means the Amended and Restated Mortgage, Security Agreement and Assignment of Rents, of even date herewith, from the Company in favor of the Trustee, and all amendments thereof and supplements thereto.

“Original Purchaser” means Dougherty & Company, LLC, as the underwriter of the Bonds.

“Outstanding” means Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds for the payment or redemption of which cash funds or noncallable Governmental Obligations shall have been theretofore deposited with the Trustee in accordance with Article VIII of the Indenture; and

(c) Bonds in lieu of which others have been authenticated under Sections 2.07, 2.08 or 3.05 of the Indenture.

“Payment Date” means _____ 1 of each year, commencing _____ 1, 2014.

“Permitted Investments” means the Permitted Investments defined in the Indenture.

“Pledge Agreement” means the Pledge and Covenant Agreement of even date herewith, by and between the School and the Trustee.

“Prior Bond” means the Issuer’s \$11,125,000 Lease Revenue Bonds/PACT Charter School Project) Series 2004A, outstanding in the principal amount of \$_____.

“Project” means the advance refunding of the Prior Bonds, the proceeds of which were used to finance the acquisition, construction, and equipping of an approximately 72,000 square foot public elementary and secondary schoolhouse located at 7250 Ramsey Parkway East Northwest in the City.

“Project Building” means collectively (i) the improvements, machinery, equipment and other tangible property on the Project Site which are described generally in EXHIBIT B hereto and which will be acquired, constructed, installed and equipped with proceeds of the Bonds, and (ii) any item of machinery, equipment or other tangible property acquired in substitution for, or as a renewal or replacement of, or a modification or improvement to, any property described in (i) above, pursuant to the provisions of Section 4.4 hereof.

“Project Costs” means any and all sums of money required to renovate, construct, expand and install the Project, excluding Costs of Issuance, but including the following:

(d) all expenses incurred in connection with the acquisition of real property, or any interest in real property, necessary for the Project or mortgaging of the Project Site, including title insurance;

(e) the expense of preparation of the plans and specifications and of all other architectural, engineering, testing and supervisory services incurred and to be incurred in the planning, construction and completion of the Project;

(f) the cost of acquisition and installation of all items of equipment, machinery or furnishings included in the Project;

(g) premiums on all insurance relating to construction during the period before completion of the Project, to the extent that such premiums are not paid by a contractor;

(h) the contract price of all labor, services, materials, supplies, equipment and remodeling furnished under a construction contract;

(i) all expenses incurred in seeking to enforce any remedy against a contractor, any subcontractor or any surety in respect of any default under any construction contract;

(j) the cost of all other labor, services, materials, supplies and equipment necessary to complete the acquisition, construction, expansion and equipping of the Project;

(k) all interest accruing on money borrowed by the Company for financing of the Project Costs during construction and up to six months thereafter;

(l) all fees and expenses of the Trustee and any Paying Agent relating to the Bonds that become due before the completion of the Project;

(m) without limitation by the foregoing, all other expenses which under generally accepted accounting principles constitute necessary capital expenditures for the Project and are authorized by the Act to be paid from the proceeds of the Bonds; and

(n) all advances, payments and expenditures made or to be made by the Issuer, the Trustee and any other person with respect to any of the foregoing expenses.

“Project Site” means the real estate described in EXHIBIT A hereto, on which the Project Building is situated, which real estate will be owned by the Company, less any interests in real property, easements, licenses, rights of way or similar rights and privileges as may be taken by the exercise of the power of eminent domain.

“Rating Agency” means Standard & Poor’s or Moody’s.

“Rebate Fund” means the fund created pursuant to Section 5.22 of the Indenture.

“Registered Owner” means the person or persons in whose name or names a Bond shall be registered on the books of the Issuer kept for that purpose in accordance with provisions of the Indenture.

“Regular Record Date” means the 15th day of the calendar month preceding an Interest Payment Date.

“Reserve Fund” means the fund created pursuant to Section 5.10 of the Indenture.

“Revenue Fund” means the fund created pursuant to Section 5.02 of the Indenture.

“School” means PACT Charter School, a Minnesota nonprofit corporation, formed as a public (charter) school pursuant to Minnesota Statutes, Section 124D.10.

“Schoolhouse” means an approximately 72,000 square foot public elementary and secondary schoolhouse located at 7250 Ramsey Parkway East Northwest.

“Series A Bonds” means the Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2013A, issued by the Issuer in the principal amount of \$_____ and issued under and secured by the Indenture.

“Series B Bonds” means the Taxable Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2013B, issued by the Issuer in the principal amount of \$_____ and issued under and secured by the Indenture.

“Standard & Poor’s” means Standard & Poor’s Ratings Group, a division of the McGraw Hill Companies, its successors and their assigns, and if such entity shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Issuer (other than Moody’s).

“Subordinate Loans” means **[the Line of Credit, the Bus Loan, and]** any permitted additional Indebtedness of the Company or the School payment of which is expressly made subordinate to the payment of the Bonds and any Additional Bonds.

“State” means the State of Minnesota.

“Tax Regulatory Agreement” means the Tax Regulatory Agreement, dated as of the Date of Issuance, by and among the Issuer, the School and the Company.

“Term of Agreement” means the term of this Agreement as specified in Section 10.1 hereof.

“Title Insurer” means Chicago Title Insurance Company acting through its agent, Commercial Partners Title, LLC.

“Trustee” means Wells Fargo Bank, National Association, a national banking association with its principal corporate trust office in Minneapolis, Minnesota, as trustee under the Indenture, and its successors in trust and assigns.

“Value” means that value, which shall be determined between 45 and 60 days prior to each Interest Payment Date, of the cash and any investments in the Reserve Fund, which shall be calculated by the Trustee, which may engage the pricing service of any national pricing firm to assist in such determination, as follows: (a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times), the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times, the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (c) as to certificates of deposit and bankers acceptances:

the face amount thereof, plus accrued interest; (d) as to cash, the actual amount thereof; and (e) as to any investment not specified above, the value thereof established by prior agreement among the Company and the Trustee.

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ARTICLE II

REPRESENTATIONS, FINDINGS, COVENANTS AND WARRANTIES

Section 2.1 **Representations, Findings and Covenants of the Issuer.** The Issuer represents, finds and agrees that:

(a) The Issuer is a municipal corporation organized and existing under the laws of the State and is authorized under the Act to issue the Bonds. Under the provisions of the Act, the Issuer is authorized to enter into the transactions contemplated by this Agreement and the Indenture and to carry out its obligations hereunder and thereunder. The Issuer has duly authorized the execution and delivery of this Agreement, the Bond Purchase Agreement, and the Indenture.

(b) In authorizing the issuance of the Bonds, the Issuer's purpose is, and in its judgment the effect thereof will be, to promote the public welfare by providing for the financing and refinancing of the acquisition, construction, and equipping of a charter school.

(c) To the actual knowledge of the undersigned officials of the Issuer, no event has occurred, and no condition currently exists, which constitutes or may, with the passage of time or the giving of notice, or both, constitute an Event of Default on the part of the Issuer.

Section 2.2 **Representations, Covenants and Warranties of the Company.** The Company represents, covenants and warrants as follows:

(a) The Company is a Minnesota nonprofit corporation, duly incorporated and in good standing in the State of Minnesota and is duly qualified to transact business in the State, is not in violation of any provision of its Articles of Incorporation or its Bylaws, has power to enter into this Agreement and has duly authorized the execution and delivery of this Agreement by proper corporate action.

(b) The Company agrees that during the term of this Agreement it will maintain its nonprofit corporate existence, will maintain its status as an exempt organization under Section 501(c)(3) of the Code exempt from federal income taxation under Section 501(a) of the Code, will continue to be a nonprofit corporation qualified to transact business and in good standing in the State, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another legal entity or permit one or more other legal entities to consolidate with or merge into it.

(c) The Company is duly authorized to own the Schoolhouse and lease the same to the School under the laws, rulings and regulations of the State, and the Company has obtained all requisite approvals of the State and other federal, regional and local governmental bodies required to be received in connection with the ownership of the Schoolhouse.

