

**NEW ISSUE
BOOK-ENTRY-ONLY**

Rating: _____

In the opinion of Kennedy & Graven Chartered, as Bond Counsel, under existing laws, regulations, rulings, and decisions, and assuming compliance by the Issuer, the Trustee, the School and the Company with all requirements of the Internal Revenue Code of 1986, as amended, interest on the Series 2013A Bonds is excludable from gross income of the owners thereof for federal income tax purposes except as described under the heading "TAX MATTERS" herein and is excludable to the same extent from taxable net income of individuals, estates or trusts for Minnesota income tax purposes other than the Minnesota franchise tax measured by income and imposed on corporations and financial institutions. Interest on the Series 2013A Bonds is not an item of tax preference for purposes of the computation of the alternative minimum tax imposed on individuals and corporations under federal law and on individuals, trusts and estates under Minnesota law. However, interest on the Series 2013A Bonds is taken into account in the computation of adjusted current earnings for computing the federal alternative minimum tax imposed on corporations. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Series 2013A Bonds or arising with respect to the ownership of the Series 2013A Bonds. See "TAX MATTERS" herein. Interest on the Series 2013B Bonds is not excludable from gross income and is subject to both federal and Minnesota State income taxation.

\$11,180,000*
CITY OF RAMSEY
LEASE REVENUE REFUNDING BONDS
(PACT CHARTER SCHOOL PROJECT)
SERIES 2013A

\$_____*
CITY OF RAMSEY
TAXABLE LEASE REVENUE REFUNDING BONDS
(PACT CHARTER SCHOOL PROJECT)
SERIES 2013B

Dated: _____ 1, 2013

Due: As shown below

The Series 2013 Bonds offered hereby are limited obligations of the City of Ramsey (the "Issuer") and do not constitute general obligations or a debt, liability, or pledge of the full faith and credit of the Issuer, the City of Ramsey, Minnesota (the "City"), the State of Minnesota or of any political subdivision or agency thereof. The Series 2013 Bonds are not secured by or payable from any taxes, revenues or assets of the Issuer except for the Issuer's interest in the Loan Agreement and amounts held pursuant to the Indenture as described herein. Undefined capitalized terms used on this cover are defined in the text hereof or Appendix E.

Pursuant to the Loan Agreement, all proceeds of the Series 2013 Bonds will be loaned by the Issuer to City of Ramsey (the "Company"), a Minnesota non-profit corporation and 501(c)(3) organization. Proceeds of the Series 2013 Bonds will be used to: (i) refund the Issuer's Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2004 which previously financed the existing school facility at _____ (the "Schoolhouse") in the City of Ramsey, Minnesota (the "City") operated by the PACT Charter School, a Minnesota nonprofit corporation (the "School"); (ii) fund a debt service reserve fund; and (iii) pay the costs of issuing the Bonds (the "Project"). The Schoolhouse will be owned by the Borrower and leased to and operated by the School.

The Series 2013 Bonds will be payable from the moneys held for the payment thereof by Wells Fargo Bank, National Association in Minneapolis, Minnesota, or its successors, as Trustee under the Indenture, including amounts held in the Reserve Fund and Loan Repayments to be made by the Company under the Loan Agreement. The Series 2013 Bonds will be secured by a mortgage lien on and security interest in the Project and an assignment of all rents, revenues and profits of the Project in favor of the Trustee, subject to certain Permitted Encumbrances. The Project will be leased by the Company to the School pursuant to a Lease Agreement (the "Lease"), which the Company shall assign to the Trustee. Under the Lease, the School will be required to make Lease Payments in amounts sufficient to pay debt service on the Series 2013 Bonds, plus certain other payments. To secure the full and timely payments of such amounts due under the Lease, the School will create a special depository account (the "Sweep Account") into which there shall be deposited all funding received by the School from the State of Minnesota Department of Education (including certain pass-through payments of federal funds) and from which there shall be automatically transferred to the Trustee (within one Business Day) all Lease Payments due from the School. Certain revenues ("Adjusted Pledged Revenues") of the School shall also be pledged as additional security for the Series 2013 Bonds pursuant to a Pledge Agreement in favor of the Trustee.

The Series 2013 Bonds will be issued as fully registered bonds in the denomination of \$5,000 and integral multiples thereof and will initially be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of the Series 2013 Bonds will be made in book entry form only. Purchasers of beneficial interests will not receive certificates representing their interest in the Series 2013 Bonds. Payments of principal of and interest on the Series 2013 Bonds, and premium, if any, will be made directly to DTC or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Series 2013 Bonds. Disbursement of such payment to the DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as defined herein) is the responsibility of the DTC Participants, as more fully described herein.

The Series 2013 Bonds are subject to redemption as described herein under "THE SERIES 2013 BONDS - Redemption of Series 2013 Bonds."

MATURITY SCHEDULE

Series 2013A Bonds

\$ _____	Bonds at _____ %	Due _____, 2014 - Price _____	% CUSIP No. _____
\$ _____	Bonds at _____ %	Due _____, 2014 - Price _____	% CUSIP No. _____
\$ _____	Bonds at _____ %	Due _____, 2014 - Price _____	% CUSIP No. _____
\$ _____	Bonds at _____ %	Due _____, 2014 - Price _____	% CUSIP No. _____
\$ _____	Bonds at _____ %	Due _____, 2014 - Price _____	% CUSIP No. _____
\$ _____	Bonds at _____ %	Due _____, 2014 - Price _____	% CUSIP No. _____

Taxable Series 2013B Bonds

\$ _____	Bonds at _____ %	Due _____, 2014 - Price _____	% CUSIP No. _____
----------	------------------	-------------------------------	-------------------

An investment in the Series 2013 Bonds is subject to certain risks. See "BONDHOLDERS' RISKS" herein.

The Series 2013 Bonds are offered, subject to prior sale, when, as and if accepted by the Underwriter named below and subject to an opinion as to validity of the Series 2013 Bonds and tax exemption of the Series 2013A Bonds by Briggs and Morgan, Professional Association, Minneapolis, Minnesota. Bond Counsel, the approval of certain matters by Best & Flanagan LLP, Minneapolis, Minnesota, as counsel to and solely for the benefit of the Underwriter, the approval of certain matters by John Cairns Law, P.A., Minneapolis, Minnesota, as counsel to the Company and the School, and certain other conditions. It is expected that delivery of the Series 2013 Bonds will be made on or about _____ 26, 2013 through the facilities of DTC in New York, New York, against payment therefor. Subject to applicable securities laws and prevailing market conditions, the Underwriter intends, but is not obligated, to effect secondary market trading in the Series 2013 Bonds. For information with respect to the Underwriter, see "UNDERWRITING" herein.

DOUGHERTY & COMPANY LLC

The date of this Official Statement is _____ 25, 2013

* Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Issuer

City of Ramsey, Minnesota
Ramsey, Minnesota

Company

PCS Building Company
Ramsey, Minnesota

Charter School

PACT Charter School
Ramsey, Minnesota

Charter School Officers

Company and Charter School's Counsel

John Cairns Law, P.A.
Minneapolis, Minnesota

Bond Counsel

Briggs and Morgan, Professional Association
Minneapolis, Minnesota

Underwriter

Dougherty & Company LLC
Minneapolis, Minnesota

Underwriter's Counsel

Best & Flanagan LLP
Minneapolis, Minnesota

Trustee and Paying Agent

Wells Fargo Bank, National Association
Minneapolis, Minnesota

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THESE SECURITIES UNDER THE SECURITIES OR BLUE SKY LAWS OF THE STATES IN WHICH THEY HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THESE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

TABLE OF CONTENTS

	<u>PAGE</u>
SUMMARY INFORMATION	i
INTRODUCTORY STATEMENT	1
BONDHOLDERS' RISKS	4
THE SERIES 2013 BONDS	12
BOOK-ENTRY ONLY SYSTEM	17
SECURITY FOR THE BONDS	20
SOURCES AND USES OF FUNDS	24
THE ISSUER	25
THE COMPANY	26
THE SCHOOL	26
THE PROJECT	27
DEBT SERVICE SCHEDULE	27
ENFORCEABILITY OF OBLIGATIONS	29
LEGAL MATTERS	29
TAX MATTERS	30
RATING	33
UNDERWRITING	33
CONTINUING DISCLOSURE	34
RELATIONSHIPS AMONG THE PARTIES	34
LITIGATION	34
MISCELLANEOUS	35
APPENDIX A THE COMPANY, THE SCHOOL AND THE PROJECT	A-1
APPENDIX B SCHOOL FINANCIAL STATEMENTS	B-1
APPENDIX C FIVE-YEAR FINANCIAL SUMMARY AND FIVE-YEAR BUDGET PROJECTIONS	C-1
APPENDIX D CHARTER AGREEMENT WITHOUT EXHIBITS, AMENDMENTS AND CHARTER EXTENSIONS	D-1
APPENDIX E DEFINITIONS OF CERTAIN TERMS, SUMMARIES OF DOCUMENTS	E-1
APPENDIX F FORMS OF BOND COUNSEL OPINIONS	F-1

No person has been authorized by the Issuer, the Underwriter, or the Company to give any information regarding the Series 2013 Bonds, the Company, the School, the Project, the offering contained herein and related matters or to make any representations other than those contained in this Preliminary Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which it is unlawful for any person to make such offer or solicitation. The information set forth herein has been provided by or on behalf of the Company. Neither the Issuer nor the Underwriter makes any guarantee as to accuracy or completeness of such information, and its inclusion herein is not to be construed as a representation by the Underwriter or the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement at any time nor any sale made hereunder creates any implication that the information herein is correct as of any time subsequent to its date.

Neither the Issuer nor any of its members, agents, employees or representatives have reviewed this Official Statement or investigated the statements or representations contained herein, except for those statements relating to the Issuer set forth under the captions “THE ISSUER” and “LITIGATION – Issuer.” Except with respect to the information contained under such captions, neither the Issuer nor any of its members, agents, employees or representatives makes any representation as to the completeness, sufficiency and truthfulness of the statements set forth in this Official Statement. Members of the governing body of the Issuer and any other person executing the Bonds are not subject to personal liability by reason of the issuance of the Bonds. The Issuer assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

SUMMARY INFORMATION

The following is a summary of certain information contained in this Official Statement. The summary is not comprehensive or complete and is qualified in its entirety by reference to the complete Official Statement. Undefined capitalized terms used below are defined in Appendix E hereto or elsewhere in this Official Statement.

The Series 2013 Bonds	Collectively, the \$11,180,000* Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2013A and the \$_____* Taxable Lease Revenue Refunding Bonds (PACT Charter School Project) Series 2013B and, together with the Series 2013A Bonds, the “2013 Bonds” to be issued by the City of Ramsey in denominations of \$5,000 or any integral multiple thereof. See “THE SERIES 2013 BONDS - Interest; Maturity; Payment.”
Payment	Interest accrues on the Series 2013 Bonds at the rates set forth on the cover hereof from the dated date and is payable on _____ 1 and _____ 1 of each year (commencing _____ 1, 2013) by check or draft of the Trustee mailed on such dates to the persons who were the registered owners of the Series 2013 Bonds as of the 15th day of the month preceding each interest payment date; provided that any holder of not less than \$1,000,000 principal amount of Series 2013 Bonds may receive payment of interest by wire transfer upon proper instruction to the Trustee. Principal and premium, if any, will be payable at the principal corporate trust office of the Trustee. See “THE SERIES 2013 BONDS – Interest; Maturity; Payment.”
Payment Redemption or Prepayment	As more fully described herein, the Series 2013 Bonds are subject to redemption or prepayment prior to maturity, as follows: (a) optional redemption of the Series 2013A Bonds maturing on or after _____ 1, 20__ upon request of the Company in whole or in part on any date, on and after _____ 1, 20__, at par plus accrued interest; (b) extraordinary redemption at par plus accrued interest due to the occurrence of certain casualty, condemnation, or other unexpected events; (c) for the Series 2013A Bonds maturing on _____ 1, 20__, 20__, 20__, and 20__ (the “Series 2013 Term Bonds”), mandatory redemption at par plus accrued interest due to sinking fund redemption; (d) mandatory redemption in whole upon the occurrence of a Determination of Taxability at par plus accrued interest plus, with respect to the Series 2013A Bonds, a premium of 3% of the principal redeemed; and (e) acceleration due to an Event of Default occurring under the Indenture, the Loan Agreement, the Tax Regulatory Agreement, the Lease, the Pledge Agreement or the Mortgage. See “THE SERIES 2013 BONDS - Redemption of Series 2013 Bonds.”

Use of Proceeds	<p>Proceeds of the Series 2013 Bonds will be loaned pursuant to a Loan Agreement to the Company to: (i) refund the Issuer’s Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2004 which previously financed the existing school facility at _____ (the “Schoolhouse”) in the City of Ramsey, Minnesota (the “City”) operated by the PACT Charter School, a Minnesota nonprofit corporation (the “School”); (ii) fund a debt service reserve fund; and (iii) pay the costs of issuing the Bonds (the “Project”). The Schoolhouse will be owned by the Borrower and leased to and operated by the School. See “SOURCES AND USES OF FUNDS.”</p>
The Company and the School	<p>The borrower under the Loan Agreement is PCS Building Company, a Minnesota nonprofit corporation and 501(c)(3) organization formed for the purpose of owning and leasing the Project to PACT Charter School, a Minnesota nonprofit corporation and 501(c)(3) organization. See Appendix A: “THE COMPANY, THE SCHOOL AND THE PROJECT.”</p>
Security for the Bonds	<p>The Bonds will be secured by and payable from an assignment and pledge of (i) all moneys held under the Indenture, including Series 2013 Bond proceeds initially deposited in the Reserve Fund, (ii) the interest of the Issuer in the Loan Agreement (except for certain rights to indemnification and payments of fees and expenses), (iii) amounts realized pursuant to a mortgage on the Schoolhouse or an assignment of leases, (iv) insurance benefits and condemnation awards payable with respect thereto, (v) Lease Payments due from the School, which shall be automatically withdrawn by the Trustee from the Sweep Account pursuant to a Pledge Agreement, and (vi) investment earnings on the foregoing. Pursuant to the Loan Agreement and the Pledge Agreement, the School has agreed to maintain and replenish as necessary, on a best-efforts basis, a separate, segregated fund balance in an amount equal to twenty percent (20%) of the budgeted annual operating expenses (net of Lease Payments) of the School. The Pledge Agreement also contains certain on-going covenants and agreements of the School to the Trustee to provide financial and operating reports, to comply with the requirements of the Minnesota Department of Education, not to incur new additional indebtedness (with certain exceptions), to maintain not less than 45 Days Cash on Hand, and to operate the School with a surplus of Income Available for Debt Service over the principal and interest due on the Series 2013 Bonds and any Additional Bonds. See Appendix E: “THE LOAN AGREEMENT – Covenants of the School.” and “THE PLEDGE AGREEMENT.” The Bonds are limited obligations of the Issuer and do not constitute general obligations or a debt, liability, or pledge of the full faith and credit of the Issuer, the State or of any political subdivision or agency thereof. The Bonds are not secured by or payable from any taxes, revenues or assets of the Issuer, except for the Issuer’s interest in the Loan Agreement and amounts held pursuant to the Indenture as described</p>

herein. See “SECURITY FOR THE BONDS.”

Trustee and Paying
Paying Agent

Wells Fargo Bank, National Association in Minneapolis, Minnesota.

Investment Risks

An investment in the Series 2013 Bonds involves risks, including, but not limited to, those discussed under “BONDHOLDERS’ RISKS.”

OFFICIAL STATEMENT
\$11,180,000*
CITY OF RAMSEY
LEASE REVENUE REFUNDING BONDS
(PACT CHARTER SCHOOL PROJECT)
SERIES 2013A
and
\$ _____*
CITY OF RAMSEY
TAXABLE LEASE REVENUE REFUNDING BONDS
(PACT CHARTER SCHOOL PROJECT)
SERIES 2013B

INTRODUCTORY STATEMENT

The following is a brief introduction as to certain matters discussed elsewhere in this Official Statement and is qualified in its entirety as to such matters by such discussion and the text of the actual documents described or referenced. Any capitalized term not required to be capitalized is used with the meaning assigned in Appendix E or in the Indenture, the Loan Agreement or other document with respect to which the term is used. Definitions contained in the text hereof are for ease of reference only and are qualified in their entirety by the definitions in Appendix E or the documents with respect to which such terms relate. The Appendices hereto are an integral part of this Official Statement and each potential investor should review the Appendices in their entirety.