(d) The execution of this Agreement, the Lease, the Bond Purchase Agreement, the Mortgage, the Tax Regulatory Agreement, and the Assignment of Lease will not result in a breach of any terms of, or constitute a default under, (i) any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Company is a party or by which it or any of its property is bound, or (ii) the Company's Articles of Incorporation and Bylaws, or (iii) any judgment, injunction, laws or regulations of any court or other governmental body applicable to the Company or its property, such that such breach or default will have a materially adverse effect upon the Company's ability to perform its covenants hereunder.

(e) The proceeds of the Bonds will be used to: (i) advance refund the Prior Bonds, the proceeds of which were used to finance the acquisition, construction, and equipping of the Schoolhouse, owned by the Company and leased to the School; (ii) fund a debt service reserve fund of the interest on the Bonds; and (iii) pay the costs of issuing the Bonds, and the Company will not use any of the proceeds in any manner contrary to the terms of the Act or in any manner as to cause, or take or omit to take any action which would cause, the interest on the Bonds to be includable in the gross income of the Registered Owners or beneficial owners thereof for purposes of federal income taxation.

(f) The Company will continue to lease the Project Building to the School to be operated as a public (charter) school until the date on which all of the Bonds have been fully paid and are no longer Outstanding.

(g) The Company has received from the Internal Revenue Service a determination letter stating that it is an exempt organization under Section 501(c)(3) of the Code. The Company represents that it is, as of the date hereof, such an organization, and the Company is not carrying on an unrelated trade or business, determined by applying Section 513(a) of the Code, on, in or with respect to the Schoolhouse.

(h) The cost of refunding the Prior Bonds, funding the Reserve Fund, and paying any expenses incurred in connection therewith shall not be less than \$_____.

(i) No event of default or any event which, with the giving of notice or the lapse of time, or both, would constitute an event of default under the Indenture, has occurred or is continuing.

(j) The proceeds of the Bonds shall be applied to the payment of capital cost of the Project, as required by the Act.

(k) The Lease shall be in form and substance reasonably satisfactory to the Original Purchaser.

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ARTICLE III

ISSUANCE OF THE BONDS

Section 3.1 **Agreement to Issue the Bonds; Application of the Bond Proceeds.** In order to provide funds for financing the Project, the Issuer, concurrently with the execution of this Agreement, will issue, sell and deliver to the Original Purchaser thereof the Bonds and the Trustee will deposit or apply the proceeds (less original issue discount and net of the Underwriter's discount) in the amount of \$_____ as follows:

(a) in the Reserve Fund, an amount equal to \$_____ from the proceeds of the Series A Bonds and \$_____ from the proceeds of the Series B Bonds;

(b) in the Costs of Issuance Fund, an amount equal to \$_____ from the proceeds of the Series A Bonds and \$_____ from the proceeds of the Series B Bonds; together with \$_____ to be deposited by the Company on the Date of Issuance; and

(c) in the Escrow Fund, an amount equal to \$_____ from the proceeds of the Series A Bonds.

Section 3.2 **Investment of the Revenue Fund, Bond Fund, Rebate Fund, Reserve Fund, Costs of Issuance Fund, Capital Improvement Fund and Expense Fund.** Any money held as a part of the Revenue Fund, the Bond Fund, the Costs of Issuance Fund, the Reserve Fund, the Rebate Fund, Expense Fund, or any other fund held by the Trustee shall be invested or reinvested in any Permitted Investment by the Trustee, to the extent permitted by law, except that investments shall be made only at the request of and as directed in writing by the Company Representative. All such Permitted Investments shall at all times be a part of the fund from which the money used to acquire such Permitted Investments shall have come, and all income and profits on such Permitted Investments shall be credited as provided in the Indenture. Such Permitted Investments shall be made so as to mature or be subject to redemption at the option of the holder thereof on or prior to the date or dates that the Company anticipates that money therefrom will be required. Such Permitted Investments shall be held as part of the Trust Estate and shall be registered in the name of the Trustee.

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

In the absence of written direction delivered to the Trustee from the Company, the Trustee shall invest all funds hereunder in the Wells Fargo Advantage _____ Fund or a successor fund offered by the Trustee **[insert name of specific fund or provide that funds will be uninvested.]**

Section 3.3 Special Arbitrage Certifications. Issuer and the Company jointly and severally certify and covenant to each other and to and for the benefit of the Registered Owners and beneficial owners of the Series A Bonds that moneys on deposit in any fund or account in connection with the Series A Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner which will cause the Series A Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code.

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ARTICLE IV

LOAN OF PROCEEDS TO THE COMPANY; LOAN PROVISIONS

Section 4.1 **Loan of Proceeds.** The Issuer agrees, upon the terms and conditions contained in this Agreement and the Tax Regulatory Agreement, to lend to the Company the proceeds received by the Issuer from the sale of the Bonds. Such proceeds shall be disbursed to or on behalf of the Company as provided in Section 3.1 hereof.

Section 4.2 **Amounts Payable.**

(a) **Loan Repayments.** The Company hereby covenants and agrees to repay the loan in installments, as follows:

(i) on or before _____ 20, 2013, and on or before the 20th day of each month thereafter through and including _____ 20, 201__, such amount which, together with other amounts on deposit with the Trustee and available to pay principal of and interest on the Bonds, shall equal ___ of the interest due and payable on the Series 2013 Bonds on _____ 1, 201__; and

(ii) on or before _____ 20, 201__, and on or before the 20th day of each month thereafter through and including _____ 20, 2014, such amount which, together with other amounts on deposit with the Trustee and available to pay principal of and interest on the Bonds, shall equal 1/6 of the interest due and payable on the Series 2013 Bonds on _____ 1, 2014; and

(iii) on or before the 20th day of each month, commencing _____ 20, 2014, and continuing until the principal of, premium, if any, and interest on the Bonds shall have been paid or payment thereof shall have been provided for, an amount which, together with amounts on deposit with the Trustee and available for debt service, shall equal 1/6 of the amount of interest due with respect to the Bonds on the next Interest Payment Date plus 1/12 of the amount of principal due with respect to the Bonds on the next Payment Date; and

(iv) on or before the 20th day of each month, commencing _____ 20, 201__, an amount equal to the Monthly Deposit; and

(v) in the event of optional or mandatory redemption or acceleration, on or before the 10th day prior to the selected payment day, the amount of principal of and interest on the Bonds due on that date, at maturity or upon redemption, as provided in the Indenture. Such payments shall continue until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture.

It is understood and agreed that all payments payable under this Section 4.2(a) by the Company are assigned by the Issuer to the Trustee for the benefit of the Registered

Owners of the Bonds. The Company consents to such assignment. The Issuer hereby directs the Company and the Company hereby agrees to pay to the Trustee at the Trustee's office which is at the address shown in or pursuant to Section 13.04 of the Indenture, all payments payable by the Company pursuant to this Section 4.2(a); provided, however, that amounts transferred from the Revenue Fund to the Bond Fund pursuant to Section 5.04(a) of the Indenture shall be credited against the payments required under this Section 4.2(a).

(b) Issuer Fee and Issuer's Expenses. In addition to any other payments required hereunder, the Company shall pay the following amounts to the Issuer in immediately available funds on the due date thereof (or, if there is not due date with respect to such payment, then upon demand of the Issuer): (i) all reasonable expenses paid or incurred by the Issuer in connection with the transactions contemplated by the Bonds and this Loan Agreement, including any legal, accounting, financial, or other costs paid or incurred by the Issuer; (ii) all costs and expenses, including without limitation, attorneys' fees, paid or incurred by the Issuer in connection with (A) the discussion, negotiation, preparation, approval, execution and delivery, and amendments or modifications of the Bonds, the Indenture, this Loan Agreement, and the documents and instruments related hereto or thereto, (B) the enforcement by the Issuer during the term hereof or thereafter of any of the rights or remedies of the Issuer hereunder or under the foregoing documents, or any document, instrument, or agreement related hereto or thereto, and (C) an audit, random or otherwise, by the Internal Revenue Service, the Minnesota Department of Revenue, or another department or office of the State with respect to the Bonds, the Company, the School, or the Project; and (ii) the Issuer Fee, on the Date of Issuance of the Bonds, equal to \$25,000.

(c) Trustee's Expenses. The Company will also pay the reasonable fees and expenses of the Trustee (including reasonable fees and expenses of counsel to the Trustee and including such reasonable fees and expenses in any Event of Default) and any paying agents under the Indenture, such reasonable fees and expenses to be paid directly to the Trustee or any paying agents for the Trustee's or any such paying agents' own account as and when such reasonable fees and expenses become due and payable, and any reasonable expenses in connection with any redemption of the Bonds.

(d) Reserve Fund. In addition, the Company agrees to pay to the Trustee for deposit in the Reserve Fund an amount equal to any deficiency in the Reserve Fund, as determined by the Trustee pursuant to Section 5.12 of the Indenture, such amount to be paid (i) within 30 days after written notice from the Trustee if the deficiency is determined as a result of a determination of its Value, or (ii) if the deficiency is the result of a withdrawal for transfer to the Bond Fund or the Rebate Fund, within 90 days of such withdrawal; provided, however, that amounts transferred from the Revenue Fund to the Reserve Fund pursuant to Section 5.04(b) of the Indenture shall be credited against the payments required under this Section 4.2(d).

(e) Late Payments. In the event the Company should fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Company until the amount in default shall have been fully paid, and

if such failure shall continue for a period of 5 days after notice from the Trustee the Company agrees to pay the same with interest thereon from the date thereof at the Late Payment Rate to the extent permitted by law.

(f) All Other Amounts. The Company also agrees to pay all other amounts due and payable under this Agreement and the Indenture, including amounts paid by the Trustee on behalf of the Company for taxes or insurance, payments in lieu of taxes, rebate amounts due the federal government or other amounts allowed to be paid and paid by the Trustee hereunder or under the Indenture.

Section 4.3 Obligations of the Company Hereunder Unconditional; Rights Assigned. The obligations of the Company to make the payments required in Section 4.2 and other sections hereof and to perform and observe the other agreements contained herein shall be absolute and unconditional general obligations of the Company and shall not be subject to any defense or any right of setoff, abatement, counterclaim or recoupment arising out of any breach by the Issuer or the Trustee of any obligation to the Company, whether hereunder or otherwise, or out of any Indebtedness or liability at any time owing to the Company by the Issuer or the Trustee and until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Company (i) will not suspend or discontinue any payments provided for in Section 4.2 hereof, (ii) will perform and observe all other agreements contained in this Agreement and (iii) except as provided in Article IX hereof, will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Schoolhouse, the taking by eminent domain of title to or temporary use of any or all of the Schoolhouse, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Issuer or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release the Issuer or the Trustee from the performance of any of the agreements on their part herein contained, and in the event the Issuer or the Trustee should fail to perform any such agreement on their part, the Company may institute such action against the Issuer or the Trustee or both, as the Company may deem necessary to compel performance so long as such action does not abrogate the obligations of the Company contained in the first sentence of this Section. The Company may, however, at the Company's own cost and expense and in the Company's own name or in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which the Company deems reasonably necessary in order to secure or protect the Company's right of possession, occupancy and use hereunder, and in such event the Issuer hereby agrees to cooperate fully with the Company and to take all action necessary to effect the substitution of the Company for the Issuer in any such action or proceeding if the Company shall so request. Under the Indenture, the Issuer has, as additional security for the Bonds, assigned, transferred, pledged and granted a security interest in certain of its rights under this Agreement to the Trustee. The Trustee is hereby given the right to enforce the performance of the obligations of the Company, but only as set forth in the Indenture, and the Company hereby consents to the same and agrees that the Trustee may enforce such rights as provided in the Indenture, and the Company will make payments required hereunder directly to the Trustee.

Section 4.4 Maintenance and Modification of Schoolhouse by the Company. The Company agrees that at all times during the Term of Agreement, the Company will, at the Company's own expense, maintain, preserve and keep the Schoolhouse open as a schoolhouse, or pursuant to the Lease cause the School to maintain, preserve and keep the Schoolhouse, with the appurtenances and every part and parcel thereof, open as a schoolhouse and in good repair, working order and condition and that the Company will from time to time make or pursuant to the Lease cause the School to make all repairs, replacements and renewals deemed proper and necessary by it. The Company agrees that it will administer, maintain and operate the Schoolhouse, or pursuant to the Lease cause the School to administer, maintain and operate the Schoolhouse in a manner such that the Schoolhouse is open to members of the general public, free of discrimination based upon race, creed, color, sex or national origin.

In addition, the Company shall have the privilege of remodeling the Schoolhouse or making substitutions, additions, modifications and improvements to the Schoolhouse from time to time as the Company, in its discretion, may deem to be desirable for the Company's or the School's use for such purposes as shall be permitted by the Act, the costs of which remodeling, substitutions, additions, modifications and improvements shall be paid by the Company, and the same shall be the property of the Company and be included under the terms of this Agreement and the Mortgage as part of the Schoolhouse and the Mortgaged Property, respectively; provided, however, that all such remodeling, substitutions, additions, modifications and improvements shall be done in a good and workmanlike manner and in compliance with all laws and the Schoolhouse, as remodeled, improved or altered, upon completion of such remodeling, substitutions, additions, modifications and improvements made pursuant to this Section shall be of a value not less than the fair market value of the Schoolhouse immediately prior to the remodeling or the making of substitutions, additions, modifications and improvements. Notwithstanding the foregoing, if such substitution, modification, addition or improvement shall require the expenditure of an amount greater than 25% of the insured value of the Schoolhouse (determined at the time such work commences), the Company shall, prior to initiating such substitution, modification, addition or improvement, provide the Trustee with a certificate from the Company Representative to the effect that based upon a financial feasibility study prepared by the Company Representative, such substitution, modification, addition or improvement will not materially diminish the amount of Lease Revenues from the Schoolhouse received by the Company or the amount of Adjusted Pledged Revenues during the next succeeding Fiscal Year from the level received in the last preceding Fiscal Year prior to such substitution, modification, addition or improvement. Any property for which a substitution or replacement is made pursuant to this Section may be disposed of by the Company in any manner and in the sole discretion of the Company. The Company will not permit any mechanic's or other lien to be established or remain against the Schoolhouse for labor or materials furnished in connection with any remodeling, substitutions, additions, modifications, improvements, repairs, renewals or replacements so made by the Company, provided that if the Company shall first notify the Trustee in writing of the Company's intention so to do, and no event of default or event which with the passage of time would be an event of default exists, the Company may in good faith, diligently contest any mechanic's or other lien filed or established against the Schoolhouse, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless in the opinion of Independent Counsel by nonpayment of any such items the lien of the Indenture as to the payments will be materially endangered or the Schoolhouse or any part thereof will be subject to loss or forfeiture,

in which event the Company shall promptly pay and cause to be satisfied and discharged all such unpaid items.

The Company may from time to time in its sole discretion and at its own cost and expense, install or place other equipment and tangible personal property in the Schoolhouse. The Company may remove such equipment and tangible personal property at any time at its own cost and expense, whether or not the same shall have been affixed or annexed to the Schoolhouse, but any damage caused to the Schoolhouse by any such removal shall be repaired at the sole cost and expense of the Company.

Section 4.5 Governmental and Utility Charges. The Company will pay during the Term of Agreement, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Schoolhouse or any part thereof, or any interest therein or the revenues derived therefrom or hereunder, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Schoolhouse and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Schoolhouse, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Company shall be obligated to pay only such installments as are required to be paid during the Term of Agreement.

If no Event of Default or event which with the passage of time would be an Event of Default then exists, the Company may, at the Company's expense and in the Company's name, in good faith contest any such assessments and other charges and, in the event of any such contest, may permit the assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless in the opinion of Independent Counsel by nonpayment of any such items the Schoolhouse or any essential part thereof will be subject to loss or forfeiture, in which event such assessments or charges shall be paid forthwith. In the event that the Company shall fail to pay any of the foregoing items required by this Section to be paid by the Company, the Issuer or the Trustee may (but shall be under no obligation to) pay the same, and any amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Company to the party making the advancement, which amounts, together with interest thereon, the Company agrees to pay upon demand.