General

This Official Statement provides information regarding the \$11,180,000* Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2013A (the “Series 2013A Bonds”) and the \$ _____* Taxable Lease Revenue Refunding Bonds (PACT Charter School Project) Series 2013B (the “Series 2013B Bonds”) and together with the Series 2013A Bonds, the “Series 2013 Bonds”) to be issued by the City of Ramsey (the “Issuer”) pursuant to an Indenture of Trust (the “Indenture”) between the Issuer and Wells Fargo Bank, National Association in Minneapolis, Minnesota (the “Trustee”). See Appendix E: “THE INDENTURE.” Pursuant to a Loan Agreement (the “Loan Agreement”), between the Issuer and City of Ramsey (the “Company”), a Minnesota nonprofit corporation and an organization described in Section 501(c)(3) of the Code, proceeds of the Series 2013 Bonds will fund a loan (the “Loan”) to the Company. See Appendix E: “THE LOAN AGREEMENT.”

Proceeds of the Series 2013 Bonds will be used to: (i) refund the Issuer’s Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2004 which previously financed the existing school facility at _____ (the “Schoolhouse”) in the City of Ramsey, Minnesota (the “City”) operated by the PACT Charter School, a Minnesota nonprofit corporation (the “School”); (ii) fund a debt service reserve fund; and (iii) pay the costs of issuing the Bonds (the “Project”). The Schoolhouse will be owned by the Borrower and leased to and operated by the School. See “SOURCES AND USES OF FUNDS.” See Appendix A: “THE COMPANY, THE SCHOOL AND THE PROJECT.”

** Preliminary, subject to change*

Loan of Series 2013 Bond Proceeds; Mortgage

Proceeds of the Series 2013 Bonds will be loaned to the Company pursuant to the Loan Agreement under which the Company will agree to make monthly payments (“Loan Repayments”) which, if fully and promptly paid, will be sufficient to pay when due the scheduled principal of and interest on the Series 2013 Bonds. See Appendix E: “THE LOAN AGREEMENT.” Proceeds of the Loan will be applied to the refunding of the Series 2004 Bonds pursuant to an Escrow Agreement between the Company and the Trustee (the “Escrow Agreement”). Pursuant to a Tax Regulatory Agreement among the Company, the School, the Issuer and the Trustee (the “Tax Regulatory Agreement”), the Company and the School will make certain representations and covenants related to maintaining the exclusion from gross income for federal income tax purposes of interest on the Series 2013A Bonds.

Pursuant to the Indenture, the Issuer will pledge to the Trustee, for the benefit of the holders of the Bonds, all of its interest in the Loan Agreement (other than certain indemnification and expense reimbursement payments) to secure payment of the principal of, premium, if any, and interest on the Bonds. Pursuant to an Amended and Restated Mortgage, Security Agreement and Assignment of Leases and Rents (the “Mortgage”), to be executed by the Company in favor of the Trustee, the payment of the principal of, premium, if any, and interest on the Bonds will be secured by a mortgage lien on and security interest in the Project, subject to certain “Permitted Encumbrances” described in the Mortgage. See Appendix E: “THE MORTGAGE.”

Lease

Pursuant to a Lease Agreement dated as of _____ 1, 2013 (the “Lease”) between the Company and the School, the Company shall lease the Project to the School. The School shall use the Project for the charitable purpose of operating a public (charter) school in accordance with Minnesota Statutes, Section 124D.10. The term of the Lease shall be at least equal to the term of the Series 2013 Bonds. Payments due under the Lease shall be withdrawn by the Trustee from the Sweep Account (defined herein) for deposit in the Revenue Fund, and shall, in the aggregate, be equal to the amount necessary for the Company to pay semi-annual debt service on the Series 2013 Bonds and certain other fees and costs in connection with the Bonds. Lease payments shall be paid primarily from Building Lease Aid received by the School from the State pursuant to Minnesota Statutes, Section 124D.11, subd. 4. See Appendix E: “THE LEASE.”

Pledge and Covenant Agreement

As additional security on the Series 2013 Bonds, the School shall pledge certain of its revenues to the Trustee for payments on the Series 2013 Bonds as necessary, pursuant to a Pledge and Covenant Agreement dated as of _____ 1, 2013 (the “Pledge Agreement”) from the School. The Pledge Agreement also provides that in the event Building Lease Aid is insufficient to make lease payments under the Lease, general education funding from the State, and other special State and federal pass-through education funding sources shall be applied to the payment of such insufficiency. See Appendix E: “THE INDENTURE” and “THE PLEDGE AGREEMENT.” Under the Pledge Agreement, the revenues received by the School from the State shall be deposited into a Sweep Account, from which the Trustee shall withdraw the payments due from the School under the Lease.

Reserve Fund

On the closing date for the issuance of the Series 2013 Bonds, proceeds of the Series 2013 Bonds in an amount equal to the Reserve Fund Requirement (defined in Appendix E) will be deposited in the Reserve Fund created by the Indenture. Earnings on amounts in the Reserve Fund will be deposited therein so long as the balance therein is less than the Reserve Fund Requirement. Amounts in the Reserve Fund will secure the Series 2013 Bonds and may be used by the Trustee to pay principal of and interest on the Series 2013 Bonds in the event sums in the Bond Fund are insufficient for such purpose. See “SECURITY FOR THE BONDS - Debt Service Reserve Fund” and Appendix E: “THE INDENTURE - Reserve Fund.”

Special Covenants of the Company and the School

The Loan Agreement places certain restrictions on the incurrence of indebtedness by the Company and requires the Company to impose certain restrictions on the School pursuant to the Pledge Agreement. In particular, the Loan Agreement prohibits the Company from incurring any Indebtedness other than Additional Bonds without the prior written consent of the Majority Bondholder. See Appendix E: “THE LOAN AGREEMENT – Additional Bonds and Additional Indebtedness.”

The Company has also agreed in the Loan Agreement to cause the School to make certain covenants in the Pledge Agreement of the School: (a) to similarly limit additional Indebtedness without the prior written consent of the Majority Bondholder (other than (i) loans or operating or capital leases for computers and/or technology and (ii) short term working capital borrowing or sales of accounts receivable for cash flow purposes in an amount not to exceed \$1,000,000), (b) to provide certain periodic financial and operating reports, to make all applications for applicable State and federal funds, (c) to operate the School such that, on a best efforts basis, the School's Income Available for Debt Service to equal to at least 110% of the principal and interest due on the Bonds, (d) to engage an Independent Consultant in the event that the School's Income Available for Debt Service is less than 110% of the principal and interest due on the Bonds in any Fiscal Year, (e) to maintain at least 45 Days Cash on Hand, (f) to maintain and replenish a separate, segregated fund balance account in an amount equal to twenty percent (20%) of the budgeted annual operating expenses of the School, net of Lease Payments, to be used solely for ordinary and necessary expenses of the School (excluding salaries and benefits), and (g) to pay rent sufficient to establish and maintain the Capital Improvement Fund with respect to the Project. See “SECURITY FOR THE BONDS – Pledge and Covenant Agreement” and Appendix E: “THE LOAN AGREEMENT – Covenants of the School” and “THE PLEDGE AGREEMENT” and “THE LEASE.”

Miscellaneous

This Official Statement (including the Appendices hereto) contains descriptions of, among other matters, the Indenture, the Loan Agreement, the Mortgage, the Lease, the Escrow Agreement, the Pledge Agreement, the Continuing Disclosure Agreement, the Issuer, the Project, the Company, the School and the Series 2013 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. All references to documents described herein are qualified in their entirety by reference to such documents, copies of which are available for inspection at the principal corporate trust office of the Trustee.

Bondholders' Risks

Certain risks associated with an investment in the Series 2013 Bonds are discussed under "BONDHOLDERS' RISKS."

BONDHOLDERS' RISKS

No person should purchase any Series 2013 Bonds without carefully reviewing the following information, which summarizes some, but not all factors that should be carefully considered before such purchase.

Nature of Special Limited Obligations

The Series 2013 Bonds are special limited obligations of the Issuer, payable solely from amounts pledged under the Indenture to the payment of principal of, interest and premium, if any, on the Series 2013 Bonds (which includes Loan Repayments from the Company, amounts in the Reserve Fund and other amounts held by the Trustee under the Indenture and proceeds realized under the Mortgage), and do not give rise to a general obligation or general liability of the Issuer or a charge against its general credit or taxing powers and shall never constitute nor give rise to a pecuniary liability of the Issuer. The Series 2013 Bonds do not constitute a debt, moral obligation, liability or loan of credit or a pledge of the full faith and credit or taxing power of the Issuer, the City, the State, or of any political subdivision thereof.

Dependence on Company's Ability to Pay Loan Repayments; Ability of School to Pay Lease Payments

Payment of principal of, premium, if any, and interest on the Series 2013 Bonds is intended to be made from payments of Loan Repayments by the Company under the Loan Agreement, except to the extent payment is intended to be made from other amounts held under the Indenture such as Bond proceeds or investment earnings. The Company has no significant assets or business other than the assets and business related to the Project. The ability of the Company to make Loan Repayments will depend on the Company's ability to generate revenues sufficient to pay the Loan Repayments from the Lease to the School. Future revenues of the Company from the Project will primarily depend on rental rates of the Project and the ability of the School to make payments under the Lease.

The School's ability to make payments under the Lease is dependent on its revenues, which are largely dependent on enrollment. The Building Lease Aid received from the State is based on total enrollment. In addition, although the Lease has been approved by the State, the School must apply annually for Building Lease Aid. Not only will the amount of Building Lease Aid be based on enrollment, but approval of Building Lease Aid is based on the State's review of the following criteria: (1) the reasonableness of the price based on current market factors, (2) the extent to which the lease conforms to applicable State laws and rules, (3) the appropriateness of the proposed lease in the context of the space needs and financial circumstances of the charter school and (4) the continuation of the School's charter contract without termination or non-renewal.

Further, the Building Lease Aid alone will be insufficient to make the total payments due under the Lease. See Appendix A: "THE COMPANY, THE SCHOOL AND THE PROJECT –

Financial Condition of the School, Building Lease Aid.” The School’s general revenues are a combination of State aids provided under the following programs: General Education Aid (which coincides with enrollment), Compensatory Aid and Building Lease Aid (which coincides with enrollment), and Federal programs administrated by the State including Title II of the Improving American Schools Act (“IASA”), Responsive Classroom Training and the International Baccalaureate’s Primary Years Programme (PYP), Title IV of the IASA, Safe and Drug Free Schools and Title V of the IASA, innovative programs, implementing PYP. Prior enrollment is no guaranty of future enrollment and revenue.

In addition, aid payments from the State are not always made on a timely basis, which may result in late payments by the School under the Lease and Pledge Agreement, which may, in turn, result in late payments by the Company under the Loan Agreement.

Future revenues and expenditures of the Company will be subject to conditions in the future which cannot be determined with assurance. Prior revenues and expenditures of the School are no guaranty as to future revenue and expenditures of the School.

Other Debt and Financial Obligations of the School

The School currently does not have any outstanding debt obligations. [?] See “Appendix C – FIVE-YEAR FINANCIAL SUMMARY AND FIVE-YEAR BUDGET PROJECTIONS”.

Projected Information

The Company has not engaged any accounting firm or other independent third party to prepare a forecast of the future operations of the Company. Certain information prepared by the Company and the School concerning the projected operations of the Project is contained in Appendix C. Such projected information is based on assumptions deemed reasonable by the Company and the School, but such assumptions, and the actual future financial impact of the Project on the Company and the School will inevitably vary from the forecast data, and such variance may be material and adverse.

Non-Renewal or Termination of Charter Agreement

Under the Charter School Act, the _____ (“Authorizer”), as authorizer under the Charter Agreement, may or may not renew the Charter Agreement at the end of any renewal term, or may unilaterally terminate the Charter Agreement (subject to certain reasonable notice and appeal procedures available to the School) upon any of the following grounds: (1) failure to meet the requirements for pupil performance contained in the Charter Agreement; (2) failure to meet generally accepted standards of fiscal management; (3) violations of law; or (4) other good cause shown. Decisions made by Authorizer will depend upon the policies and evaluations of future board members and administrative staff of Authorizer. Although Authorizer has acted as the authorizer of the School and the School expects that the Charter Agreement will be renewed and extended for the term of the Series 2013 Bonds, no assurance can be given that future boards or administrative staffs of Authorizer will continue to renew the Charter Agreement. The School is in the third year of the three-year term of the current Charter Agreement that runs through _____ 30, 2013, and the School has submitted an application for a renewal of the Charter Agreement. The School’s renewal application was formally approved by Authorizer for a three-year term on _____ 11, 2013 and the School expects that such renewal will be approved by the

Minnesota Department of Education. Future renewals of the Charter Agreement for the School will be subject to review by Authorizer.

Financial Statements, No Certified Financial Forecast

The Audited Financial Statements of the School attached hereto as Appendix B reflect the last three years of operation of the School for which audited financial statements are available. Also included in Appendix B are the unaudited financial statements of the School for the period from July 1, 2012 through _____, 2013. No certified forecasted financial statements have been prepared by the School to account for the debt service on the Series 2013 Bonds or the revenues of the School following the issuance of the Series 2013 Bonds, but the School has prepared the Five-Year Proforma Budget and Balance Sheet Projections included in Appendix E to provide the School's projections of these amounts. For information regarding the Company's and the School's expectations after the issuance of the Series 2013 Bonds and the, see Appendix A: "THE COMPANY, THE SCHOOL AND THE PROJECT" and Appendix C: "FIVE-YEAR FINANCIAL SUMMARY AND FIVE-YEAR BUDGET PROJECTIONS."

Income and Property Tax Exemption

Under present federal and Minnesota law, regulations and rulings, the income and revenue of nonprofit, 501(c)(3) qualified tax-exempt organizations are exempt from federal and state income tax, except for any unrelated business income as defined in the Code, and their revenues are exempt from the State sales tax except for certain services. The Company is a Minnesota nonprofit corporation and on _____ the Company received a determination letter from the Internal Revenue Service that the Company was a 501(c)(3) qualified exempt organization. The School is also a nonprofit, 501(c)(3) qualified exempt organization. Under present Minnesota law and rulings, public (charter) schools are exempt from property taxes levied by political subdivisions of the State so long as such property is used for public school purposes (although such property is subject to special assessments for local improvements to the property). The Company has established with the local governmental authorities that the Project is exempt from the payment of real estate taxes. However, such laws, regulations and rulings are subject to change, and no assurance can be given that any future change in exempt status would not have a material adverse effect on the Company.

Factors That Could Affect the Future Financial Condition of the Company and the School

The future financial condition of the Company and the School could be affected adversely by, among other things, legislation, regulatory actions, increased competition from other schools, changes in demand for public and private education, the ability of the School to provide the educational services and classes demanded by parents or to attract students generally, changes in the level of confidence of the public school system, tuition costs, demographic changes and litigation. Some of such changes might include the following:

Continued Utilization of the Facilities of the Company. A significant portion of the School's revenue is derived based on the number of students enrolled in the education facilities of the School.

The School faces competition from other educational facilities and could face additional competition in the future as a result of the organization of, the construction of new, or the

renovation of existing, public schools or other public (charter) schools in the areas served by it. No assurance can be given that the enrollment of the School will not be adversely affected by the availability of other educational facilities in the service areas of the School and elsewhere.

Educational Industry Factors Affecting the School. The educational industry is highly dependent on a number of factors which may limit the ability of the School to meet its obligations under the Lease, a number of which are beyond the control of the School. Among other things, participants in the educational industry are subject to significant regulatory requirements of federal, State and local governmental agencies and independent professional organizations and accrediting bodies, and various competitive factors. Discussed below are certain of these factors which could have a significant impact on the future operations and financial condition of the School.

Five-Year Financial Summary and Five-Year Budget Projections. The School's Five-Year Financial Summary and Five-Year Budget Projections contained in Appendix C includes certain estimates and assumptions regarding the number of students attending the School, the revenues available to the School and the operating expenditures for the School. The Five-Year Financial Summary and Five-Year Budget Projections presents, to the best of the School's knowledge and belief, the School's anticipated income and expenses and the anticipated enrollment at the School. The information set forth in the Five-Year Budget Projections is based upon the School's assumptions reflecting conditions it expects to exist and the course of action it expects to take. The School's estimates and assumptions, including assumptions on enrollment, revenues and expenses, are subject to the uncertainties of future events beyond the control of the School. Actual results may differ materially and adversely from the Five-Year Budget Projections for a number of reasons, including, without limitation, increases in operating costs, demographic changes, competition from other public and private schools, the ability of the School to successfully implement its curriculum, changes in the State laws regarding funding for charter schools, changes in State or federal laws regarding education funding generally, and the risks inherent in the ownership of real property.

THE FIVE-YEAR FINANCIAL SUMMARY AND FIVE-YEAR BUDGET PROJECTIONS HAVE BEEN INCLUDED IN APPENDIX C TO THIS OFFICIAL STATEMENT FOR PURPOSES OF ILLUSTRATION AND INFORMATION. NO ASSURANCE CAN BE GIVEN THAT THE ACTUAL RESULTS WILL CORRESPOND WITH THE RESULTS CONTEMPLATED IN THE FIVE-YEAR BUDGET PROJECTIONS. IF THEY DO NOT, THE ABILITY OF THE COMPANY TO MAKE PAYMENTS OF PRINCIPAL OF AND INTEREST AND PREMIUM, IF ANY, ON THE BONDS FROM THE PAYMENTS TO BE MADE BY THE SCHOOL UNDER THE LEASE MAY BE MATERIALLY AND ADVERSELY AFFECTED. IN ADDITION, NO WARRANTY OR REPRESENTATION IS OR CAN BE MADE AS TO RESULTS OF FUTURE OPERATIONS OR THE AMOUNT OF FUTURE FUNDING SOURCES, REVENUES OR CASH AVAILABLE TO THE SCHOOL OR THE COMPANY.