Section 4.6 Casualty Insurance. The Company agrees to insure or cause to be insured the Schoolhouse against loss or damage of the kinds usually insured against by companies similarly situated, including, without limiting the foregoing, fire and uniform standard extended coverage, vandalism and malicious mischief endorsements, use and occupancy coverage and extra expense insurance for a period of one year, by means of policies issued by the Minnesota School Boards Association Trust, a state-sponsored self-insurance fund for Minnesota School Districts, or by reputable insurance companies duly qualified to do such business in the State with uniform standard coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at that time in use in the State, in amounts that are not less than the greater of the outstanding principal amount of the Bonds (less amounts held under the Indenture that may be applied to payment of the Bonds) or the full insurable value of the Schoolhouse, and with such deductible provisions as are customarily included by companies

similarly situated. The term “full insurable value,” as used herein, shall mean the actual replacement value, without deduction for physical depreciation or at the option of the Company any lesser amount which is equal to or greater than the principal amount of all of the Bonds then Outstanding. Alternatively, the Company may insure or cause to be insured such property under a blanket insurance policy or policies which cover not only such property but other properties.

Any insurance policy issued pursuant to the preceding paragraph of this Section shall be so written or endorsed as to make losses, if any, payable to the Trustee and the Company as their respective interests may appear. The Net Proceeds of the insurance required in this Section shall be applied as provided in Section 5.2 hereof. Each insurance policy provided for in this Section and Sections 4.7 and 4.9 hereof shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it without first giving written notice thereof to the Trustee and the Company at least 30 days in advance of such cancellation or modification under present policies and 30 days under policies acquired hereafter; provided, that if the Company delivers to the Trustee a written report of an Insurance Consultant stating that the cost of obtaining any of such insurance policies is prohibitively expensive or that any of such insurance policies cannot be obtained, then, failure of the Company to comply with the covenant to obtain any such insurance policy shall not constitute a Default hereunder. In addition, the Company agrees that it shall review, at least once every 3 years, the coverage provided by each of such insurance policies and provide a report thereon to the Trustee; such review shall be conducted by an Insurance Consultant.

Section 4.7 **Public Liability and Other Insurance.**

(a) The Company agrees to carry or cause the School to carry public liability insurance with one or more reputable insurance companies in minimum amounts of \$1,000,000 for any one occurrence in connection with the Schoolhouse and an aggregate of \$2,000,000 for the Company as a whole. The Issuer and the Trustee shall be made additional insureds under such policy or policies. The insurance provided by this Section may be by blanket insurance policy or policies.

(b) The Company agrees to cause the School, pursuant to the Lease, to carry automobile insurance protecting the School against liability for injuries to persons and property, with a coverage limit not less than, and a deductible amount not greater than, those customarily included in similar policies carried by similar entities similarly situated.

(c) The Company agrees to carry business interruption insurance providing for rent loss coverage for 12 months.

Section 4.8 **Deposit of Lease Revenues to Revenue Fund.** The Company hereby covenants and agrees that the Lease payments due from the School under the Lease shall be automatically transferred to the Trustee from the Sweep Account pursuant to the Pledge Agreement, on the 20th day of each month, for deposit into the Revenue Fund. Amounts transferred from the Revenue Fund pursuant to Section 5.04 of the Indenture shall be credited against the payments required under Section 4.2(a) through (d) above.

Section 4.9 **[Reserved.]**

Section 4.10 **Disbursements from the Costs of Issuance Fund.** The Issuer has, in the Indenture, authorized and directed the Trustee to make payments from the Costs of Issuance Fund for the payment of expenses as provided in this Section. Payments shall be made from the Costs of Issuance Fund only for paying the costs of the title policies, legal, accounting, organization, marketing or other special services and other fees and expenses incurred or to be incurred by or on behalf of the Issuer or the Company in connection with the issuance of the Bonds. Each payment out of the Costs of Issuance Fund shall be made only upon receipt by the Trustee of invoices along with a request for payment signed by the Company Representative.

On _____, 2013, the Trustee shall transfer any moneys remaining in the Costs of Issuance Fund to the Bond Fund.

Section 4.11 **Tax Regulatory Agreement.** The Company has executed and delivered to the Issuer, on or before the date hereof, the Tax Regulatory Agreement. The Company represents, warrants, covenants, and agrees that it will comply with the provisions of the Tax Regulatory Agreement and undertake and complete all actions required of the Company pursuant to the terms thereof.

ARTICLE V

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 5.1 **Damage, Destruction and Condemnation.** Unless the Company shall have exercised its option to prepay the amounts payable under this Agreement pursuant to the provisions of Section 9.1 hereof, if prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) (i) the Schoolhouse or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty or (ii) title to or any interest in, or the temporary use of, the Schoolhouse or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Company shall be obligated to continue to pay the amounts specified in Section 4.2 hereof and any other amounts required by this Agreement to be paid by the Company.

Section 5.2 **Application of Net Proceeds.** In the event of damage to, or condemnation or destruction of, the Schoolhouse or any portion thereof resulting from fire or other casualty, if the Net Proceeds of any insurance or condemnation award relating to such damage or condemnation are less than 2% of the total Project Costs, written notice of such event shall be given to the Trustee and EMMA and such Net Proceeds shall be paid directly to the Company and the Company shall forthwith replace, repair, reconstruct and restore the Schoolhouse to substantially the same or an improved condition or utility value compared with that which existed prior to the damage and the Company will apply the Net Proceeds to the extent necessary to replace, repair, reconstruct or restore the Schoolhouse. Any remaining balance not required for said purpose shall be paid to the Trustee for deposit in the Bond Fund.

In the event the Schoolhouse or any portion thereof is destroyed by fire or other casualty or a portion or all of the Schoolhouse is condemned and the Net Proceeds of any insurance or condemnation award relating to such damage or condemnation are greater than or equal to 2% of the total Project Costs, the Company agrees to promptly notify the Trustee and EMMA in writing of such event, all such Net Proceeds shall be deposited with the Trustee immediately upon receipt, and the Company shall within 90 days after such damage or destruction (or within such longer period as shall be reasonable under the circumstances) elect one of the following two options by written notice of such election to the Trustee:

(a) Option A - Repair and Restoration. Upon delivery to the Trustee of (i) an opinion of Bond Counsel to the effect that the proposed repair and restoration of the Schoolhouse, and its subsequent use, does not impair the tax-exempt status of the Series A Bonds and (ii) a Certificate of an Independent Architect to the effect that Net Proceeds and other funds available therefore, will be sufficient to complete the proposed repair and restoration, and the proposed repair and restoration can be completed in one year, the Company may elect to replace, repair, reconstruct and restore the Schoolhouse. In such event, the Company shall proceed forthwith to repair, reconstruct and restore the Schoolhouse to substantially the same condition or utility value as existed prior to the event causing the damage or destruction or condemnation and will apply the Net Proceeds to the payment or reimbursement of the costs of such repair, reconstruction,

replacement and restoration. So long as the Company has not received notice from the Trustee that it is in default hereunder, any Net Proceeds received by the Trustee shall be deposited in a separate account and released from time to time by the Trustee upon receipt from the Company of a certificate setting forth such repair, reconstruction, replacement and restoration costs and subject to the procedures and requirements set forth in a disbursing agreement to be entered into between the Company, the Trustee, and the Title Insurer for the reconstruction of the Schoolhouse; or

(b) Option B - Prepayment of Bonds. The Company may elect to have the Net Proceeds plus additional moneys, if any, from the Company, deposited into the Bond Fund and to have Bonds redeemed in an amount not in excess of the amount so deposited (unless all Outstanding Bonds are to be redeemed as provided in Section 9.2 hereof); provided the Company supplies the Trustee with an opinion of an Independent consultant reasonably stating that the property destroyed or condemned was not essential to the use of the Schoolhouse as contemplated herein and in the Indenture and that net revenues of the Schoolhouse and the Company will not be materially adversely affected by such destruction; provided, however, no such opinion shall be required if all Bonds Outstanding are to be redeemed and paid in full. In such event the Company shall, in its notice of election to the Trustee, direct the Trustee to deposit such Net Proceeds, when and as received, in the Bond Fund.

It is agreed that in the event the Company shall elect Option A or is unable to obtain the opinion required by Option B, the Company shall complete the repair, reconstruction, replacement and restoration of the Schoolhouse, whether or not the Net Proceeds are sufficient to pay for the same. Upon completion of such repair, reconstruction, replacement and restoration any excess moneys from the Net Proceeds over and above the costs of such repair, reconstruction, replacement and restoration shall be deposited by the Trustee in the Bond Fund; provided, that the Company may prepay a portion of the Bonds with excess Net Proceeds after repair or restoration if a certificate from an Independent consultant reasonably states that the Schoolhouse has been restored or repaired to substantially the same condition as it was before the damage or condemnation.

Any notice required to be given by the Company to the Trustee and EMMA under this Section 5.2 shall contain a description in reasonable detail of the work to be performed to repair and restore the Schoolhouse; the estimated cost and timetable for completion of such work; and the sources of funding available therefore.

Section 5.3 Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in Section 5.2(a) hereof, the Company will nonetheless complete the work and will pay any cost in excess of the amount of the Net Proceeds held by the Trustee. The Company agrees that if by reason of any such insufficiency of the Net Proceeds, the Company shall make any payments pursuant to the provisions of this Section, the Company shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Registered Owners of any of the Bonds, nor shall the Company be entitled to any diminution of the amounts payable under Section 4.2 hereof or any other amounts payable by the Company hereunder.

Section 5.4 Cooperation of the Issuer. The Issuer shall cooperate fully with the Company at the expense of the Company in filing any proof of loss with respect to any insurance policy covering the casualties described in Section 5.1 hereof and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Schoolhouse and will, to the extent it may lawfully do so, permit the Company to litigate in any proceeding resulting therefrom in the name and behalf of the Issuer. In no event will the Issuer voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim or any prospective or pending condemnation proceeding with respect to the Schoolhouse or any part thereof without the prior written consent of the Company Representative.

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ARTICLE VI

SPECIAL COVENANTS

Section 6.1 **No Warranty of Condition or Suitability by the Issuer.** The Issuer makes no warranty, either express or implied, as to the Schoolhouse or the condition thereof, or that the Schoolhouse will be suitable for the purposes or needs of the Company or the School.

Section 6.2 **Access to the Schoolhouse.** The Company agrees that the Issuer, the Trustee and their duly authorized agents shall have the right at all reasonable times to enter the Schoolhouse, to examine and inspect the Schoolhouse, and to have such rights of access to the Schoolhouse for the proper maintenance of the Schoolhouse in the event of failure by the Company to perform its obligations under Section 4.4 hereof. The Issuer and the Trustee and their duly authorized agents shall also be permitted, at all reasonable times, to examine and copy the books and records of the Company with respect to the Schoolhouse.

Section 6.3 **Further Assurances and Corrective Instruments.** The Issuer and the Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Agreement.

Section 6.4 **The Issuer and the Company Representatives.** Whenever under the provisions of this Agreement the approval of the Issuer or the Company is required or the Issuer or the Company is required to take some action at the request of the other, such approval or such request shall be given for the Issuer by the Issuer Representative and for the Company by the Company Representative; the Trustee and any party hereto shall be authorized to act on any such approval or request.

Section 6.5 **Covenant Against Encumbrances.** The Company hereby covenants and agrees that it will not create, incur, assume or suffer to exist any encumbrances upon the Schoolhouse, except Permitted Encumbrances (as defined in the Mortgage) and the Mortgage

Section 6.6 **The Issuer and the Company to Grant Security Interest to Trustee.** The parties hereto agree that pursuant to the Indenture, the Issuer shall assign to the Trustee in order to secure payment of the Bonds all of the Issuer's right, title and interest in this Agreement except the Issuer's rights under Sections 4.2(b), 7.3 and 8.4 hereof. The Company hereby pledges and grants to the Issuer, for the benefit of the Registered Owners of the Bonds, all of its right, title and interest, if any, in the funds and in any trust accounts referred to in this Agreement or the Indenture and held by the Trustee.

Section 6.7 **Consent to Trustee's Access to Information.** The Company hereby consents to the right of the Trustee to inspect, review, duplicate and make public to the extent authorized by law, any information or documents in accordance with the Indenture including information pertaining in any manner to the Schoolhouse, the Company or the Company's business, assets, liabilities, financial condition, operations or compliance with any documents related to the Bonds. The Issuer and the Company hereby agree that the Trustee is intended to be a third-party beneficiary of the provisions of this Section, who may enforce the provisions of this

Section as though a party hereto; and, notwithstanding any other provision herein or in the Indenture, this Section shall not be amended, modified or waived by the Issuer or the Company without the written consent of the Trustee.

Section 6.8 Election to Contest Determination of Taxability. The Trustee is required under the Indenture to notify the Company by certified mail, return receipt requested, at any time the Trustee receives a written notification of the issuance, prior to the maturity date or redemption of all Bonds, of a statutory notice of deficiency by the United States Department of the Treasury, Internal Revenue Service, or a decision by a court of competent jurisdiction, holding in effect that the interest on any Series A Bond is included for federal income tax purposes in the gross income of the registered owner thereof. The Company shall have 30 days from the date of receipt of such notice (as evidenced by the date on the return receipt) to provide the Trustee with notice of its intent to contest such a potential Determination of Taxability. Any such notice of intent to contest from the Company to the Trustee, in order to be effective, must be accompanied by an opinion of Independent Counsel to the effect that there is a reasonable basis for the Company to proceed with such contest.

Section 6.9 Assurance of Tax Exemption. The Company understands after consultation with such legal counsel as deemed appropriate, that the exclusion from gross income of interest on the Series A Bonds for federal income tax purposes is dependent on the accuracy and truthfulness of representations made in the Tax Regulatory Agreement. The Company covenants and warrants that such representations are accurate and truthful and the Company shall comply with the Tax Regulatory Agreement.

Section 6.10 Financial Statements. Commencing with the Fiscal Year ending June 30, 2013, the Company agrees to furnish to the Trustee and EMMA (and to the Issuer, upon request), by no later than 150 days after the close of each Fiscal Year during the term hereof, a copy of the audited financial statements of the Company for the preceding Fiscal Year, including a balance sheet and operating statements audited by an independent certified public accountant.

Section 6.11 Additional Indebtedness. Without the prior written consent of the Majority Bondholder and an amendment to the Lease providing for additional Lease Revenues sufficient to pay the principal, interest and any related fees for such Additional Bonds, the Company shall not incur any Indebtedness other than (a) the Indebtedness with respect to the Bonds, or (b) Additional Bonds issued pursuant to Section 2.12 of the Indenture.

Section 6.12 Covenants of the School. The Company shall cause the School in the Pledge Agreement to agree and covenant that, for the Term of Agreement, the School will:

(a) Commencing for the fiscal year ending June 30, 2013, furnish to the Trustee and EMMA (and to the Issuer, upon request), by no later than 150 days after the close of each fiscal year of the School during the term of the Lease, a copy of the audited financial statements required of the School under Minnesota law for the preceding fiscal year, including a balance sheet and operating statements.

(b) Prepare and submit to the Trustee and EMMA (and to the Issuer, upon request) by no later than June 30 of each year, a copy of the proposed budget for the

School for the next succeeding fiscal year and projected long-range budget model forecasting the operations of the School for at least 5 years.

(c) On or about the 15th day of each February, May, August and November, commencing November 15, 2013, submit to the Trustee and EMMA (and to the Issuer, upon request), copies of quarterly student attendance and enrollment, budget and financial reports required by Minnesota law and by the Charter Agreement between the School and its Authorizer, and in addition, reports prepared by the School's Chief Financial Officer or an independent consultant on an unaudited basis that would include at least the following:

(i) year-to-date actual expenditures compared to year-to-date budgeted expenditures for such period;

(ii) actual revenues compared to budgeted revenues for such period;
and

(iii) a current balance sheet;

(iv) the current student waiting list;

(v) projected long range model forecasting the operations of the School for at least five years; and

(vi) the balance of the Fund Balance Account (as defined below).

(d) On or before June 30 of each year, make all applications or submissions and provide all supporting documentation to the Minnesota Department of Education (or its successor) necessary to receive full funding from the State of Minnesota for all legally available general student aid funds, lease aids, or other funding sources included in the School's annual budgeted operating revenues and, further, provide the Trustee with copies or evidence of such applications or submission as and when they are made or submitted.