Legislative and Regulatory Actions. The School and its operations are subject to regulation and certification by various federal, State and local government agencies. No assurance can be given as to the effect on future operations of existing laws, regulations and standards, including the School being subject to the renewal of its charter every three or five

years under current State law (or otherwise as may be required by State law in the future), certification or accreditation or of any future changes in such laws, regulations and standards.

Maintenance of Tax-Exempt Status. The federal tax-exempt status of the Series 2013A Bonds presently depends upon the maintenance by the Company and the School of their status as organizations described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including its operation for charitable and educational purposes and its avoidance of transactions which may cause its assets to inure to the benefit of private individuals.

The Internal Revenue Service (the “IRS”) has reorganized activities relating to tax-exempt bonds with the stated aim of increasing the level of audit coverage. Historically, for an issue of tax-exempt bonds, such as the Series 2013A Bonds, the only penalty available to the IRS in the event of a failure to fully comply with Section 501(c)(3) of the Code is the revocation of tax-exempt status. Recent legislation was enacted which imposes an excise tax as an intermediate sanction against tax-exempt organizations which engage in “excess benefit transactions”. Excess benefit transactions generally are transactions in which an improper economic benefit is conferred upon certain persons. It is expected that this recent legislation will make it less likely that the IRS will revoke the 501(c)(3) tax-exempt status of nonprofit corporations. The loss of tax-exempt status by the School could result in loss of tax exemption with respect to the Series 2013A Bonds and defaults in covenants with respect to the Series 2013A Bonds would likely be triggered. Such an event would have material adverse consequences on the financial condition of the Company and the School.

Interest on the Series 2013B Bonds is not excludable from gross income and is subject to both federal and Minnesota state income taxation.

Certain Other Risks. The following factors, among others, may also adversely affect the operation of educational facilities, including the educational facilities of the School, to an extent that cannot be determined at this time:

- (1) future legislation and regulations affecting public (charter) schools and the educational industry in general;
- (2) cost and availability of insurance in the State;
- (3) increased costs of attracting and retaining or decreased availability of a sufficient number of teachers;
- (4) increased costs resulting from unionization of the employees of the facilities of the School or the utilization by non-union employees of the facilities of the School as may be available under the National Labor Relations Act;
- (5) the facilities owned by the Company are composed of special-purpose facilities which are not suitable for industrial or commercial use; consequently, it could be difficult to find a buyer or lessee for such facilities if it were necessary for the Company to raise funds by selling or leasing any of its assets in order to repay its indebtedness; and

(6) proposals to eliminate the tax-exempt status of bonds issued to finance educational facilities, or to limit the use of such tax-exempt bonds, have been made in the past, and may be made again in the future. The adoption of such proposals would increase the interest cost to the Company of financing future capital needs.

Value of Mortgaged Property

Security for the Bonds includes a mortgage lien on the Project evidenced by the Mortgage in favor of the Trustee. Attempts to foreclose under the Mortgage may be met with protracted litigation and/or bankruptcy proceedings, which proceedings cause delays. See “ENFORCEABILITY OF OBLIGATIONS.” Thus, there can be no assurance that upon the occurrence of an Event of Default, the Trustee will be able to obtain possession of the Project and generate revenue therefrom in a timely fashion. Because of the special nature, location, regulatory restrictions and other factors relating to the Project, there can be no assurance that proceeds derived from the sale of the Project upon default and foreclosure of the Mortgage would be sufficient to pay all amounts due in respect of the Series 2013 Bonds. Furthermore, the Mortgage contains several Permitted Encumbrances as described in the Mortgage. See Appendix E: “THE MORTGAGE.”

Damage or Destruction

Although the Company will be required to obtain certain insurance, as set forth in the Loan Agreement, there can be no assurance that the Project will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the Project cannot generate revenues, will not exceed the coverage of such insurance policies. In addition, such insurance may be obtained through the use of the State-sponsored Minnesota School Boards Association Trust rather than a private insurance company. The Minnesota School Boards Association Trust is not reviewed or rated in the same way as a private insurance company or subject to the same regulatory oversight.

Effect of Federal Bankruptcy Laws on Security for the Series 2013 Bonds

Bankruptcy proceedings and equity principles may delay or otherwise adversely affect the enforcement of Bondholders’ rights in the property granted as security for the Series 2013 Bonds. Furthermore, if the security for the Series 2013 Bonds is inadequate for payment in full of the Series 2013 Bonds, bankruptcy proceedings and equity principles may also limit any attempt by the Trustee to seek payment from other property of the Company, if any. See “ENFORCEABILITY OF OBLIGATIONS.” Also, federal bankruptcy law permits adoption of a reorganization plan, even though it has not been accepted by the holders of a majority in the aggregate principal amount of the Series 2013 Bonds if the Bondholders are provided with the benefit of their original lien or the “indubitable equivalent.” In addition, if the bankruptcy court concludes that the Bondholders have “adequate protection,” it may (i) substitute other security subject to the lien of the Bondholders, and (ii) subordinate the lien of the Bondholders (a) to claims by persons supplying goods and services to the Company after bankruptcy and (b) to the administrative expenses of the bankruptcy proceeding. The bankruptcy court may also have the power to invalidate certain provisions of the Mortgage that make bankruptcy and related proceedings by the Company an event of default thereunder.

Legislative Initiatives [REVISE?]

Past Legislative Changes

State general education aid is determined biennially. The 2011 legislative and special sessions set the budget for fiscal (academic) years 2012 and 2013. The current legislative session began on January 8, 2013, and adjourned on May 20, 2013. The 2013 legislature has set the State's biennial budget for fiscal years 2014 and 2015.

As in prior years, for 2012-13, the State imposed a "holdback" (i.e., deferral) of a portion of the total funding. In other words, a portion of the current year funding was not disbursed until after July 1 of the next following academic year. This policy was adopted by Minnesota in part to deal with certain State budget issues as well as to allow for a reckoning or "true-up" process after the end of the year to account for fluctuations in actual student population during the year. The amount of the holdback has varied over time.

Beginning in academic year 2010, the State increased the amount of this holdback to 27%. That was increased to 30% for FY 2011, and then to 40% for FY 2012.

Since July 1, 2011, Minnesota education funding has been distributed by electronic wire transfer twice a month in 16 essentially equal amounts over eight months. As a result, public schools were to receive 60% of their annual allocation between July 1, 2011 and February 28, 2012, but no funds were distributed between March 1, 2012 and _____ 30, 2012.

State Building Lease Aid is calculated as \$1,200 per "weighted" average daily membership ("WADM") or 90% of the school's lease obligations, whichever is less. As with funding for operations, the "weighting" formula provides that a high school like the School receives 1.3 times the funding for their students grades 9-12 compared to the funding provided for schools having only grade k-8 students.

The Building Lease Aid is not paid separately from general education funding. Rather, charter schools receive marginally different disbursement amounts on the 15th and 30th of each month through February 28 of each fiscal year. All public school financing data in Minnesota is public under the Minnesota Government Data Practices Act. As result, any person can determine the components of any disbursement to the School (or any other Minnesota public school) by going onto the MDE website.

There is some variation and unpredictability with respect to these disbursements. However, the School has determined that neither variability of payments to the School nor the absence of State payments between March 1 and _____ 30 of each year will cause any cash flow difficulties for the School.

Changes by 2013 Legislature

The main components of public charter school education funding in Minnesota are "general education funding" and "building lease aid." The 2013 Minnesota legislative session ended on May 20, 2013. Legislation approved by the Governor (i) increased general education funding to Minnesota charter schools; (ii) provided for a reduction in State holdback of funding to 10% and for the distribution of State funds in 24 bi-monthly installments over 12 calendar

months (assuming certain State budget goals are met); (iii) altered the Building Lease Aid formula for fiscal years 2014-2015 and thereafter to be based on a limit of \$1,314 per pupil unit served (as opposed to \$1,200 per WADM described above); (iv) made certain other minor funding changes and (iv) made no significant material adverse change to the manner in which charter schools are overseen by authorizers and the Minnesota Department of Education.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Company to pay debt service when due on the Series 2013 Bonds.

Rating Changes

Standard & Poor’s Ratings Group, a division of McGraw-Hill, has assigned a rating of “_____” to the Series 2013 Bonds. Certain information was supplied by the Company and the School to such rating agency to be considered in evaluating the Series 2013 Bonds, including information regarding State and federal funding sources and the operations of the School, which are subject to change. See “RATING.” Such rating expresses only the views of such rating agency. There is no assurance that such rating will continue for any given period of time or will not be revised or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision in or withdrawal of such rating may have an adverse effect on the market price of the Series 2013 Bonds.

Secondary Market

The Underwriter expects to effect secondary market trading in the Series 2013 Bonds. However, the Underwriter is not obligated to repurchase any Series 2013 Bonds at the request of the holders thereof and cannot assure that there will be a continuing secondary market in the Series 2013 Bonds. In addition, adverse developments, including insufficient cash flow from the Project, may have an unfavorable effect upon prices for the Series 2013 Bonds in the secondary market.

THE SERIES 2013 BONDS

Interest; Maturity; Payment

The Series 2013 Bonds will be issued in the aggregate principal amounts and will bear interest as set forth on the cover hereof. Interest will be payable semiannually on _____ 1 and _____ 1 (each an “Interest Payment Date”) of each year, commencing on _____ 1,

2013. Interest will be calculated on the basis of a 360-day year with twelve months of thirty days.

The Series 2013 Bonds will be issued in the form of fully registered bonds without interest coupons in denominations of \$5,000 or any integral multiple thereof.

The principal of, interest on, and premium, if any, on the Series 2013 Bonds shall be payable when due by wire of the Trustee to The Depository Trust Company, New York, New York (“DTC”), which will in turn remit such principal, interest and premium, if any, to Participants (as defined below), which Participants will in turn remit such principal, interest and premium, if any, to the Beneficial Owners (as defined below) of the Bonds as described herein. See “BOOK-ENTRY ONLY SYSTEM” below.

In the event the Bonds are not registered in the name of Cede & Co., as nominee of DTC, or another eligible depository as described below, the principal of, interest on, and premium, if any, on each Bond will be payable only at the corporate trust operations center of the Trustee in Minneapolis, Minnesota, as described in the Indenture. Payment of interest on the Bonds will be paid by check or draft mailed on each Interest Payment Date by the Trustee to the registered owners of record appearing on the registration books kept by the Trustee as of the applicable Regular Record Date preceding each Interest Payment Date, or upon request, as provided in the Indenture, of any registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by electronic wire transfer on each Interest Payment Date to the account designated by such registered owner to the Trustee in writing on or before the Regular Record Date for any interest payment.

The registered owner of any Bond will be the person or persons in whose name or names a Bond is registered on the registration books kept for that purpose by the Trustee in accordance with the terms of the Indenture.

Redemption of Series 2013 Bonds

Mandatory Sinking Fund Redemption. Series 2013 Bonds maturing as set forth below will be subject to mandatory redemption in part and by lot in such manner as the Trustee may determine through the operation of mandatory sinking fund payments as provided in the Indenture, at the principal amount so to be redeemed plus accrued interest to the redemption date, in accordance with the following schedules:

Series 2013A Bonds Maturing _____ 1, 20_____

Redemption Date (_____ 1)	<u>Principal Amount</u>
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__*	\$ _____

*Maturity Date

Series 2013A Bonds Maturing _____ 1, 20__

Redemption Date (_____ 1)	<u>Principal Amount</u>
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__*	\$ _____

*Maturity Date

Series 2013A Bonds Maturing _____ 1, 20__

Redemption Date (_____ 1)	<u>Principal Amount</u>
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__*	\$ _____

*Maturity Date

Series 2013A Bonds Maturing _____ 1, 20__

Redemption Date (_____ 1)	<u>Principal Amount</u>
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__*	\$ _____

*Maturity Date

At the option of the Company exercised not less than 45 days prior to any sinking fund redemption date, the Company may (i) deliver to the Trustee for cancellation such Series 2013 Bonds in any aggregate principal amount desired, or (ii) receive a credit in respect of such sinking fund obligation for any Series 2013 Bonds which prior to such date have been purchased or redeemed (otherwise than through the operation of the sinking fund) and not otherwise previously been applied as a credit against sinking fund payments. The foregoing credits shall be applied by the Trustee to sinking fund payments as directed by the Company.

Optional Redemption. Series 2013A Bonds maturing on or after _____ 1, 20__ are subject to redemption upon request of the Company on any day from and after _____ 1, 20__, in whole on any date or in part on any interest payment date and in such order of maturities

as shall be selected by the Company and as selected by the Trustee, within a maturity, at their principal amount plus accrued interest.

The Series 2013B Bonds are not subject to optional redemption.

Extraordinary Redemption. The Series 2013 Bonds are subject to redemption at the option of the Company in whole, and not in part, except pursuant to (a) below, at their principal amount plus accrued interest, if any of the events set forth below shall occur:

(a) If, at any time, a portion of the Project, which is not essential to the use of the Project and without which net revenues of the Project and the Company are not materially adversely affected, is damaged or destroyed or taken in a condemnation proceeding and the Company elects to apply Net Proceeds of insurance to redemption of a portion of the Series 2013 Bonds.

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

(c) If, at any time, title to, or the temporary use for a period of six (6) months or more of all or substantially all the Project, or such part thereof as shall materially interfere in the Company's judgment, with the operation of the Project for the purpose for which the Project 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 their normal operations at the Project for a period of six (6) months or more).

(d) 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 Project for the purpose contemplated by the Loan 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 Project uneconomic for such purposes.

(e) 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, the Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Loan Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Company in respect to the Project, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Loan Agreement which in the judgment of the Company render the continued operation of the Project uneconomic.

To exercise its options under (b), (c), (d) or (e) above, the Company must, within sixty (60) days following the event authorizing or requiring such redemption, give notice to the Issuer and the Trustee, specifying a redemption date not less than fifty (50) days nor more than ninety (90) days from the date such notice is mailed.

Mandatory Redemption Upon Determination of Taxability. All Series 2013 Bonds are subject to mandatory redemption in whole, at their principal amount, plus accrued interest, plus a 3% premium on the Series 2013A Bonds, upon the occurrence of a Determination of Taxability (as defined in Appendix E), on a redemption date not later than thirty (30) days following the finalization of such Determination of Taxability.

Acceleration. Upon an Event of Default under the Indenture, all Bonds are subject to acceleration and prepayment on any date selected by the Trustee at their principal amount, plus accrued interest, without premium.

Notice of Redemption; Payment

The Trustee is required to cause notice of redemption to be mailed to the then owner of each Bond to be redeemed, by first class mail not less than 30 days nor more than 45 days prior to the redemption date. Failure to mail or any defect in any such notice shall not affect the validity of any proceedings for the redemption of any Bond not affected by such failure or defect. Interest on any Bonds or portions thereof called for redemption ceases to accrue on the date established for redemption.

In the case of an optional redemption under the Indenture, the notice may state (a) that it is conditioned upon the deposit of moneys, in an amount equal to effect the redemption, with the Trustee on or before the redemption date or (b) that the Company retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as hereinafter described. On or before the redemption date (except for mandatory sinking fund redemption), funds sufficient to redeem such Bonds, including accrued interest thereon to the redemption date, shall be deposited with the Trustee. The Bonds thus called shall not, on or after the specified redemption date, bear any interest and, except for the purpose of payment, shall not be entitled to the lien of the Indenture. Any Conditional Redemption may be rescinded in whole or in part at any time on or before the redemption date if the Company delivers a certificate of the Company to the Issuer and the Trustee instructing the Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the Company to make funds available in part or in whole on or before the redemption date shall not constitute an Event of Default, and the Trustee shall give immediate notice to DTC or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding.