(e) Make all necessary applications or submissions, including all supporting documentation, on or before June 30 of each year to the Minnesota Department of Education (or its successor) necessary to receive any Title I federal funding or other federal money included in the School's annual budgeted operating revenues and provide the Trustee with copies or evidence of such applications or submission as and when they are made or submitted.

(f) Other than the obligation to make additional Lease Payments for the purpose of repaying Additional Bonds, not incur any additional Indebtedness; provided that the foregoing requirements shall not apply to short-term (less than twelve months) working capital borrowings or sales of accounts receivable by the School for cash flow purposes in an amount not to exceed \$600,000 annually.

(g) Maintain unrestricted Cash on Hand in its operation fund such that on each testing date the amount on deposit in such fund shall be equal to or greater than 30 Days Cash on Hand. The School's Cash on Hand shall be tested each year 90 days after the end of the School's Fiscal Year (i.e. on September 28 of each year), commencing the Fiscal Year ending June 30, 2014. The School will provide the Trustee with a certification no later than two weeks after the completion of the School's audit for each Fiscal Year that the Cash on Hand requirement above has been met. The foregoing is subject to the qualification that if applicable state or federal laws or regulations, or the rules and regulations of agencies having jurisdiction (including, without limitation, changes in state or federal funding schedules), shall not permit or enable the School to maintain such level of Cash on Hand, then the School shall, in conformity with the then prevailing laws, rules or regulations, maintain its Cash on Hand equal to the maximum permissible level.

If the School has less than 30 Days Cash on Hand on such testing date, it shall constitute an Event of Default if such non-compliance is not cured within 60 days, unless waived by the Majority Bondholder.

(h) Maintain on its books, a separate, segregated fund balance to be funded on a best efforts basis from accumulated cash surpluses (the "Fund Balance Account") of the School, if any, in an amount equal to 20% of the budgeted annual operating expenses of the School (the "Fund Balance Account Requirement"). The balance of the Fund Balance Account may be reduced below the Fund Balance Account Requirement by the School solely for the payment of ordinary and necessary expenses of the School (excluding salaries and benefits to staff or administrative personnel) which exceed annual budgeted expenditures by an amount not greater than 20% of the annually budgeted amounts for items including repair and replacements, capital improvements, utilities, educational program expenses, and special assessments; provided, however, that a greater percentage shall be permitted if the School has received the prior written consent of the Majority Bondholder. In the event the Fund Balance Account is reduced below the Fund Balance Account Requirement as of the end of the School's Fiscal Year according to the School's annual audit, the School shall provide notice thereof to the Trustee and EMMA and shall use its best efforts to replenish the Fund Balance Account.

(i) [Reserved.]

(j) Make all payments due under the Lease on account of debt service on the Bonds and any Additional Bonds prior to any payments of additional rent due under of the Lease other than operating expenses of the School required under State or federal laws to provide required educational program expenditures (including the current expenses for staff and administrative salaries and benefits). In this regard, the Company hereby agrees that it shall apply all amounts received by or on behalf of the School under the Lease to the amounts payable pursuant to Section 4.2 of this Agreement when due.

(k) Provide notice to the Issuer, Trustee and EMMA of (i) any notices from the School's sponsor to the School of noncompliance with or determination not to renew the Charter Agreement within 10 days of receipt of such notice by the School and (ii) any

default under the Lease and the steps to be taken by the School to remedy such default, promptly after such default occurs.

(l) On or before June 30 of each year apply to the Minnesota Department of Education (or its successor) for building lease aid as required by Minnesota Statutes and provide notice to the Trustee and EMMA of such application and approval thereof by the Minnesota Department of Education.

(m) Carry automobile and workers' compensation insurance to the extent required by Minnesota law, and upon request, furnish to the Company certificates evidencing such coverage throughout the Term of the Lease. All such policies of insurance shall be in the forms and amounts required to be provided by the Company under the Loan Agreement and the Mortgage.

(n) The School may, at its own expense and in its own name, in good faith contest any real estate taxes, assessments, utility and other charges and shall notify the Company of such good faith contest and, in the event of any such contest, may permit the taxes, assessments, utility or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom but only if (1) nonpayment of any such items will not materially endanger the interest of the Company in the Premises, nor subject to loss or forfeiture the Premises or any part thereof, and (2) the School files with the Company an opinion of Independent Counsel stating in effect that neither event will occur. If both conditions are not satisfied the School shall promptly pay such taxes, assessments, utility or other charges or provide Company with full security against any loss that may result from nonpayment, in form satisfactory to Company.

(o) Use its best efforts to maintain Income Available for Debt Service of at least 120% of the principal and interest due on the Bonds and any Additional Bonds in each Fiscal Year. In the event the School's Income Available for Debt Service is less than 110% of the principal and interest due on the Bonds and any Additional Bonds in any Fiscal Year, the School shall retain an Independent Consultant to review and analyze the reports required by the Pledge Agreement, to inspect the Project and the School's operation and administration and to make such recommendations as to the operation and administration of the School and the Schoolhouse as such Independent Consultant deems appropriate. Notwithstanding the immediately preceding sentence, regardless of whether the School has retained an Independent Consultant, if at the end of the Fiscal Year 2013 or any subsequent Fiscal Year, the Income Available for Debt Service as of the end of such Fiscal Year is less than 100% of the principal and interest due on the Bonds and any Additional Bonds (as evidenced by the School's audited financial statements for such Fiscal Year), then the Trustee may declare an Event of Default or exercise one or more of the remedies permitted under the Loan Agreement and the Indenture.

Delivery to the Trustee of the information, reports and documents described in this Section 6.12 is for informational purposes only. The Trustee has no obligation to review or analyze the information, reports and documents and the Trustee's receipt of such information, reports and documents shall not constitute constructive or actual notice of any information contained therein or determinable from information contained therein.

Section 6.13 Bank Qualification. The Company agrees to pay to the Issuer the amount required to reimburse the Issuer for any loss of “bank qualification” for any Unqualified Bonds issued in 2013 (referred to as the “Reimbursement Amount”). The term “Unqualified Bonds” means bonds issued by the Issuer (excluding “qualified 501(c)(3) bonds” as defined in Section 145 of the Code other than the Bonds) which the Issuer properly designates as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code but which the Internal Revenue Service determines were not eligible for bank qualification as a result of the issuance of the Bonds. The Reimbursement Amount shall be the actual cost to the Issuer as a result of such determination by the Internal Revenue Service as determined by the Internal Revenue Service or as a result of negotiations with the holders of such Unqualified Bonds. The Reimbursement Amount for any Unqualified Bonds shall be payable within 15 days after Borrower’s receipt from the Issuer of written notice as to the Reimbursement Amount. All fees incurred by the Issuer with respect to such determination by the Internal Revenue Service and the collection of amounts due with respect thereto from the Borrower shall be the sole obligation of the Company, payable with the Reimbursement Amount.

ARTICLE VII

ASSIGNMENT, LEASING, INDEMNIFICATION AND REDEMPTION

Section 7.1 **Assignment and Leasing.** Subject to the covenant set forth in Section 7.2 hereof, the Company's rights and obligations under this Agreement may be assigned and the Schoolhouse leased, as a whole or in part, by the Company without the necessity of obtaining the consent of the Issuer, or the Trustee, subject, however, to each of the following conditions:

(a) No assignment or lease shall relieve the Company from primary liability for any obligations hereunder, and in the event of any such assignment the Company shall continue to remain primarily liable for payment of the amounts specified in Section 4.2 hereof and for payment, performance and observance of the other agreements on its part herein provided to be performed and observed by the Company to the same extent as though no assignment or lease had been made.

(b) The assignee or lessee shall assume the obligations of the Company hereunder to the extent of the interest assigned or leased.

(c) The assignee or lessee shall receive no greater interest in the Schoolhouse than that held by the Company. In particular, any assignment or lease shall be granted only subject to the rights of the Issuer and the Trustee under this Agreement and the Indenture and shall terminate upon any foreclosure of the Company's rights under the Mortgage.

(d) The Company shall, at least 10 days prior to the execution of such assignment or lease, furnish or cause to be furnished to the Issuer and the Trustee (x) a true and complete draft copy of each assignment, assumption of obligation or lease, as the case may be, and (y) an opinion from Bond Counsel to the effect that the assignment or lease will not cause interest on the Outstanding Series A Bonds to be included in the gross income of the owners thereof for purposes of federal income taxation, and a form of opinion from Independent Counsel that the assignment or lease has been accomplished in accordance with State law and this Agreement. Final executed copies of all such documents and opinions shall be provided to the same parties.

Section 7.2 **Transfer.** Other than the Lease, the Company covenants and agrees that Company shall not sell, transfer or dispose of the Schoolhouse or any interest therein, unless the transferee is (a) an organization described in Section 501(c)(3) of the Code, or (b) a state or local government unit.

The Company further covenants and agrees that the Company will cause or require as a condition precedent to any conveyance, transfer, assignment or any other disposition of the Schoolhouse (a "Transfer") prior to the final Maturity of the Bonds, that the transferee of the Schoolhouse pursuant to the Transfer assume in writing, in a form acceptable to the Issuer all duties and obligations of the Company under this Agreement and the Indenture, and that the Transferee cause to be delivered to the Trustee (i) an opinion of Bond Counsel to the effect that the Transfer does not adversely affect the tax-exempt status of the Series A Bonds and (ii) an

opinion of Independent Counsel that the duties and obligations of the Company under this Agreement are enforceable against transferee.

Section 7.3 Release and Indemnification Covenants.

(a) The Company shall and hereby agrees, at its expense, to pay, and to indemnify and save the Issuer, the Trustee and their directors, officers, employees and agents harmless against and from any and all claims, damages, demands, expenses, liabilities and taxes of any character or nature whatsoever regardless of by whom imposed, and losses of every conceivable kind, character and nature whatsoever including, but not limited to, claims for loss or damage to any property or injury to or death of any person, asserted by or on behalf of any person, firm, corporation or governmental authority arising out of, resulting from, or in any way connected with (i) the Schoolhouse or the conditions, occupancy, use, possession, conduct or management of, or any work done in or about the Schoolhouse, or from the planning, design, acquisition or construction of the Schoolhouse or any part thereof, and (ii) any untrue statement or alleged untrue statement of any material fact or the omission or alleged omission to state a material fact necessary to make the statements made not misleading in any statement, information or material furnished by the Company, including but not limited to any financial information, for use in any official statement utilized by the Original Purchaser in connection with the sale of the Bonds. The Company also covenants and agrees at its expense to pay and to indemnify and save the Issuer, the Trustee and their directors, officers, employees and agents harmless of, from and against, all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or demand. In the event that any action or proceeding is brought against the Issuer, the Trustee or any of their directors, officers, employees or agents by reason of any such claim or demand, the Company, upon notice from the Issuer or the Trustee, covenants to resist and defend such action or proceeding on behalf of the Issuer, the Trustee or any of their directors, officers, employees or agents. Notwithstanding the foregoing, neither the Issuer, the Trustee, nor any of their directors, officers, employees and agents shall be indemnified against costs, counsel fees or expenses or liability for damage arising out of bodily injury to persons or damage to property or any other claims or acts caused by their own gross negligence or willful misconduct.

(b) It is the intention of the parties hereto that the Issuer, its officials and employees, shall not incur any pecuniary liability by reason of the terms of this Agreement or the undertakings required of the Issuer hereunder, by reason of the issuance of the Bonds, by reason of the execution of the Indenture or this Agreement or by reason of the performance of any act requested of the Issuer by the Company, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing; nevertheless, if the Issuer, its officials or employees should incur any such pecuniary liability, then in such event the Company shall indemnify and hold the Issuer, its officials or employees harmless against all claims by or on behalf of any person, firm or corporation or other legal entity arising out of the same and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, except from claims arising

from their willful, malicious or negligent acts, and upon notice from the Issuer, the Company shall defend the Issuer, its officials or employees in any such action or proceeding.

(c) The Company's covenants in this Section 7.3 shall survive the payment of the Bonds, the termination of the Indenture, the termination of this Agreement, and the resignation or removal of the Trustee.

Section 7.4 Redemption of Bonds. The Company shall have and is hereby granted the option to prepay from time to time the amounts payable under this Agreement in sums sufficient to redeem or to pay or cause to be paid all or part of the Bonds in accordance with the provisions of the Indenture. Upon the agreement of the Company to deposit moneys in the Bond Fund in an amount sufficient to redeem Bonds subject to redemption, the Issuer, at the request of the Company, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of then Outstanding Bonds, as may be specified by the Company, on the date established for such redemption.

Section 7.5 Maintenance of Security Interest.

(a) The Company will, at its expense, take all necessary action to maintain and preserve the lien and security interest of the Mortgage so long as any Bond is Outstanding.

(b) The Company covenants that, except for Permitted Encumbrances, it will not mortgage, grant a deed of trust lien upon (other than the Mortgage), pledge, grant a security interest in, or make an assignment of any of its revenues or property, including without limitation its accounts, contract rights, general intangibles or the proceeds of any thereof or any of the Mortgaged Property or the proceeds thereof.

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ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1 **Events of Default Defined.** The following shall be “Events of Default” under this Agreement and the terms “Event of Default” and “Default” shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay the amounts required to be paid under Section 4.2(a) hereof at the times specified therein, provided, however, that if a payment default is caused by the failure of the State to make payments due to the School in a timely manner, the Company shall have a period of 90 days (or such longer period consented to by the Trustee provided the Trustee has obtained reasonable assurance that the withheld payments from the State will be made to the School in due course) to cure such payment default. The Trustee shall give telephonic or telegraphic notice, with subsequent written notice, to the Company and the Issuer of such failure.

(b) Failure by the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Section 8.1(a) hereof, for a period of 30 business days after written notice specifying such failure and requesting that it be remedied shall have been given to the Company and the Issuer by the Trustee or if any representation or warranty of the Company shall be determined to be or have been a material misrepresentation or materially misleading or untrue when made; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time (but not more than 90 days) if corrective action is instituted by the Company within the applicable period and diligently pursued until the Default is corrected.

(c) (i) The dissolution or liquidation of the Company or the voluntary initiation by the Company of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Company of any such proceeding which shall remain undismissed for 60 days, or (ii) failure by the Company to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Company to carry on its operations at the Schoolhouse, or (iii) assignment by the Company for the benefit of creditors, or (iv) the entry by the Company into an agreement of composition with creditors or (v) the failure generally by the Company to pay its debts as they become due and the continuation of such failure for a period of 10 days after written notice by the Trustee.

(d) Any event of default under the Indenture.

(e) Any event of default under the Tax Regulatory Agreement, the Mortgage, the Lease, or the Pledge Agreement.

(f) Any final judgments, or writs or warrants of attachment or of any similar processes in an aggregate amount in excess of the greater of \$150,000 or 2.5% of the

insured value of the Project Buildings entered or filed against the Company or against any of its property remains unvacated, unpaid, unbonded, uninsured or unstayed for a period of 30 days.

The provisions of subsection (b) of this Section are subject to the following limitation: if by reason of force majeure the Company is unable in whole or in part to carry out any of its agreements contained herein (other than its obligations contained in Article IV hereof and particularly the obligation of Section 4.2(a) which is governed by subsection (a) of this Section), no Event of Default shall be deemed to have occurred during the continuance of such inability. The term “force majeure” as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or of any of their departments, agencies or officials, or of any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; and any other cause or event not reasonably within the control of the Company and generally accepted as part of a definition of “force majeure.”

Section 8.2 Remedies on Default. Whenever any Event of Default referred to in Section 8.1 hereof shall have happened and be continuing, the Trustee or the Issuer may take one or any combination of the following remedial steps:

(a) By written notice to the Company, declare an amount equal to (i) all amounts then payable on the Bonds, whether by acceleration of maturity (as provided in the Indenture) or otherwise, and (ii) any other amounts then due and payable hereunder or under the Indenture, to be immediately due and payable as liquidated damages under this Agreement and not as a penalty, whereupon the same shall become immediately due and payable;

(b) Have reasonable access to and inspect, examine, and make copies of the relevant books and records and any and all relevant accounts, data and income tax and other tax returns of the Company during regular business hours of the Company if reasonably necessary in the opinion of the Issuer or the Trustee; or

(c) Take whatever action at law or in equity may appear necessary or desirable, including, without limitation, foreclosure, to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement, and also including, without limitation, any remedy set forth in the Indenture, subject to the limitations set forth herein and therein.