Additional Bonds

Pursuant to the Indenture the Issuer, at the request of the Company, is authorized to issue Additional Bonds secured and payable on a parity basis with the Series 2013 Bonds provided

that, prior to the issuance of any such Additional Bonds, the following terms and conditions have been met:

(a) the Trustee has received a copy, duly certified by the Secretary of the Issuer, of the resolution adopted by the Issuer authorizing the issuance of such Additional Bonds and the execution and delivery of (i) a supplemental indenture, supplementing and amending the Indenture, which supplemental indenture shall not require the approval of any Registered Owner of the Bonds, providing the date, interest rates and maturities of such Additional Bonds, options and requirements for redemption prior to maturity with respect to such Additional Bonds, deposit of proceeds to the various funds and accounts, and such other terms as may be required by reason of the foregoing and which adopts the applicable provisions of this Indenture, (ii) an agreement supplementing and amending the Loan Agreement, and (iii) an amendment of the Lease pursuant to which the School is obligated to make additional Lease Payments sufficient to pay the principal and interest due with respect to such Additional Bonds and any related costs or expenses;

(b) the Trustee has either (1) received (i) an opinion or report of an independent certified public accountant to the effect that the School's Income Available for Debt Service for the Fiscal Year immediately preceding the date on which such Additional Bonds are to be issued for which audited financial statements are available was at least 120% of the maximum amount of principal and interest payable in any Fiscal Year on the School's Lease Payments and Indebtedness, and (ii) a certificate of the chief financial officer of the School, verified by an independent certified public accountant, to the effect that the School reasonably projects that the Income Available for Debt Service to be obtained by the School for each of the School's two Fiscal Years beginning with the Fiscal Year of the School commencing after the issuance of such Additional Bonds will equal not less than 130% of the projected maximum amount of principal and interest payable in any Fiscal Year on the School's Lease Payments and Indebtedness (including the debt service on the proposed Additional Bonds), or (2) Company has received the prior written consent of the Majority Bondholder to the issuance of such Additional Bonds;

(c) the Trustee has received a certificate of the Company Representative to the effect that there is no Event of Default then existing under the Loan Agreement or the Indenture;

(d) the Trustee has received an opinion of Bond Counsel to the effect that the issuance of such Additional Bonds will not affect adversely the exclusion from gross income for federal income tax purposes of interest on any Outstanding Series 2013A Bonds;

(e) the Trustee has received original executed counterparts of the agreements supplementing and amending the Loan Agreement and the Lease and the supplemental indenture supplementing and amending the Indenture;

(f) the Trustee has received a request and authorization to the Trustee on behalf of the Issuer and signed by its Issuer Representatives to authenticate and deliver such Additional Bonds to the purchasers therein identified, upon payment to the Trustee, but for the account of the Issuer, of a sum specified in such request and authorization, plus accrued interest thereon, if any, to the date of delivery;

(g) the Trustee has received an executed opinion of Bond Counsel to the effect that (i) the Additional Bonds have been duly authorized, executed and delivered and constitute the

binding limited obligations of the Issuer, enforceable in accordance with their terms, subject to normal bankruptcy exceptions, and (ii) the interest on such Additional Bonds is excluded from gross income for federal income tax purposes (unless it is intended that such interest be taxable); and

(h) the Trustee has received written confirmation from any Rating Agency then maintaining a rating on the Bonds that the rating on the Bonds will not be adversely affected by the issuance of the Additional Bonds. See Appendix E: “THE LOAN AGREEMENT – Additional Bonds and Additional Indebtedness”.

Ownership

The person in whose name a Series 2013 Bond is registered may be treated for all purposes as the owner thereof.

BOOK-ENTRY ONLY SYSTEM

Unless otherwise noted, the following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2013 Bonds, payment of interest and other payments on the Series 2013 Bonds to Participants or Beneficial Owners (as such terms are defined below) of the Series 2013 Bonds, confirmation and transfer of beneficial ownership interests in the Series 2013 Bonds and other Series 2013 Bond-related transactions by and between DTC, Participants and Beneficial Owners of the Series 2013 Bonds is based solely on information furnished by DTC to the Issuer for inclusion herein. Accordingly, the Issuer, the Company, the School and Underwriter do not and cannot make any independent representations concerning these matters.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued for the Series 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned

by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. “Participants” herein refers to Direct Participants and Indirect Participants.

Purchases of Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2013 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013 Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents.

Redemption notices shall be sent to DTC. If less than all of the Series 2013 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of the principal, interest, redemption proceeds or other distributions on the Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Company, the School or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal, interest, redemption proceeds or other distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the Authority or Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The Company and the School may instruct a Direct or Indirect Participant to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

The Issuer, the Underwriter, the Company and the School cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, redemption price and interest with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices, notices of mandatory tender or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Issuer, the Underwriter, the Company and the School are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, redemption price and interest with respect to the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the

DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

SECURITY FOR THE BONDS

Limited Obligations

THE BONDS WILL BE LIMITED OBLIGATIONS OF THE ISSUER AND WILL NOT CONSTITUTE A DEBT, LIABILITY, GENERAL OBLIGATION OR PLEDGE OF THE FULL FAITH AND CREDIT OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE ISSUER, OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO PAY THE BONDS FROM TAXES OR TO MAKE ANY APPROPRIATION THEREFOR. NO BONDHOLDER WILL HAVE THE RIGHT TO DEMAND PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OUT OF ANY FUNDS OR FROM ANY SOURCES OF REVENUE OTHER THAN THOSE EXPRESSLY PLEDGED TO THE PAYMENT OF THE BONDS PURSUANT TO THE INDENTURE.

Payments Under the Loan Agreement; Assignment of Loan Agreement

Monthly Loan Repayments from the Company are required under the Loan Agreement to be paid directly to the Trustee in amounts that will be sufficient, if paid promptly and in full, to pay when due all principal of and interest on the Bonds. Under the Indenture, the Issuer has pledged its interest in the Loan Agreement (including the payments payable thereunder to the Issuer by the Company, but excluding certain rights of the Issuer to payment of fees, expenses and indemnification) to the Trustee to secure the Bonds. See Appendix E: "THE LOAN AGREEMENT." The Trustee is authorized to exercise the rights of the Issuer and enforce the obligations of the Company under the Loan Agreement. Payments are due from the Company on a full-recourse basis.

Reserve Fund

On the closing date for issuance of the Series 2013 Bonds, proceeds of the Series 2013 Bonds in an amount equal to the Reserve Fund Requirement will be deposited in the Reserve Fund created under the Indenture and held by the Trustee. Thereafter, unless needed to bring the amount in the Reserve Fund up to the Reserve Fund Requirement, investment income on amounts in the Reserve Fund will be deposited in Bond Fund.

Amounts in the Reserve Fund may be used by the Trustee to pay principal of, premium, if any, and interest on the Bonds in the event sums in the Bond Fund are insufficient for such purpose. Amounts in the Reserve Fund are valued semi-annually as provided in the Indenture. In accordance with the Loan Agreement, the Company is required to cure any deficiency in the Reserve Fund within 30 days that occurs as a result of a valuation, and if the deficiency occurs as a result of a withdrawal, the Company is required to restore such withdrawal within 90 days. If amounts in the Reserve Fund are in excess of the Reserve Requirement, such excess amount

shall be transferred to the Bond Fund. Amounts in the Reserve Fund may be invested in Permitted Investments.

Capital Improvement Fund

There is created and established with the Trustee a Capital Improvement Fund. Monthly Deposits in the amount of \$6,250 until _____, 2014, and thereafter in the amount of \$_____ shall be credited to the Capital Improvement Fund in any month the amount held therein is less than \$_____. Amounts deposited in the Capital Improvement Fund to be held under the Indenture shall be applied by the Trustee not more often than once each month as requested in a Company request only to the payment of items of repair, improvement, and replacement with respect to the Project which constitute capital expenditures under generally accepted accounting principles or which otherwise constitute major periodic repair or maintenance of the Project, such as annual painting or re-carpeting of a section of the Project (as opposed to incidental repairs such as touch-up painting, replacement of individual carpet tiles, etc.). Investment earnings on amounts held in the Capital Improvement Fund shall remain in, and be credited as received to, the Capital Improvement Fund.

Amounts on hand in the Capital Improvement Fund shall be transferred by the Trustee to the Bond Fund, as needed, if, on any Interest Payment Date, the amount then on hand in the Bond Fund, after application of any available amounts in the Reserve Fund, is not sufficient to pay the principal and interest then due on the Bonds, whether at maturity or upon redemption or by acceleration.

Mortgage

Under the Mortgage, the Company will grant to the Trustee a mortgage lien on and security interest in the Schoolhouse. Under the Mortgage, the Company also will grant a security interest in all leases and rents with respect to the Project. The Mortgage will be subject to certain Permitted Encumbrances as described in the Mortgage. See Appendix E: "THE MORTGAGE."

Lease

Payments under the Lease shall be in amounts sufficient to pay debt service on the Series 2013 Bonds. The Company will assign its interest in the Lease to the Trustee as additional security for the Series 2013 Bonds. See Appendix E: "THE LEASE."

Pledge and Covenant Agreement

Under the Pledge Agreement, the School will grant to the Trustee a security interest in certain revenues and assets of the School as additional security for the Series 2013 Bonds. The School has further agreed in the Pledge Agreement to establish and maintain a depository account (the "Sweep Account") at Sunrise Bank in Ramsey, Minnesota into which there shall be deposited twice each month all funding provided to the School from the State of Minnesota Department of Education, including but not limited to General Education Revenues, Building Lease Aid, other special funds and pass-through payments of federal education funds. Under the terms of a Payment Authorization with respect to the Sweep Account, there shall be automatically withdrawn by the Trustee (as assignee of the Company as lessor under the Lease)

all amounts due and payable by the School pursuant to the Lease and the Pledge Agreement, which includes Lease Payments from the School in an amount sufficient to pay principal of and interest on the Series 2013 Bonds. Such transfers to the Trustee are to be made on the same Business Day for deposits received before 12:00 noon Minneapolis, Minnesota time, or if the deposits are received after 12:00 noon, before 12:00 noon on the next succeeding Business Day. In the event that the amount available from the first deposit in a month of State funds is insufficient to pay the amounts due under the Lease, the amount of any such insufficiency shall be transferred to the Trustee from the second monthly deposit (or from succeeding deposits thereafter) of State funds. After the amounts due under the Lease in any month have been fully paid to the Trustee, the balance available in the Sweep Account shall be available to the School to use for any authorized purposes. The Sweep Account shall not otherwise be available to pay any expenses or secure any obligations of the School. See Appendix E: "THE PLEDGE AGREEMENT."

The Pledge Agreement also includes the requirements that, during the term of the Lease, the School shall:

(A) Furnish to the Trustee and EMMA a copy of the audited financial statements required of the School under Minnesota law for the preceding fiscal year.

(B) Prepare and submit to the Trustee and EMMA by no later than _____ 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, submit to the Trustee and EMMA, copies of quarterly student attendance, budget and financial reports required by Minnesota law and by the Charter Agreement between the School and its Authorizer, and certain additional financial and operating reports.

(D) 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.

(E) Make all necessary applications or submissions, including all supporting documentation, on or before _____ 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.

(F) Other than the obligation to make additional Lease Payments for the purpose of repaying Additional Bonds, not incur any additional Indebtedness without the prior written consent of the Majority Bondholder; provided that the foregoing requirements shall not apply to (i) loans or operating or capital leases for computers and/or technology and (ii) 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 \$1,000,000 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 45 Days Cash on Hand. The School's Cash on Hand shall be tested each year 30 days after the end of the School's Fiscal

Year (i.e. on July 30 of each year), commencing the Fiscal Year ending _____ 30, 2014; provided that the School shall have certain options to cure any shortfall therein.

(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. The fund balance as of _____ 30, 2013 is projected to be \$_____ million or _____% of the School's total operating budget.

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) Complete the Project in the event the cost of the Project exceeds the amount of Bond proceeds available for the Project.

(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 the Lease other than operating expenses of the School required under State or federal laws to provide required educational program expenditures.

(K) Provide notice to the Issuer, Trustee and EMMA of (i) any notices from the School's authorizer 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 _____ 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) Provide insurance in the amounts required 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.

(O) Use its best efforts to generate Income Available for Debt Service of at least 110% of the principal and interest due on the Bonds and any Additional Bonds. 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 will either (I) declare an Event of Default or (II) exercise one or more of the remedies permitted under the Loan Agreement and the Indenture.

Defeasance

Upon certain terms and conditions specified in the Indenture, including provision for the payment of such Series 2013 Bonds, the Series 2013 Bonds or portions thereof will be deemed to be paid and the security provided in the Indenture and the Mortgage may be discharged prior to maturity or redemption of the Series 2013 Bonds. In that case, the Series 2013 Bonds will be secured solely by the cash and securities deposited with the Trustee for such purpose.

SOURCES AND USES OF FUNDS

Following are the expected sources and uses for funds (excluding investment income) associated with the Project:

Sources of Funds

Tax-Exempt Series 2013 Bonds	\$
Taxable Series 2013 Bonds	
Transfers from Prior Issues DS Funds	
Transfers from Prior Issues DSR Funds	
Accrued Interest on the Series 2013 Bonds	
Reoffering Premium	
Total Sources	<u>\$</u>

Uses of Funds

Deposit to Net Cash Escrow Fund	\$
Debt Service Reserve Fund	
Costs of Issuance ⁽¹⁾	
Deposit to Project Fund	
Deposit to Bond Fund	
Original Issue Discount	
Total Uses	<u>\$</u>

⁽¹⁾Includes title insurance, Underwriter’s compensation, legal fees and expenses, printing, Trustee fees and Issuer fees.

THE ISSUER

[ISSUER DESCRIPTION]

Pursuant to *Minnesota Statutes*, Section 469.154, *et. seq.*, as amended (the “Act”), the Issuer is empowered to issue the Bonds. The Issuer is not pledging its credit to the Bonds. The Issuer does not and will not in the future monitor the financial condition of the Company, the operation of the Company’s facilities, or otherwise monitor payment of the Bonds or compliance with the documents relating thereto. The responsibility for the operation of the Company’s facilities will rest entirely with the Company.

The Bonds are special, limited obligations of the Issuer. No recourse by any Holder of the Bonds will be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant, or agreement in the Indenture or the Loan Agreement, against any past, present, or future officer, member, counsel, advisor or agent of the Issuer or any successor thereto, as such, directly or through the Issuer or any successor thereto, under any rule of law or equity, statute or constitution, or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officer, member, counsel, advisor or agent as such has been expressly waived as a condition of and in consideration of the execution of the Indenture, the Loan Agreement and the issuance of the Bonds.

All payments made by the Company pursuant to the Loan Agreement will be made directly to the Trustee for disbursement to the Holders. None of the revenues to pay the Bonds will come from the Issuer and therefore the Issuer’s financial information and status is irrelevant to any investment decision with respect to the Bonds. As a result, no information regarding the Issuer will be provided in respect of any continuing disclosure requirement relating to the Bonds. The Issuer has not assumed responsibility for any information in this Official Statement, except for the information under this caption and the caption, “LITIGATION – Issuer.”

THE COMPANY

PCS Building Company, a Minnesota nonprofit corporation (the “Company”), is an organization exempt from federal income taxation pursuant to Section 501(a) of the Code as a result of the application of Section 501(c)(3) of the Code. The Company shall acquire, construct, equip and be the owner of the educational facility leased to the School. Additional information about the Company is located in “Appendix A: “THE COMPANY, THE SCHOOL AND THE PROJECT” in this Official Statement.

THE SCHOOL

PACT Charter School, a Minnesota nonprofit corporation (the “School”), is exempt from federal income taxation pursuant to Section 501(a) of the Code as a result of the application of Section 501(c)(3) of the Code. The Company will lease the Project to the School.

The School is a charter school operating the Project under applicable laws of the State. Under the provisions of the Charter School Act (as defined in Appendix A), a college or university may sponsor a charter school. The sponsor’s authorization for a charter school must

be in the form of a written contract which must contain a description of the charter school program, the specific outcomes that the charter school pupils are expected to achieve, admission policies and procedures, management and administration of the charter school, requirements and procedures for program and financial audits, insurance coverage, and certain additional information required by law. The Charter School's authorizer (formerly known as "sponsor" until July 1, 2010) is _____ ("Condordia"). After State laws changed in 2010, all existing charter school sponsors were required to apply to the Minnesota Department of Education ("MDE") for approval to be "authorizers". Authorizer did so and its authority extends to _____ 30, 2015. Authorizer authorizes six other charter schools.

[The School is in the _____ year of the three-year term of the current Charter Agreement that runs through _____ 30, 20____, and the School has submitted an application for a five-year renewal of the Charter Agreement. The School's renewal application was formally approved by Authorizer for a three-year term on _____ 11, 2013, and the School expects that such renewal will be subsequently approved by the Minnesota Department of Education.]

The School receives its funding from a combination of State aids under the following programs: General Education Aid, Compensatory Aid and Building Lease Aid, and Federal programs administered by the State including Title II of the Improving American Schools Act ("IASA"), Responsive Classroom Training and the International Baccalaureate's Primary Years Program in (PYP), Title IV of the IASA, Safe and Drug Free Schools and Title V of the IASA, innovative programs, implementing PYP. Additional information about the School is located in "Appendix A: "THE COMPANY, THE SCHOOL AND THE PROJECT" in this Official Statement.

THE PROJECT

Proceeds of the Bonds will be used to : (i) refund the Issuer's Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2004 which previously financed the existing school facility at _____ (the "Schoolhouse") in the City of Ramsey, Minnesota (the "City") operated by the PACT Charter School, a Minnesota nonprofit corporation (the "School"); (ii) fund a debt service reserve fund; and (III) pay the costs of issuing the Bonds (the "Project"). The Schoolhouse will be owned by the Company and leased to and operated by the School. Additional information about the Project is located in "Appendix A: "THE COMPANY, THE SCHOOL AND THE PROJECT" in this Official Statement.

DEBT SERVICE SCHEDULE

The following table sets forth, for each year ended _____ 1, the amounts required each year to be paid with respect to the Series 2013 Bonds, assuming no prepayment other than for mandatory sinking fund redemptions. Principal of the Series 2013 Bonds will be paid on _____ 1 of each year and interest will be paid on _____ 1 and _____ 1, commencing _____ 1, 2013.

Debt Service Coverage Ratio Analysis

School <u>Year</u>	<u>Table 1</u>		<u>Table 2</u>		<u>Table 3</u>	
	<u>Enrollment</u>	Coverage <u>Ratio</u>	<u>Enrollment</u>	Coverage <u>Ratio</u>	<u>Enrollment</u>	Coverage <u>Ratio</u>
2013-14						
2014-15						
2015-16						
2016-17						
2017-18						

ENFORCEABILITY OF OBLIGATIONS

On the date of delivery of the Series 2013 Bonds, Briggs and Morgan, Professional Association, Minneapolis, Minnesota, Bond Counsel, will deliver its opinion, dated the delivery date, that the Series 2013 Bonds, the Loan Agreement, the Tax Regulatory Agreement and the Indenture are valid and legally binding on the Issuer, enforceable against the Issuer in accordance with their respective terms. John Cairns Law, P.A., Minneapolis, Minnesota, as counsel to the Company and the School, will deliver its opinion that the Loan Agreement, the Tax Regulatory Agreement, the Mortgage, the Lease, the Lease Assignment and the Escrow Agreement are valid and legally binding agreements of the Company, each enforceable against the Company in accordance with its respective terms, and that the Lease and the Pledge Agreement are valid and legally binding agreements of the School, enforceable against the School in accordance with its terms. The foregoing opinions will be generally qualified to the extent that the enforceability of the respective instruments may be limited by laws, decisions and equitable principles affecting remedies and by bankruptcy or insolvency or other laws, decisions and equitable principles affecting creditors' rights generally.

While the Series 2013 Bonds are secured or payable pursuant to the Indenture, the Loan Agreement, the Mortgage, the Lease and the Pledge Agreement, the practical realization of payment from any security will depend upon the exercise of various remedies specified in the respective instruments. These and other remedies are dependent in many respects upon judicial action, which is subject to discretion and delay. Accordingly, the remedies specified in the above documents may not be readily available or may be limited.

LEGAL MATTERS

Legal matters incident to the issuance and sale of the Bonds and with regard to the tax-exempt status of interest on the Series 2013A Bonds under existing laws are subject to the legal opinion of Briggs and Morgan, Professional Association, Minneapolis, Minnesota, as Bond Counsel. Certain legal matters will be passed on for the Company and the School by their counsel, John Cairns Law, P.A., in Minneapolis, Minnesota.

Best & Flanagan LLP, Minneapolis, Minnesota, has represented the Underwriter in this transaction.

TAX MATTERS

The Series 2013A Bonds

Tax Exemption. In the opinion of Briggs and Morgan, Professional Association, , as bond counsel, under existing laws, regulations, rulings, and decisions, and assuming continuing compliance by the Company and the School with covenants made to satisfy requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2013A Bonds is not included in gross income for federal income tax purposes and, to the same extent, is not included in taxable net income of individuals, estates, and trusts for Minnesota income tax purposes. Interest on the Series 2013A Bonds is not an item of tax preference for purposes of the computation of the alternative minimum tax imposed on individuals and corporations under federal law and on individuals, estates, and trusts under Minnesota law. Interest on the Series 2013A Bonds is included in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. Interest on the Series 2013A Bonds is subject to the Minnesota franchise tax imposed on corporation, including financial institutions.

In expressing its opinion, bond counsel will rely on an opinion of John Cairns Law, P.A., as counsel to the Company, to the effect that, among other things: (i) the Company is a nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and is exempt from federal income taxation under Section 501(a) of the Code; and (ii) to the best of his knowledge after reasonable investigation consisting of interviews with officers of the Company most likely to have relevant information as of the date thereof, no portion of the facilities financed with the proceeds of the Series 2013A Bonds is to be used in or for any unrelated trade or business of the Company, determined by applying Section 513(a) of the Code.

Bond counsel will also rely upon the opinion of John Cairns Law, P.A., as counsel to the School, to the effect that, among other things: (i) the School is a nonprofit corporation and an organization described in Section 501(c)(3) of the Code and is exempt from federal income taxation under Section 501(a) of the Code; and (ii) to the best of his knowledge after reasonable investigation consisting of interviews with officers of the School most likely to have relevant information as of the date thereof, no portion of the facilities to be financed or refinanced with the proceeds of the Series 2013A Bonds is or will be used by the School in or for any unrelated trade or business of the School, determined by applying Section 513(a) of the Code.

The Code establishes certain requirements (the "Federal Tax Requirements") that must be satisfied subsequent to the issuance of the Series 2013A Bonds in order that, for federal income tax purposes, interest on the Series 2013A Bonds will continue to be excluded from gross income for federal income tax purposes. The Federal Tax Requirements include, but are not limited to, requirements relating to the expenditure of proceeds of the Series 2013A Bonds, requirements relating to the operation of the facilities financed by the Series 2013A Bonds, restrictions on the investment of proceeds of the Series 2013A Bonds prior to expenditure, and the requirement that certain earnings on the "gross proceeds" of the Series 2013A Bonds be paid to the federal government. Noncompliance with the Federal Tax Requirements may cause interest on the Series 2013A Bonds to become subject to federal and Minnesota income taxation retroactive to their date of issue irrespective of the date on which such noncompliance occurs or is ascertained.

In expressing its opinion, bond counsel will assume compliance by the Issuer, the Company, the School, and the Trustee with the tax covenants contained in the Loan Agreement, the Tax Regulatory Agreement, and Indenture.

No provision has been made for an increase in the interest rate on the Series 2013A Bonds in the event that interest on the Series 2013A Bonds becomes subject to federal or Minnesota income taxation; however, upon the occurrence of a Determination of Taxability with respect to the Series 2013A Bonds, the Series 2013 Bonds are subject to mandatory redemption, at par plus accrued interest, plus with respect to the Series 2013A Bonds, a 3% premium. See "THE SERIES 2013 BONDS - Redemption of Series 2013 Bonds - Mandatory Redemption Upon Determination of Taxability" herein.

Legislative Proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status of municipal bonds. For example, legislation has been proposed by President Obama that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Series 2013A Bonds). Prospective purchasers of the Series 2013A Bonds should consult their own tax advisors regarding the impact of any such change in law.

Branch Profits Tax

A tax is imposed on any foreign corporation in an amount equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporations' "effectively connected earnings and profits" reduced for increases (or increased for decreases) in "United States Net Equity." According to the Conference Committee Report provided in connection with the adoption of the Tax Reform Act of 1986, "the conferees intend that a branch's earnings and profits include income that would be effectively connected with a United States trade or business if such income were taxable, such as tax-exempt municipal bond interest."

Foreign Insurance Companies

The Federal Budget Reconciliation Act of 1986, subjects foreign companies carrying on an insurance business in the United States to a tax on income which is effectively connected with their conduct of any trade or business in the United States. According to the conference report accompanying the law such income includes tax-exempt interest.

Passive Investment of S Corporation

Proposed regulations state that "passive investment income" also includes tax-exempt interest. Passive investment income, including interest on the Series 2013A Bonds, may be

subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if more than 25 percent of the gross receipts of such S corporations is passive investment income and may be subject the Subchapter S corporation to termination of its Subchapter S status under Section 1362(d) of the termination of its Subchapter S status under Section 1362(d) of the Code.

Financial Institutions

The Code limits the ability of financial institutions to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986. The Series 2013 Bonds have not been designated by the Issuer as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code.

Property and Casualty Insurance Companies

Under the Code, property and casualty insurance companies are required, for taxable years beginning after _____ 31, 1986, to reduce the amount of their loss reserve deduction by 15 percent of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

The Series 2013B Bonds

Interest to be paid on the Series 2013B Bonds is included in gross income of the recipient for federal income tax purposes and in taxable net income of individuals, estates and trust for Minnesota income tax purposes, and is subject to Minnesota franchise taxes imposed on corporations and financial institutions.

Original Issue Discount/Premium

Certain of the Bonds may be sold with original issue discount (“OID Bonds.”) For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holder’s tax basis in such Series 2013A Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Series 2013A Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder’s tax basis during the period such Series 2013A Bonds are held.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of a Premium Bond the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner.

Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM RECEIPT OF INTEREST ON THE SERIES 2013A BONDS. PROSPECTIVE PURCHASERS OR BONDHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO COLLATERAL TAX CONSEQUENCES, INCLUDING WITHOUT LIMITATION THE DETERMINATION OF GAIN OR LOSS ON THE SALE OF A SERIES 2013A BOND, THE CALCULATION OF ALTERNATIVE TAX LIABILITY, THE INCLUSION OF SOCIAL SECURITY OR OTHER RETIREMENT PAYMENTS IN TAXABLE INCOME, THE DISALLOWANCE OF DEDUCTIONS FOR CERTAIN EXPENSES ATTRIBUTABLE TO THE SERIES 2013A BONDS AND THE STATE AND LOCAL TAX RULES IN STATES OTHER THAN MINNESOTA.

RATING

Standard & Poor's Ratings Group, a division of McGraw-Hill, has assigned a rating of "_____" to the Series 2013 Bonds. Certain information was supplied by the Company and the School to such rating agency to be considered in evaluating the Series 2013 Bonds, including information regarding State and federal funding sources and the operations of the School, which are subject to change. Such rating expresses only the views of such rating agency. An explanation of the significance of the rating may be obtained from such rating agency at 25 Broadway, New York, New York 10004. There is no assurance that such rating will continue for any given period of time or will not be revised or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Neither the Issuer, the Underwriter, the Company nor the School have undertaken any responsibility to bring to the attention of the holders of the Series 2013 Bonds any proposed downward revision or withdrawal of a rating of the Series 2013 Bonds, or to oppose any such proposed downward revision or withdrawal. Any such downward revision in or withdrawal of such rating may have any adverse effect on the market price of the Series 2013 Bonds.

UNDERWRITING

The Series 2013 Bonds will be purchased by Dougherty & Company LLC, in Minneapolis, Minnesota (the "Underwriter"). The Underwriter has agreed to purchase the Series 2013 Bonds for compensation equal to \$_____, subject to the terms of a Bond Purchase Agreement between the Issuer, the Company, the School and the Underwriter. The Bond Purchase Agreement provides that the Underwriter shall purchase all Series 2013 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The initial offering prices set forth on the cover hereof may be changed from time to time by the Underwriter. The Company and the School have agreed under the Bond Purchase Agreement to indemnify the Underwriter and the Issuer against certain liabilities, including certain liabilities under federal and state securities laws.

CONTINUING DISCLOSURE

Rule 15c2-12, promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, imposes continuing disclosure obligations on the issuers of certain state and municipal securities to permit participating underwriters to offer and sell the Issuer's securities. In order to comply with the requirements of Rule 15c2-12, the Company, the School and the Trustee have entered into a Continuing Disclosure Agreement, dated as of _____ 1, 2013. See Appendix E: "THE CONTINUING DISCLOSURE AGREEMENT."

The Issuer does not have any obligation with respect to the Continuing Disclosure Agreement because the Issuer is not an "obligated party" under the terms of the Rule. The Issuer will not monitor the compliance by the Company with the terms of the Continuing Disclosure Agreement.

RELATIONSHIPS AMONG THE PARTIES

In connection with the issuance of the Series 2013 Bonds, the Issuer, the Company, the School and the Underwriter are being represented by the attorneys or law firms identified above under the heading "LEGAL MATTERS" and Kennedy & Graven Chartered is acting as Bond Counsel. In other transactions not related to the Bonds each of these attorneys or law firms may have acted as Bond Counsel or represented the Issuer, the Company, the School or the Underwriter or their affiliates, in capacities different from those described under "LEGAL MATTERS," and there will be no limitations imposed as a result of the issuance of the Series 2013 Bonds on the ability of any of these firms or attorneys to act as Bond Counsel or represent any of these parties in any future transactions. Potential purchasers of the Series 2013 Bonds should not assume that the Issuer, the Company, the School and the Underwriter or their respective counsel or Bond Counsel have not previously engaged in, or will not after the issuance of the Series 2013 Bonds engage in, other transactions with each other or with any affiliates of any of them, and no assurances can be given that there are or will be no past or future relationship or transactions between or among any of these parties or these attorneys or law firms.

LITIGATION

There is no litigation pending, seeking to restrain or enjoin the issuance or delivery of the Series 2013 Bonds or questioning or affecting the legality of the Series 2013 Bonds or the proceedings and authority under which the Series 2013 Bonds are to be issued. There is no litigation pending which in any manner questions the undertaking of the financing by the Company or the validity or enforceability of the Indenture, the Loan Agreement, the Escrow Agreement, the Tax Regulatory Agreement, the Lease, the Pledge Agreement or the Mortgage.

Issuer

To the actual knowledge of the Issuer, there is no litigation pending against the Issuer seeking to restrain or enjoin the issuance or delivery of the Bonds, questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued or

questioning the validity or enforceability of the Indenture, the Bond Purchase Agreement, the Loan Agreement, or the Mortgage.

MISCELLANEOUS

The foregoing does not purport to be comprehensive or definitive and all references to any document herein are qualified in their entirety by reference to each such document. All references to the Series 2013 Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of these documents are available for inspection during the period of the offering at the offices of the Underwriter in Minneapolis, Minnesota and thereafter at the principal corporate trust office of the Trustee. All information contained in the Appendices A, B and C has been derived from information provided by the Company. The Underwriter makes no representations or warranties as to the accuracy or completeness of the information in any of the Appendices.

The Company and the Issuer have authorized the use and distribution of this Official Statement, although the Issuer has not reviewed or approved any matters herein and assumes no responsibility for the accuracy or completeness of the information herein except for the information under the caption “THE ISSUER” and “LITIGATION – Issuer.” The Company has approved the information contained herein.

APPENDIX A

THE COMPANY, THE SCHOOL AND THE PROJECT

1. THE COMPANY

The Project owner is PCS Building Company, a Minnesota nonprofit corporation, organized on February 20, 2002. The address of the Company is 7250 E. Ramsey Parkway, Minnesota 55303. The Company was formed for the sole purpose of owning and operating the Project for lease to the School. On September 20, 2002, the Company received a determination letter from the Internal Revenue Service (the “IRS”) that it is an organization exempt from taxation pursuant to Section 501(c)(3) of the Code.

The sole member of the Company is PACT Charter School, a Minnesota nonprofit corporation, incorporated on March 17, 1994. On November 28, 1994, the School received a determination letter from the Internal Revenue Service that it was exempt from federal income taxation under Section 501(c)(3) of the Code.

The Company has no substantial assets other than the Project and does not intend to acquire any other substantial assets or to engage in any substantial business activities other than those related to the ownership of the Project.

The obligations and liabilities of the Company under the Loan Agreement and the Mortgage are of a full recourse nature but are nonetheless limited to the Project and moneys derived from the operation of the Project, including revenues received pursuant to the Lease, since the Project is the only asset of the Company. No representation is made that the Company has substantial funds available for the Project. Accordingly, the financial statements of the Company are not included in this Official Statement.

The Company does not have, and is not expected to have, any employees of its own. Consequently, pursuant to the Lease, the School is required to perform all property maintenance and management functions for the Project

The current members of the Board of Directors of the Company are as follows:

Name and Address	Relationship to School
Humnick, Bernice Andover, MN	Parent of PACT Student
Levy, Mary (Chair) Plymouth, MN	Teacher Special Ed PACT Board Member
Petersen, James Brooklyn Park, MN	Parent of PACT Student
Weaver-West, Martha Ramsey, MN	(Non-parent) Community Member PACT Board Member

2. THE FACILITY AND THE SERIES 2013 PROJECT

Proceeds of the Bonds will be used to : (i) refund the Issuer’s Lease Revenue Bonds (PACT Charter School Project), Series 2004 which previously financed the existing school facility at 7250 E. Ramsey Parkway (the “Schoolhouse”) in the City of Ramsey, Minnesota (the “City”) operated by the PACT Charter School, a Minnesota nonprofit corporation (the “School”); (ii) fund a debt service reserve fund; and (III) pay the costs of issuing the Bonds (the “Project”). The Schoolhouse will be owned by the Company and leased to and operated by the School.

3. THE SCHOOL

PACT Charter School, a public school of choice committed to sound governance and financial stability, was launched in 1994 as a K-8 school of 84 students. Since its inception, the school has grown to serve over 640 students spanning grades K-12, with students on a waiting list.

(i) Vision Statement

It is the primary vision of PACT Charter School to partner together as parents, students and teachers in providing an innovative model of educational excellence for all students.

(ii) Mission Statement

In reaching our vision, it is the mission of PACT Charter School to:

Prepare students for *college & life-long learning*;
Promote *positive character development*; and
Pursue a *community atmosphere of mutual respect*

(iii) Profile and History

In 1994, a small group of parents and teachers in the Anoka area developed a vision for a charter school that would combine excellence in public education with dynamic parent involvement. That vision became PACT (**P**arents **A**llied with **C**hildren and **T**eachers) Charter School.

PACT opened its doors in September of 1994 to 84 students in grades K-8. Today, PACT serves approximately 640 students in Kindergarten through 12th grade. PACT is currently housed in a 74,000 square foot facility in Ramsey, MN as part of a planned community called Ramsey Town Center (now The COR).

The facility combines all school functions and programs into one building, which is central to achieving the school’s mission. This facility is built symmetrically around a core of common or shared rooms that serve the entire school with the elementary classes (grades K-6) on one side of this core and the secondary classes (grades 7-12) on the other. The facility has been built for PACT and leased with a renewable contract from PCS Building Company.

Initially PACT entered into a charter contract with the Anoka- Hennepin county school district as a K-8 school. Each year a grade was added, however, and the school switched

sponsors to Bethel University in 2003. Bethel has renewed the charter contract twice and the current contract runs through 2014.

(iv) Demographic Data

Year	Students	Black	White	Asian	Hispanic	Amer. Indian	ELL	Sp. Ed	Free/ Reduced Lunch
2009-10	607	3%	92%	2%	2%	0%	0%	19%	15%
2010-11	646	3.6%	92.1%	1.7%	2.2%	0.05%	0%	19.81%	13.78%
2011-12	652	3.6%	92.1%	1.7%	2.2%	0.5%	0%	19.8%	13.8%
2012-13	644	3.8%	89.7%	1.8%	2.9%	1.8%	0%	18.9%	15.7%

(v) Governance

The PACT Charter School Board is responsible for the overall governance of the school. It is the primary decision-making body on matters concerning the development and consistent implementation of all school policies. The Board provides leadership for policy development and oversight, and communication regarding the direction and overall management of the school. This is accomplished by adopting policies that the administrator, staff, school committees, and volunteers carry out on a day-to-day basis. The Board also considers the long-term vision for the school to ensure its continued success and sustainability.

The management model provides a balance of efficiency and adequate staffing in all functions of school operations. The School Board provides oversight of the administrator who is responsible to hire and manage the faculty and staff. The administrator is formally evaluated each year. This annual evaluation is based on review of feedback from within the organization (including board members, committee chairs working directly with the administrator and direct reports), and goals are established based on the results of the evaluation and needs throughout the school. The School Board works directly with the administrator in establishing annual goals that are correlated to the needs of the school. Those goals are reviewed on a quarterly basis.

The school administrator assumes overall responsibility for personnel, facilities, services, committees and programs of the school. This includes hiring; supervising and evaluating faculty and staff; working with committees, parents and students on a daily basis in the implementation of the established policies and procedures; ensuring that the facilities are safe and healthy; ensuring equitable and safe transportation for students; acting as an ex-officio to the School Board and representing the school with the authorizer and other outside organizations.

(vii) Education Philosophy and Curriculum

It is the goal of PACT Charter School to provide students with a rigorous educational program that is equivalent or superior in quality to that of any school in Minnesota, public or private. Building a strong background in core academics is the primary goal of any effective school. To that end, PACT students spend the majority of their school day progressing toward mastery of, the core academic disciplines including Math, Reading, Writing (Language Arts), Social Studies and the Sciences. The school works to deliver this education in an environment that provides opportunities for students to grow as individuals and citizens.

To measure the attainment of these goals, the faculty uses a variety of assessments (both formal and informal) intended to evaluate student progress and program effectiveness. These assessments provide data to assist with the refinement of programming and the commitment to continuous improvement. Observation of students and their work in addition to objective assessment data provide the basis for evaluation of students for academic support and enrichment. A Child Study Team process is used to discuss students who may need further evaluation, after attempts at accommodation have been made in the classroom. PACT utilizes the Measures of Academic Progress (MAP) tests to attain accurate information about what students know and are ready to learn, and to provide progress and proficiency data.

State MCA test results data is also used to measure student progress and program effectiveness. Accountability continues to be of vital importance in setting academic goals and refining a program to best meet the needs of all students.

PACT Charter School has chosen to take a multifaceted approach when determining academic and non-academic goals. Data gathered from assessments ranging from current year results to longitudinal grade level and student cohort analysis is evaluated to track student progress and identify curricular inconsistencies or deficits. Evaluation of annual student, staff and climate surveys also provide a framework from which goals can be determined. Committee input is yet another valued source to be considered as goals are made.

(viii) Testing

It is the goal of PACT Charter School to provide students with a rigorous educational program that includes a strong background in core academics. The school faculty and staff work to facilitate this education in an environment that provides opportunities for students to grow as individuals and citizens. Because of the school's commitment to continuous improvement, a variety of formal and informal assessment data ranging from current year results to longitudinal grade level and student cohort analysis is gathered and used to evaluate student progress, identify curricular inconsistencies or deficits, and refine program effectiveness.

PACT utilizes the Measures of Academic Progress (MAP) tests to attain accurate information about what students know and are ready to learn, and to provide progress and proficiency data. State MCA test results data is also used to measure student progress and program effectiveness. Observation of students and their work in addition to objective assessment data provide the basis for evaluation of students for academic support and enrichment. A Child Study Team process is used to discuss students who may need further evaluation, after attempts at accommodation and/or intervention have been made in the classroom.

The primary tenets of PACT Charter School are to

- 1) improve pupil learning;
- 2) increase learning opportunities for pupils;
- 3) encourage the use of different and innovative teaching methods; and
- 4) establish new forms of accountability for schools.

Growth over time in relation to these primary tenets is the framework used to determine annual school goals and objectives that will demonstrate progress to the Minnesota Department of Education, the school's authorizer, and the community. Accountability continues to be of vital

importance in setting academic and non-academic goals, and PACT Charter School has a multifaceted approach to determine these.

Year	Mathematics			Reading		
	PACT	State	Anoka-Hennepin	PACT	State	Anoka-Hennepin
2008	61.11%	62.50%	65.79%	67.10%	70.74%	74.27%
2009	62.03%	64.27%	69.29%	73.44%	71.93%	75.53%
2010	64.5%	66.2%	70.5%	72.14%	72.34%	74.24%
2011	57.50%	56.39%	59.59%	79.44%	74.53%	78.34%
2012	69.8%	62.0%	63.9%	80.21%	76.00%	79.36%

ACT Charter School is committed to preparing students for college and life-long learning. A measure of its academic success is demonstrated by student performance on the ACT test, which the school encourages students to take. When feasible, the school dedicates funds to assist students with the fees associated with taking the test. The following table and charts represent trend comparison data of average ACT scores for PACT students.

TOTAL TESTED ENGLISH MATH READING SCIENCE COMPOSITE

AVERAGE ACT SCORES – TREND DATA												
Grade Year	TOTAL TESTED		ENGLISH		MATH		READING		SCIENCE		COMPOSITE	
	School	State	School	State	School	State	School	State	School	State	School	State
2006	14	41650	18.0	21.6	20.4	22.1	20.1	22.6	19.7	22.3	19.6	22.3
2007	24	43534	23.7	21.8	22.4	22.5	25.1	22.8	23.1	22.5	23.8	22.5
2008	22	44863	26.0	21.9	24.2	22.6	25.8	23.0	24.2	22.5	25.1	22.6
2009	38	43642	22.3	22.0	21.9	22.7	23.2	23.1	22.3	22.3	22.3	22.7
2010	33	44,323	23.5	22.3	23.2	22.9	24.4	23.2	22.6	22.8	23.6	22.9
2011	35	44,952	22.9	22.3	22.7	23.0	23.5	22.9	22.3	22.8	23	22.9
2012	33	44,977	22.5	22.1	22.8	23.0	23.3	22.9	22.3	22.7	22.8	22.8

*Data Source: College Readiness Letter provided by ACT. ACT has established the following benchmark scores as representing readiness for designated college courses: English Composition: 18 on ACT English Test; Algebra: 22 on ACT Mathematics Test; Social Science: 21 on ACT Reading Test; and Biology: 24 on ACT Science Test.

(ix) Academic Faculty

	09-10	10-11	11-12	12-13
Full-Time	51	54	50	56
Part-Time	68	71	74	90
Support Staff	80	81	85	103
Student to Teacher Ratio	16:1	16:1	16:1	16:1
Teacher Average Salary	\$40,012	\$40,163	\$42,000	\$42,275
Average Teacher Experience	8	9	9	10
Staff Degrees	40BA/8MA	36BA/10MA	32BA/12MA	34BA/11MA

(x) Admissions and Enrollment

PACT Charter School currently enrolls approximately 644 students in K-12 (including students enrolled in part or full-time PSEO). These students come from a wide geographic area - spanning four counties and including the cities of Andover, Anoka, Blaine, Brooklyn Park, Champlain, Elk River, Ramsey, and St. Francis among others.

PACT enrolls students to a maximum class size of 20 for Kindergarten, 24 for grades one through three, and 26 for grades four through twelve. There are two sections of each grade level in the elementary program.

PACT holds a lottery for open enrollment on February 15th for the following school year. The result of the lottery determines student enrollment and a waiting list is established to fill open positions as they arise for the next school year.

Historical Enrollment						
GRADE	2008	2009	2010	2011	2012	2013
K	30	35	34	35	34	40
1	36	36	36	48	48	48
2	37	36	36	48	48	48
3	36	36	38	48	48	48
4	36	39	52	52	52	52
5	52	49	52	52	52	52
6	48	50	52	52	52	52
7	49	51	50	52	53	50
8	50	50	50	51	53	50
9	48	49	50	52	53	50
10	48	49	50	52	52	50
11	46	44	54	51	54	50
12	47	51	41	48	47	50
Totals:	570	579	607	646	652	644

Projected Enrollment

GRADE	2014	2015	2016	2017	2018
K	40	40	40	40	40
1	48	48	48	48	48
2	48	48	48	48	48
3	48	48	48	48	48
4	52	52	52	52	52
5	52	52	52	52	52
6	52	52	52	52	52
7	50	50	50	50	50
8	50	50	50	50	50
9	50	50	50	50	50
10	50	50	50	50	50
11	50	50	50	50	50
12	50	50	50	50	50
Totals:	640	640	640	640	640

STUDENT ATTRITION RATE

School Year	K	1	2	3	4	5	6	7	8	9	10	11	12	total enrolled	Not Enrolled Oct. 1	Attrition rate
2010-11	40	48	48	48	52	52	52	52	51	52	52	51	48	646	N/A	N/a
2011-12	40	48	48	48	52	52	52	53	53	53	52	54	47	652	58	10.2%
2012-13	40	48	48	48	52	52	52	51	52	50	51	50	50	644	52 (To-date)	8.2%

The table below identifies the number of students enrolled at PACT Charter School for the last 3 years. With the exception of 2012-13 information (which is an estimate at the time of the writing of the Annual Report) enrollment numbers are based on October 1 child count.

(xi) **Finances**

Financial Statements

The audited financial statements of PACT for the fiscal years ending June 30, 2010, 2011 and 2012 and unaudited financial statement for the period ending June 30, 2013 are attached to this Official Statement as Appendix B.

Government Funding

The majority of PACT's funding is provided by the State of Minnesota and, to a much lesser extent, the federal government. State funding is provided through various programs, including General Education Aid, Special Education, Limited English Proficiency, and Building Leases Aid. Under Minnesota law, all public school districts such as PACT will receive in the school year 2012-2013, 86.4% of its calculated entitlement for the year plus the 35.7% of funds held-back for the 2011-2012 school year. Revenue is recognized in the school year it is *earned*, not the year it is *received*. The federal government provided start-up funding in the first several years through Minnesota's participation in the federal Charter School Program (CSP) grant program. At present, federal government funding is limited to funding for a portion of PACT's special education expenses.

General Education Aid

General Education Aid is a combination of several revenue categories that provide the major share of funding for school districts. General Education Aid is not restricted to any specific use. PACT received approximately \$XXXXXX for General Education Aid in the 2011-2012 school year. Assuming attendance goals are met PACT anticipates receiving \$XXXXXX for the 2012-2013 school year

Compensatory Revenue

PACT receives State Compensatory Aid for all students who are eligible for free and reduced-price school lunches. Compensatory Aid must be used to meet the educational needs of those students whose educational progress is below the level that is appropriate for pupils at that age level. PACT received approximately \$XXXXXX in Compensatory Aid in the 2011-2012 school year and **[anticipates receiving]** \$XXXXXX in the 2012-2013 school year.

Special Education Funding

A school's Special Education Program is funded primarily by three sources: State Special Ed Revenue, Tuition Billing Revenue, and Federal Special Ed Revenue. PACT receives State Special Education Aid funding annually of approximating 90% of the additional salary costs of providing required services to special needs students and 90% of any contracted service costs. The remaining costs are billed back by MDE to the traditional public school district in which the student lives (as Tuition Billing). The School received \$XXXXXX in special education revenue (State aid plus tuition billing) for the 2011-2012 school year and **[anticipates receiving]** approximately \$XXXXXXXX for the 2012-2013 school year. Since the revenue is determined by the amount of expenditures, if the expenditures increase due to special education needs so will the

Building Lease Aid

Under the Act, the School is eligible for Building Lease Aid which must be used to pay for facility occupancy and certain related costs. The amount of Building Lease Aid the School receives and will receive in the future is determined by a statutory formula. Under the current formula, effective July 1, 2012, a charter school receives as Building Lease Aid equal to the lesser of (i) 90% of the approved cost of the lease or (ii) a cap of \$1,200 per weighted student unit. The prior formula for lease aid that expired on June 30, 2011 provided up to \$1,500 per weighted student pupil unit for the School.

The Building Lease Aid cap is adjusted by a factor of 0.612 for kindergarten students by a factor of 1.115 for students in grades 1-3, by a factor of 1.06 for students in grades 4-6 and by a factor of 1.3 for students in grades 7-12.

This formula has been revised somewhat by recent legislation. See Appendix B, below. However, the amendments will not materially affect the total amount of lease aid available to Harvest.

PACT received Building Lease Aid of approximately \$XXX,XXX for the 2011- 2012 school year. The School [**anticipates receiving**] Building Lease Aid in the amount of \$XXX,XXX for the 2012-2013 school year.

4. 2013 LEGISLATIVE ACTION

The Minnesota legislature convened on January 8, 2013 and adjourned May 20, 2013. The K-12 “Omnibus Bill” covering funding and regulation of education in Minnesota was among the final bills adopted, which Governor Mark Dayton signed into law on May 22, 2013. Legislators and Governor Mark Dayton agreed to put \$485 million in new funding into programs from preschool through 12th grade over the next two years. Called the “capstone” of the education bill, by Democratic supporters, \$134 million will provide all-day kindergarten for all kids –with no charge to parents. The new state funding will also bring savings totaling \$26 million over two years to 10,000 families that now pay several thousand dollars per year for expanded-day programs. Another \$40 million will be devoted to need-based scholarships for state-approved preschools. Scholarships of up to \$5,000 will go to provider education to about 8,000 lower-income 3- and 4-year-olds. A total of \$234 million -- \$78 per student in the first year and \$80 per student in year two – will increase the basic formula-drive amount that districts received. An additional \$40 million will help schools with soaring special-education costs.

Although the bill was hailed as a step forward for educational funding, it will have no material impact on the manner in which charter public schools are funding and overseen. The essentials of funding for each public charter school are identical for funding for students attending traditional district managed public schools. Public Charter schools still must be authorized (formerly “sponsored”) by non-profit 501(c)(3) qualified tax-exempt organizations, post-secondary institutions and public school districts. Once approved by an authorizer, MDS must review and approve the charter school as well.

Because of the all-day kindergarten, there were some adjustments to the calculation of WADM, and the maximum per-pupil amount of lease aid was increased to \$1,314, which will

take effect beginning July 1, 2014. The sum of the changes is immaterial for most ordinary charter schools. In the case of the School leasing from the Company, the addition of funding for all-day kindergarten may have a slight positive effect on overall revenue.

APPENDIX B
SCHOOL FINANCIAL STATEMENTS

PACT Charter School
Detailed Income Expense Report
Fiscal Year 2012-2013

A	B	C	D	E	F	G	H	I	K
1					Monthly	Monthly	Year to Date	Annual	Target %
2					Activity	Budget	6/30/2013	(Appd 6/2012)	100.0%
3				REVENUE			Licensed Staff	Target @	100.0%
4				FUND 1 - GENERAL FUND					
5				State					
6		211		General Education Aid	\$ 108	342,569	\$ 3,637,797	\$ 4,110,830	88.5%
7		300		Lease Relief Aid	\$ -	67,523	\$ 700,397	\$ 810,276	86.4%
8		740		Spec Ed - State & Tuition Billing	\$ 18,945	66,274	\$ 689,484	\$ 795,285	86.7%
9				Estimated State Aid Receivable			\$ 944,643		
10				Total State Revenue	\$ 19,052	476,366	\$ 5,972,322	5,716,391	104.5%
11				Federal					
12		400		Title Funding	\$ 24,441	3,080	\$ 38,269	\$ 36,965	103.5%
13		419		Spec Ed - Federal Flow Thru	\$ 70,638	11,831	\$ 119,372	\$ 141,973	84.1%
14				Total Federal Revenue	\$ 95,079	14,911	\$ 157,641	178,938	88.1%
15				Local					
16		<100		Activity Accounts	\$ 5,478	22,750	\$ 157,894	\$ 273,000	57.8%
17		90x		Field Trip & In/Out Receipts	\$ -	2,146	\$ 11,931	\$ 25,750	46.3%
18		092		Interest Income	\$ 93	-	\$ 1,195	\$ -	0.0%
19		6XX		Misc Revenue & MS Grant	\$ 15	-	\$ 7,045	\$ -	0.0%
20				Total Local Revenue	\$ 5,586	24,896	\$ 178,065	298,750	59.6%
21				Total Fund 1 Revenue	\$ 119,717	516,173	\$ 6,308,028	6,194,079	101.8%
22				FUND 2 - Food Service					
23		601		Milk/Lunch Sales	\$ 27	7,333	\$ 73,307	\$ 88,000	83.3%
24		300		State & Federal Funds	\$ 4,054	2,917	\$ 44,986	\$ 35,000	128.5%
25				Total Fund 2 Revenue	\$ 4,081	10,250	\$ 118,292	123,000	96.2%
26									
27				Total Revenue	\$ 123,798	526,423	\$ 6,426,320	6,317,079	101.7%
28				EXPENDITURES					
29				FUND 1 - GENERAL FUND					
30				ADMINISTRATION					
31		170		Administrative Staff (incl. Mnt)	\$ 79,495	66,475	\$ 798,360	\$ 797,697	100.1%
32		210		FICA/Medicare/WC/Retirement	\$ 11,148	10,278	\$ 116,211	\$ 123,340	94.2%
33		220		Group Health & Life Insurance	\$ 8,162	7,121	\$ 82,947	\$ 85,454	97.1%
34		251		HRA Boardshare Reimbursement	\$ 2,912	3,000	\$ 39,350	\$ 36,000	109.3%
35		280		Unemployment	\$ -	667	\$ 72	\$ 8,000	0.9%
36				Subtotal Salaries & Benefits	\$ 101,717	87,541	\$ 1,036,940	1,050,491	98.7%
37		105 305		Outside Services/Legal/Bd	\$ 10,389	2,198	\$ 28,385	\$ 26,380	107.6%
38		110 305		Accounting/Audit/HR	\$ 1,911	3,390	\$ 32,220	\$ 40,680	79.2%
39		320		Phones & Internet	\$ 547	1,500	\$ 14,617	\$ 18,000	81.2%
40		329		Postage	\$ 582	417	\$ 3,723	\$ 5,000	74.5%
41		340		Property/Liability Insurance	\$ -	1,994	\$ 18,633	\$ 23,930	77.9%
42		366		Conferences, Training & Travel	\$ 1,025	1,229	\$ 8,286	\$ 14,750	56.2%
43		370		Rentals (equipment, halls, etc)	\$ -	-	\$ -	\$ -	0.0%
44		401		General Supplies	\$ 1,743	1,004	\$ 13,578	\$ 12,050	112.7%
45		530		Furniture/Equipment/Tech.	\$ 56,347	13,667	\$ 120,763	\$ 164,000	73.6%
46		740		Bank charges and Line of Credit	\$ -	750	\$ -	\$ 9,000	0.0%
47		820		Dues/Subscriptions/Software	\$ 990	4,075	\$ 23,865	\$ 48,900	48.8%
48		899		Miscellaneous Expenses	\$ -	-	\$ -	\$ -	0.0%
49				Subtotal Administration	\$ 73,533	30,224	\$ 264,070	362,690	72.8%
50				TOTAL ADMINISTRATION	\$ 175,250	117,765	\$ 1,301,010	1,413,181	92.1%
51				OPERATIONS					
52				Building Expenses					
53		305		Outside Services	\$ -	-	\$ -	\$ -	0.0%
54		330		Utilities/Snow removal	\$ 4,496	8,083	\$ 69,042	\$ 97,000	71.2%
55		350		Repair/Maintenance/Training	\$ 5,869	9,287	\$ 80,624	\$ 111,445	72.3%
56		370		Lease	\$ 75,026	75,026	\$ 900,307	\$ 900,307	100.0%
57		401		Supplies and Materials	\$ 8,173	3,167	\$ 40,092	\$ 38,000	105.5%
58		520		Leasehold improvements	\$ -	1,667	\$ 930	\$ 20,000	4.7%
59		530		Equipment	\$ -	400	\$ 3,367	\$ 4,796	70.2%
60				TOTAL OPERATIONS	\$ 93,563	97,629	\$ 1,094,362	\$ 1,171,548	93.4%

PACT Charter School
Detailed Income Expense Report
Fiscal Year 2012-2013

A	B	C	D	E	F	G	H	I	K
1					Monthly	Monthly	Year to Date	Annual	Target %
2					Activity	Budget	6/30/2013	(Appd 6/2012)	100.0%
61	ELEMENTARY DEPARTMENT								
62	140	Teacher Salaries		\$ 188,817	57,890	\$ 691,124	\$ 694,680	99.5%	
63	145	Substitute Teachers		\$ 794	1,718	\$ 22,161	\$ 20,621	107.5%	
64	185	Curriculum Development		\$ -	-	\$ 2,954	\$ -	0.0%	
65	170	Support Staff (Scheduling/WRTR)		\$ 7,630	2,663	\$ 31,552	\$ 31,958	98.7%	
66	185	Sport & Academic Coaches		\$ -	334	\$ 712	\$ 4,012	17.7%	
67	210	FICA/Medicare/WC/Retirement		\$ 25,291	9,412	\$ 106,157	\$ 112,947	94.0%	
68	230	Group Health & Life Insurance		\$ 23,916	7,666	\$ 94,612	\$ 91,989	102.9%	
69	Subtotal Salaries & Benefits				\$ 246,449	79,684	\$ 949,271	956,207	99.3%
70	Program Expenses								
71	305	Outside Services (Speakers)		\$ -	34	\$ -	\$ 410	0.0%	
72	394	Fieldtrips & Fees (In/Out)		\$ 623	1,167	\$ 11,574	\$ 14,000	82.7%	
73	366	Teacher Training		\$ 506	321	\$ 3,528	\$ 3,850	91.6%	
74	370	Copier		\$ 413	875	\$ 8,347	\$ 10,500	79.5%	
75	401	Office Supplies		\$ -	767	\$ 9,021	\$ 9,200	98.1%	
76	430	Instructional Supplies		\$ 73	2,176	\$ 17,142	\$ 26,110	65.7%	
77	460	Curriculum Textbooks		\$ -	1,954	\$ 19,103	\$ 23,453	81.5%	
78	461	Standardized tests		\$ -	417	\$ 4,288	\$ 5,000	85.8%	
79	530	Capital Equipment		\$ -	-	\$ -	\$ -	0.0%	
80	555	Technology		\$ -	-	\$ 1,062	\$ -	0.0%	
81	620	Library		\$ -	63	\$ 750	\$ 750	100.0%	
82	899	Misc		\$ -	-	\$ -	\$ -	0.0%	
83	Subtotal Program Expenses				\$ 1,615	7,773	\$ 74,816	93,273	80.2%
84	TOTAL ELEMENTARY DEPARTMENT				\$ 248,064	87,457	\$ 1,024,086	1,049,480	97.6%
85	SECONDARY DEPARTMENT								
86	140	Teacher Salaries		\$ 131,953	45,896	\$ 549,312	\$ 550,754	99.7%	
87	145	Substitute Teachers		\$ -	1,540	\$ 20,937	\$ 18,479	113.3%	
88	170	Support Staff (ISC/GdncCnslr/Schdlr)		\$ 17,171	7,209	\$ 86,854	\$ 86,512	100.4%	
89	185	Curr Development (Summer/Symp/IS)		\$ 186	1,227	\$ 10,144	\$ 14,720	68.9%	
90	29x/185	Sport & Academic Coaches		\$ 5,750	4,492	\$ 52,935	\$ 53,898	98.2%	
91	210	FICA/Medicare/WC/Retirement		\$ 22,014	9,180	\$ 100,436	\$ 110,154	91.2%	
92	230	Group Health & Life Insurance		\$ 26,878	7,351	\$ 102,969	\$ 88,209	116.7%	
93	Subtotal Salaries & Benefits				\$ 203,951	76,894	\$ 923,588	\$ 922,726	100.1%
94	Secondary Program Expenses								
95	305	Speakers/Presentations/Symposium		\$ -	542	\$ 4,190	\$ 6,500	64.5%	
96	350	Repair/Maintenance		\$ -	-	\$ -	\$ -	0.0%	
97	366	Teacher Training		\$ 50	583	\$ 6,738	\$ 7,000	96.3%	
98	370	Copier		\$ 413	875	\$ 8,347	\$ 10,500	79.5%	
99	292-298	Extra Curricular		\$ -	-	\$ -	\$ -	0.0%	
100	394	Fieldtrips & Fees/PSEO (In/Out)		\$ 1,566	12,408	\$ 148,826	\$ 148,900	100.0%	
101	401	General Supplies		\$ 390	1,083	\$ 12,812	\$ 13,000	98.6%	
102	430	Instructional Supplies		\$ 3,868	3,116	\$ 36,195	\$ 37,395	96.8%	
103	460	Curriculum Textbooks		\$ (62)	3,038	\$ 30,832	\$ 36,450	84.6%	
104	461	Standardized tests		\$ -	333	\$ 3,827	\$ 4,000	95.7%	
105	530	Capital Equipment		\$ 195	571	\$ 7,464	\$ 6,850	109.0%	
106	555	Technology		\$ -	-	\$ 354	\$ -	0.0%	
107	620	Library		\$ -	63	\$ 750	\$ 750	100.0%	
108	899	Misc		\$ -	-	\$ -	\$ -	0.0%	
109	Subtotal Program Expenses				\$ 6,420	22,612	\$ 260,335	271,345	95.9%
110	TOTAL SECONDARY DEPARTMENT				\$ 210,372	99,506	\$ 1,183,923	1,194,071	99.2%
111	SPECIAL EDUCATION								
112	140	Teacher Salaries		\$ 103,827	36,711	\$ 437,065	\$ 440,532	99.2%	
113	141	Para professionals		\$ 8,089	15,800	\$ 221,070	\$ 189,605	116.6%	
114	145	Substitute Teachers		\$ 52	2,580	\$ 6,054	\$ 30,958	19.6%	
115	185	Curriculum Development		\$ -	-	\$ -	\$ -	0.0%	
116	210	FICA/Medicare/WC/Retirement		\$ 15,909	8,398	\$ 97,502	\$ 100,773	96.8%	
117	230	Group Health & Life Insurance		\$ 13,012	4,736	\$ 53,834	\$ 56,828	94.7%	
118	Subtotal Salaries & Benefits				\$ 140,890	68,225	\$ 815,525	818,697	99.6%
119	Program Expenses								
120	305	Outside Services		\$ 4,560	6,083	\$ 57,322	\$ 73,000	78.5%	

PACT Charter School
Detailed Income Expense Report
Fiscal Year 2012-2013

A	B	C	D	E	F	G	H	I	K
1					Monthly	Monthly	Year to Date	Annual	Target %
2					Activity	Budget	6/30/2013	Budget	(Appd 6/2012)
121	366			Teacher & Para training	\$ 372	250	\$ 2,438	\$ 3,000	81.3%
122	400			Supplies & Materials	\$ 380	1,882	\$ 21,478	\$ 22,585	95.1%
123	500			Equipment/Technology/Dues	\$ -	167	\$ -	\$ 2,000	0.0%
124				Subtotal Program Expenses	\$ 5,312	8,382	\$ 81,238	100,585	80.8%
125				TOTAL SPECIAL EDUCATION	\$ 146,202	76,607	\$ 896,764	919,281	97.6%
126				TITLE FUNDING					
127	140			Teacher Salaries & Stipends	\$ 5,689	2,449	\$ 28,726	\$ 29,382	97.8%
128	210			FICA/Medicare/WC/Retirement	\$ 821	358	\$ 4,121	\$ 4,295	95.9%
129	230			Group Health & Life Insurance	\$ 52	18	\$ 209	\$ 221	94.6%
130				Subtotal Salaries & Benefits	\$ 6,563	2,825	\$ 33,056	33,899	97.5%
131				Program Expenses					
132	430			Materials & Training	\$ (302)	416	\$ 4,693	4,995	93.9%
133				Subtotal Program Expenses	\$ (302)	416	\$ 4,693	4,995	93.9%
134				TOTAL TITLE FUNDING	\$ 6,261	3,241	\$ 37,749	38,894	97.1%
135				TRANSPORTATION					
136	110			Administrative Salaries	\$ 1,156	2,042	\$ 26,223	\$ 24,505	107.0%
137	170			Bus Drivers	\$ 3,268	7,689	\$ 76,081	\$ 92,265	82.5%
138	210			FICA/Medicare/WC/Retirement	\$ 634	1,534	\$ 14,284	\$ 18,403	77.6%
139	220			Group Health & Life Insurance	\$ -	-	\$ 704	\$ -	0.0%
140				Subtotal Salaries & Benefits	\$ 5,058	11,264	\$ 117,291	135,173	86.8%
141				Operational Expenses					
142	716/360			Other Expenses (incl K refund)	\$ 1,452	83	\$ 1,378	\$ 1,000	137.8%
143	320			Cell Phone & Outside services	\$ 33	858	\$ 7,299	10,300	70.9%
144	340			Insurance - Bus	\$ -	542	\$ 2,432	6,500	37.4%
145	350			Maintenance and Repairs	\$ 3,488	4,804	\$ 55,488	57,650	96.2%
146	360			Spec Ed Contract	\$ 3,164	1,667	\$ 26,918	20,000	134.6%
147	370			Parking Lot Lease	\$ -	950	\$ 11,400	11,400	100.0%
148	442			Bus Fuel	\$ 7,352	4,333	\$ 51,589	52,000	99.2%
149	730			Bus Purchase	\$ -	625	\$ 28	7,500	0.4%
150	365			Dept transfer for Fieldtrips	\$ -	(1,122)	\$ (10,787)	\$ (13,465)	80.1%
151				Subtotal Operational Expenses	\$ 15,489	12,740	\$ 145,744	152,885	95.3%
152				TOTAL TRANSPORTATION	\$ 20,547	24,005	\$ 263,036	288,058	91.3%
153				BOARD CONTINGENCY	\$ -	4,622	\$ 2,819	\$ 55,470	5.1%
154				ACTIVITY ACCOUNT EXPENDITURES	\$ 30,888	22,750	\$ 147,344	\$ 273,000	54.0%
155				TOTAL FUND 1 EXPENDITURES	\$ 931,147	533,582	\$ 5,951,093	\$ 6,402,984	92.9%
156				FOOD SERVICE - FUND 2					
157	170			Salaries	\$ 513	809	\$ 12,905	9,706	133.0%
158	2xx			FICA/WC/Retirement/Health	\$ 76	127	\$ 1,972	\$ 1,530	128.9%
159				Subtotal Salaries & Benefits	\$ 590	936	\$ 14,878	11,235	132.4%
160				Operational Expenses					
161	401			Supplies	\$ 46	481	\$ 4,852	\$ 5,766	84.2%
162	495			Milk & Food	\$ 3,472	7,750	\$ 94,379	93,000	101.5%
163	530			Equipment	\$ -	29	\$ 375	347	108.1%
164				Subtotal Operational Expenses	\$ 3,518	8,259	\$ 99,606	99,113	100.5%
165				TOTAL FUND 2 EXPENDITURES	\$ 4,108	9,196	\$ 114,484	110,348	103.7%
166				ALL FUNDS					
167				Total Revenue	\$ 123,798	526,423	\$ 6,426,320	6,317,079	101.7%
168				Total Expenditures	935,255	542,778	6,065,577	6,513,332	93.1%
169				Net Income Over/(Under)	\$ (811,457)	(16,354)	\$ 360,743	(196,253)	
170									
171				Total Personnel Costs					
172				Salaries	\$ 554,391	257,189	\$ 3,074,457	3,086,273	99.6%
173				FICA/Medicare/WC/Retirement	\$ 75,894	39,287	\$ 440,683	471,442	93.5%
174				Medical & Life Insurance	\$ 72,020	27,558	\$ 335,347	330,701	101.4%
175				Total Salaries, Wages, & Benefits	\$ 702,306	324,035	\$ 3,850,487	3,888,416	99.0%

APPENDIX C

FIVE-YEAR FINANCIAL SUMMARY AND FIVE-YEAR BUDGET PROJECTIONS

	A	D	E	F	G	H
1						
2		Budgeted	Budgeted	Budgeted	Budgeted	Budgeted
3		2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
83	State Aids					
84	General Education Revenue	4,287,693	4,295,563	4,444,287	4,503,183	4,562,963
85	Compensatory Revenue	25,584	25,584	25,584	25,584	25,584
86	LEP/SE Transportation Revenue	30,000	30,000	30,563	30,563	30,563
87	Subtotal General Education Revenue from	4,343,277	4,351,147	4,500,433	4,559,329	4,619,109
88	Building Lease Aid	876,055	875,447	875,273	876,846	879,246
89	Special Education Aid	266,821	266,821	275,957	278,717	286,782
90						
91	Total State Aids	5,486,153	5,493,415	5,651,663	5,714,892	5,785,137
92						
93	Other Revenue - Grants are not yet filed and approved					
94	Federal Title I Grant	33,077	33,077	33,697	33,697	33,697
95	Federal Title II - Teacher training/re-training gr	6,970	6,970	7,100	7,100	7,100
96	Federal Title IV Grant - Drug Free Schools	0	0	0	0	0
97	Federal Title V Grant	0	0	0	0	0
98	Federal Flow-thru Grant	148,771	158,161	158,161	161,127	161,127
99						
100	Walton Grant	0	0	0	0	0
101	Other Revenue: Gifts and Bequests; Bldg Renta	1,450	1,479	1,509	1,539	1,570
102	Special Education Uniform Billing	558,900	568,999	598,753	613,685	626,690
103	Other Revenues incl Food Service	412,001	420,241	436,683	445,416	454,325
104	Interest Revenue	0	0	0	0	0
105						
106	Total Other Revenue	1,161,168	1,188,927	1,235,903	1,262,564	1,284,509
107						
108	Total Revenue	6,647,321	6,682,342	6,887,566	6,977,456	7,069,646
109						
112	Inflation Assumptions					
113	Revenue Inflation Rate - Basic only	0.0%	0.0%	1.5%	1.5%	1.5%
114	Salaries & Benefits - includes steps and lanes	2.5%	2.0%	2.0%	2.0%	2.0%
115	Other costs	2.5%	2.0%	2.0%	2.0%	2.0%
116						
117						
118						
119						
120						
121						
122						
123						
124						
125						
126						
127						
128						
129		28.3%	28.0%	28.0%	28.0%	28.0%
130						
131	Budget Calculations	2.0%	2.0%	2.7%	2.0%	2.0%
132	Salaries and wages	3,162,988	3,226,248	3,312,622	3,378,874	3,446,452
133	Benefits (see note below)	893,578	903,350	927,534	946,085	965,006
134	Contracted Services	420,010	428,410	445,172	454,075	463,157
135	Communications Services	15,400	15,708	16,323	16,649	16,982
136	Postage	5,000	5,100	5,300	5,406	5,514
137	Utilities (72,000 sq. ft. in new building)	83,548	85,219	88,553	90,324	92,131
138	Insurance	35,640	36,353	37,775	38,531	39,301
139	Repairs and Maintenance	79,585	81,177	84,353	86,040	87,761
140	Contracted Transportation	30,000	30,600	31,797	32,433	33,082
141	Travel and conferences	27,910	28,468	29,582	30,174	30,777
142	Building rent					
143						
144	Lease Payments	973,395	972,719	972,525	974,273	976,940
145	Bond Payments - net of capitalized interest	0	0	0	0	0
146	Total Building Rent	973,395	972,719	972,525	974,273	976,940
147	Other Rentals and Operating Leases	25,000	25,500	26,498	27,028	27,568
148	Contracted Services	0	0	0	0	0
149	General Supplies (&moving,food 05)	143,556	146,427	152,156	155,199	158,303
150	Instructional Supplies	77,847	79,404	82,510	84,161	85,844
151	Fuels (bus)	46,000	46,920	48,756	49,731	50,725
152	Textbooks and workbooks	47,323	48,269	50,158	51,161	52,184
153	Testing - Standardized	9,750	9,945	10,334	10,541	10,752
154	Building costs - Leasehold Improvements		0	0	0	0
155	Equipment purchased/Buses	44,600	45,492	47,272	48,217	49,182
156	Equipment and Board Fund	107,700	109,854	114,152	116,435	118,764
157	Dues and memberships	47,600	48,552	50,452	51,461	52,490
158	Activity Account Expenditures/Misc	273,000	273,000	273,000	273,000	273,000
159						
160	Total Expenditures	6,549,429	6,646,714	6,806,822	6,919,796	7,035,913
161						
162						
163	Annual Surplus (Deficit)	97,891	35,627	80,744	57,660	33,733
164						
165	Beginning Fund Balance	2,580,020	2,677,911	2,713,539	2,794,283	2,851,943
166						
167	Ending Fund Balance	2,677,911	2,713,539	2,794,283	2,851,943	2,885,676
168						
169	Fund Balance Percentage of Expenditures net L	48.0%	47.8%	47.9%	48.0%	47.6%
170	Annual Coverage Ratio Analysis - (surplus- rent)/debt service					
171	Bond Debt Service Ratio	1.20	1.14	1.19	1.16	1.14

APPENDIX D

**CHARTER AGREEMENT WITHOUT EXHIBITS, AMENDMENTS
AND CHARTER EXTENSIONS**

(Form approved by Authorizer on _____ 11, 2013.)

Charter School Contract

Between



BETHEL UNIVERSITY (AUTHORIZER)
A MINNESOTA NON-PROFIT CORPORATION

And

PACT CHARTER SCHOOL
A MINNESOTA NON-PROFIT CORPORATION



D-2

CONTRACT

TABLE OF CONTENTS

AGREEMENT..... 2

1. PURPOSE..... 2

2. TERM OF CONTRACT..... 2

3. AMENDMENTS..... 2

4. SCHOOL MANAGEMENT AND ADMINISTRATION..... 3

5. AUTHORITY OF THE SCHOOL..... 3

6. PERFORMANCE INDICATORS AND EVALUATION..... 4

7. ADMISSION POLICIES AND PROCEDURES..... 4

8. FINANCIAL MANAGEMENT..... 4

9. TRANSPORTATION..... 5

10. HEALTH AND SAFETY, HUMAN RIGHTS, AND STUDENT
DISMISSAL GUIDELINES..... 5

11. OTHER MANDATES..... 6

12. LENGTH OF SCHOOL YEAR..... 6

13. INSURANCE..... 6

14. PROPERTY OWNERSHIP..... 6

15. GENERAL AUTHORITY AND IMMUNITY..... 7

16. NON-RENEWAL AND TERMINATION OF CONTRACT..... 7

17. DISCLAIMER..... 7

18. REPORTING..... 7

19. WAIVER..... 7

20. ENTIRETY CLAUSE..... 8

21. HEADINGS..... 8

SIGNATURES..... 8

ATTACHEMENTS LIST..... 9

CONTRACT

THIS AGREEMENT executed on this 12th day of July 2009, by and between **BETHEL UNIVERSITY** (10-448), a Minnesota nonprofit corporation under Minnesota Statutes chapter 317A (hereafter referred to as "BETHEL UNIVERSITY") and **PACT CHARTER SCHOOL**, a Minnesota nonprofit corporation under Minnesota Statutes chapter 317A (hereafter referred to as "PACT" or "PACT CHARTER SCHOOL"). See Attachment 1. This Contract shall be effective from the date of approval by the Commissioner of the Department of Education or designee, (hereafter referred to as Commissioner).

WHEREAS, the parties are authorized under Minnesota law to contract for the development and management of a results-oriented School under Minnesota Statutes Annotated 124D.10 (1997), as amended, ("the Act"), and

WHEREAS, it is the parties' intent that PACT, at 7250 East Ramsey Parkway, Ramsey, MN 55303 ("the site"), operate a charter school under the Act;

NOW, THEREFORE, IT IS AGREED:

1 PURPOSE.

The purpose of this Agreement is to authorize and permit the Board of Directors of PACT to organize and manage a results-oriented school consistent in all respects with the Commissioner's action of April 12th, 1994, authorizing negotiation of this Contract.

1.1 The overall purpose of PACT, as specified in Attachment 3, "Letter of Intent to Form PACT" is to provide an educational program for its students in order to:

- 1.1.1 improve pupil learning;
- 1.1.2 increase learning opportunities for pupils;
- 1.1.3 encourage the use of different and innovative teaching methods;
- 1.1.4 establish new forms of accountability for schools;

1.2 PACT shall be nonsectarian in its programs, admission policies, employment practices and all other purposes.

1.3 PACT will not charge Minnesota residents tuition for admission to the school.

1.4 PACT shall not be used as a method of providing education or generating revenue for students who are being home schooled.

2 TERM OF CONTRACT.

The term of this Contract is 5 years, commencing July 1st, 2009 and ending June 30th, 2014. This Contract may be renewed or renegotiated by agreement of both parties.

3 AMENDMENTS.

The Contract may not be amended absent written agreement executed by both parties and properly authorized. If the authority of PACT, as operator, or BETHEL UNIVERSITY, as Authorizer, is altered by legislative act, this Contract is automatically modified to conform to the new law. In such a case, a new contract shall be entered into by the parties, which shall

explicitly incorporate all changes in Minnesota Statutes applicable to this Contract. Such event may occur at any time during a contract period, and the adoption of amendments to this Agreement pursuant to changes in the governing Minnesota Statutes shall be deemed to be in compliance with Paragraph 20 of this Agreement, the "Entirety Clause".

4 SCHOOL MANAGEMENT AND ADMINISTRATION.

- 4.1 PACT shall comply with Minnesota Statutes yet it shall be exempt from all Minnesota statutes and rules applicable to a school, a school board or a school district, except as provided by the Act or as otherwise provided in this Contract.
- 4.2 PACT shall be operated by a Board of Directors elected in accordance with policies and procedures set forth in Attachment 4, "Bylaws of PACT Charter School."
- 4.3 PACT shall be governed by a Board of Directors. Board members shall be elected every year, according to PACT's bylaws. Employees of PACT including teachers providing instruction, and the parents of children enrolled in PACT may participate in the election in accordance with the policies and procedures set forth in PACT's bylaws. Licensed teachers employed at PACT including teachers providing instruction under a contract with a cooperative, must comprise a majority of the Board of Directors, unless the commissioner waives the requirement for PACT.
- 4.4 The PACT Board will also participate in an ongoing improvement process, which includes accountability by an outside educational organization (such as North Central Accreditation) in cooperation with Bethel University.
- 4.5 Meetings of PACT Board of Directors shall comply with applicable Minnesota State statutes, such as, but not limited to, open meeting laws and employment statutes.
- 4.6 PACT Board of Directors shall decide matters related to the operation of PACT, including, but not limited to, budgeting, curriculum, and operating procedures.
- 4.7 PACT shall have all powers, duties and responsibilities provided by law to a results-oriented charter school.
- 4.8 PACT Board of Directors shall employ and contract with necessary teachers, as defined by Minnesota Statutes section 122A.15, subdivision 1, who hold valid licenses to perform the particular service for which they are employed at PACT.
- 4.9 PACT Board of Directors may employ necessary employees who are not required to hold teaching licenses to perform duties other than teaching and may contract for other services.
- 4.10 PACT Board of Directors may discharge teachers and non-licensed employees.
- 4.11 PACT shall comply with Minnesota Statute 179A, Public Employment Relations Act (PELRA), and the Teachers Retirement Act, MN Chapter 354 and 354A.
- 4.12 PACT shall abide by all federal laws, statutes and regulations applicable to charter schools in Minnesota.

5 AUTHORITY OF THE SCHOOL.

- 5.1 PACT may exercise those powers reasonably necessary to accomplish its obligations in this Contract.
- 5.2 Except as stated herein or otherwise required by law, BETHEL UNIVERSITY shall have no authority, control, power, or administrative or financial responsibility over PACT. This clause does not prohibit the parties from contracting for any services deemed appropriate in the future.

- 5.3 PACT may lease space from any government, public, or nonprofit, nonsectarian private organization, as it deems necessary.
- 5.4 PACT Charter School shall assume full liability for its activities and shall indemnify and hold harmless the Commissioner and Bethel UNIVERSITY, its officers, and their agents and employees from any suits, claims, or liability arising under this Contract under Minnesota State section 124D.10, subdivision 25 (1994), as amended, and this paragraph is not intended to modify or otherwise affect that provision or any other law.

6 PERFORMANCE INDICATORS AND EVALUATION.

- 6.1 PACT will document that students are demonstrating successful progress at meeting or exceeding the standards for graduation as established by the State of Minnesota and applicable to public schools in accordance to the Commissioner's guidelines (section 124D.10 subd. 10).
- 6.2 PACT will identify annual goals with specific and measurable outcomes to achieve through its educational programs in various academic and non-academic areas related to PACT's stated purpose and mission. Some of these outcomes may be assessed using a nationally norm referenced test using year to year comparisons. BETHEL UNIVERSITY will review annual goals established by PACT and approved by the Board included within the Annual Report.
- 6.3 BETHEL UNIVERSITY will implement a plan to evaluate PACT to determine the effectiveness of PACT's program in attaining the pupil outcomes set out in Section 6.2.
- 6.4 In the event the PACT has not met the approved pupil outcomes, PACT shall advise the Commissioner, BETHEL UNIVERSITY and PACT staff, students and parents on how it plans to achieve the prior year's goals and shall incorporate those plans into the academic goals in the Annual Report.

7 ADMISSION POLICIES AND PROCEDURES.

- 7.1 PACT CHARTER SCHOOL is open to all students for Kindergarten through twelfth (12th) grade.
- 7.2 PACT will limit enrollment to available space and as interest in enrollment dictates.
- 7.3 PACT shall admit any eligible pupil who submits a timely application, unless the number of applications exceeds the capacity of the program, class, or grade level. Admission of pupils will not be determined on the basis of intellectual ability, measures of achievement or aptitude, or athletic ability.
- 7.4 If the number of applications for any grade shall exceed the number of openings, siblings of continuing students will receive first preference for admission as required by the Act. For other openings, students shall be accepted by lot. To the extent the number of applications exceed the number of openings PACT will use its approved lottery procedures to fill openings. A summary of lotteries will be kept in the PACT Business Office for review, upon request by BETHEL UNIVERSITY or the Commissioner.

8 FINANCIAL MANAGEMENT.

- 8.1 PACT will utilize the UFARS financial accounting principles and methods. Student accounting will comply with MARSS requirements. All accounting records will be audited annually by a public accounting firm engaged by the PACT CHARTER SCHOOL Board of Directors.
- 8.2 PACT will comply with the same financial audits, audit procedures, and audit requirements of public school districts (Minnesota Statutes sections 123B.75 to 123B.83) except when deviations are necessary because of PACT's program.
- 8.3 PACT shall provide BETHEL UNIVERSITY with a final copy of the annual audit within fifteen (15) days of its completion and acceptance by the PACT Board.

9 TRANSPORTATION.

- 9.1 Transportation for pupils enrolled at PACT may be provided by PACT CHARTER SCHOOL. If PACT elects to provide transportation, it shall be provided as follows:
 - 9.1.1 PACT shall notify the MINNESOTA INDEPENDENT SCHOOL DISTRICT in which PACT facilities are located and the Department of Education by July 1 prior to the upcoming school year its commitment and plan regarding provision of transportation for pupils enrolled at PACT.
 - 9.1.2 PACT shall provide manageable transportation for PACT students within the school district where PACT resides. Other reasonable efforts may be made to accommodate transportation needs where significant portions of the PACT student population live, according to PACT's policies and procedures.
 - 9.1.3 The Department of Education shall pay transportation aid to PACT according to Minnesota Statutes section 124D.11, subdivision 2.
 - 9.1.4 PACT may reimburse a parent for costs of transportation from the pupil's residence to the border of the MINNESOTA INDEPENDENT SCHOOL DISTRICT in which PACT facilities are located if the pupil is from a family whose income is at or below the poverty level as determined by the federal government. The reimbursement may not exceed the pupil's actual cost of transportation or the current allowed cost per mile traveled, whichever is less. Reimbursement may not be paid for more than current limit on mile per week travel.
- 9.2 If PACT does not elect to provide transportation for pupils enrolled at PACT, transportation shall be provided by the School District in which PACT facilities are located according to Minnesota Statutes section 124D.03, subdivision 8, and section 123B.88, subdivision 6, for a pupil residing in the same district in which PACT facilities are located