Any amounts collected pursuant to action taken under this Section (except subsection 8.2(a)(ii)) shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

Section 8.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee or the Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other

remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer and the Trustee to exercise any remedy reserved to them in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 8.4 Agreement to Pay Attorneys' Fees and Expenses. In the event the Company should default under any of the provisions of this Agreement and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of payments required hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Company herein contained, the Company agrees that it will on demand therefor pay to the Issuer or the Trustee, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred by the Issuer or the Trustee.

Section 8.5 No Additional Waiver Implied by One Waiver; Delay or Omission Not a Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No delay or omission of the Issuer or the Trustee to exercise any right or power accruing upon any Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by this Agreement to the Issuer may be exercised from time to time and as often as may be deemed expedient by the Issuer or the Trustee.

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ARTICLE IX

OPTIONS; PREPAYMENT OF LOAN

Section 9.1 Option to Prepay Loan and Terminate at Any Time. The Company shall have, and is hereby granted, the option to prepay the loan in part, in accordance with the redemption provisions in Section 3.01 of the Indenture, or in whole and, if in whole, to terminate this Agreement upon the following conditions. At any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Company may terminate this Agreement (i) by paying to the Trustee an amount which, when added to the amounts on deposit in the Bond Fund or the Reserve Fund and any other funds held by the Trustee pursuant to the Indenture (except the Rebate Fund) for the benefit of the Company, will be sufficient to pay, retire and redeem all the Outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal of and interest to maturity or applicable redemption date, as the case may be, and premium, if any, expenses of redemption and the Issuer's, the Trustee's and paying agents' fees and expenses), and, in case of redemption, by making arrangements satisfactory to the Trustee for the giving of the required notice of redemption, (ii) by giving the Issuer notice in writing of such termination, and such termination shall forthwith become effective, and (iii) by providing the Trustee with an opinion of Bond Counsel stating that the foregoing actions will not adversely affect the tax-exempt status of the Series A Bonds.

Section 9.2 Option to Redeem Bonds Upon the Occurrence of Certain Events. The Bonds are subject to redemption at the option of the Company in whole if any of the events set forth below shall occur:

(a) If, at any time, the Schoolhouse shall have been damaged or destroyed (i) to such extent that it cannot be reasonably restored within a period of 6 months to substantially the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Company or the School are thereby prevented, in the Company's judgment, from carrying on their normal operations at the Schoolhouse for a period of 6 months or more, or (iii) to such extent that the cost of restoration thereof would exceed the Net Proceeds of insurance required to be carried thereon pursuant to the requirements of Section 4.6 hereof.

(b) If, at any time, title to, or the temporary use for a period of 6 months or more of, all or substantially all the Schoolhouse, or such part thereof as shall materially interfere, in the Company's judgment, with the operation of the Schoolhouse for the purpose for which the Schoolhouse was designed, shall have been taken under the exercise of the power of eminent domain or be effectively taken through the exercise of police or other similar power by any governmental body or by any person, firm or corporation acting under governmental authority (including such a taking or takings as results in the Company or the School being thereby prevented from carrying on its normal operations at the Schoolhouse for a period of 6 months or more).

(c) If, at any time, changes which the Company cannot reasonably control or overcome in the economic availability of materials, supplies, labor, equipment and other

properties and things necessary for the efficient operation of the Schoolhouse for the purpose contemplated by this Agreement shall have occurred, or technological or other changes shall have occurred which in the judgment of the Company render the continued operation of the Schoolhouse uneconomic for such purposes.

(d) If, at any time, as a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Company in good faith, this Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in this Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Company in respect to the Schoolhouse, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of this Agreement, which in the judgment of the Company render the continued operation of the Schoolhouse uneconomic.

To exercise such option, the Company shall, within 60 days following the event authorizing or requiring such redemption, give written notice to the Issuer, and the Trustee, and shall specify therein the date of redeeming the Bonds, which date shall be not less than 50 days nor more than 90 days from the date such notice is mailed, and shall also make arrangements with the Trustee pursuant to the provisions of the Indenture for a redemption of all of the Outstanding Bonds and the giving of the required notice in connection therewith. The amount of money necessary to be deposited for such redemption shall be the same as in Section 9.1 hereof for optional prepayment of the loan.

Section 9.3 Relative Position of Options and Indenture. The Company may exercise any of the options granted to it in this Article at any time, and specifically whether or not an Event of Default has occurred under this Agreement.

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ARTICLE X

MISCELLANEOUS

Section 10.1 **Term of Agreement.** This Agreement shall remain in full force and effect from the date hereof to and including such time as all of the Bonds and the fees and expenses of the Issuer, the Trustee and any paying agents shall have been fully paid or provision made for such payments, whichever is later; provided that this Agreement may be terminated prior to such date if the Company shall exercise its option under Section 9.1 or Section 9.2 hereof to prepay the amounts payable hereunder pursuant to this Agreement.

Section 10.2 **Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, unless otherwise indicated in this Agreement, postage prepaid, or by confirmed telecopy, addressed as follows:

If to the Issuer:

City of Ramsey, Minnesota
7550 Sunwood Dr. NW
Ramsey, Minnesota 55303-5137
Attn: Administrator

If to the Trustee:

Wells Fargo Bank, National Association
MAC: N9311-115
625 Marquette Avenue, 11th Floor
Minneapolis, Minnesota 55479
Attn: Corporate Trust Services

If to the Company:

PCS Building Company
c/o PACT Charter School
7250 Ramsey Parkway East Northwest
Ramsey, Minnesota 55303
Attn: _____

And to:

John Cairns Law, P.A.
2751 Hennepin Avenue
Box 280
Minneapolis, Minnesota 55408
Attn: John Cairns

If to the Original Purchaser:

Dougherty & Company LLC
90 South 7th Street, Suite 4400
Minneapolis, Minnesota 55402-4115
Attn: Public Finance Department

A duplicate copy of each notice, certificate or other communication given hereunder by the Issuer or the Company shall also be given to the Trustee and the Original Purchaser. The Issuer, the Company, the Trustee and the Original Purchaser may, by written notice given

hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.3 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company, the Trustee, the Registered Owners of the Bonds and their respective successors and assigns, subject, however, to the limitations contained in Sections 2.2(b) and 7.1 hereof.

Section 10.4 Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 10.5 Amounts Remaining in the Revenue Fund, the Bond Fund, the Reserve Fund, the Capital Improvement Fund, the Expense Fund and the Costs of Issuance Fund. It is agreed by the parties hereto that any amounts remaining in the Revenue Fund, the Bond Fund, the Reserve Fund, the Capital Improvement Fund, the Expense Fund and the Costs of Issuance Fund upon expiration or earlier termination of the Term of Agreement, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), and the fees and expenses of the Issuer, the Trustee, and any paying agents in accordance with the Indenture, shall belong to and be paid to the Company by the Trustee as the return of an overpayment of the amounts payable hereunder.

Section 10.6 Amendments, Changes and Modifications. Subsequent to the issuance of Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), and except as otherwise herein expressly provided, this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee, in accordance with the provisions of the Indenture.

Section 10.7 Execution in Counterparts. This Agreement 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 10.8 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

Section 10.9 Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Agreement.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the Issuer has caused this Agreement to be executed in its corporate name, with its official seal being intentionally omitted as permitted by law, and attested by its duly authorized officials and the Company has caused this Agreement to be executed in its corporate name. All of the above occurred as of the date first above written.

CITY OF RAMSEY, MINNESOTA

By: _____
Its Mayor

By: _____
Its Administrator

Execution page of the Company to the Loan Agreement.

PCS BUILDING COMPANY,
a Minnesota nonprofit corporation

By: _____

Its: _____

EXHIBIT A

LEGAL DESCRIPTION

The real property situated in the City of Ramsey, County of Anoka, State of Minnesota, described as follows:

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

EXHIBIT B

PROJECT BUILDING

The Project Building consists of: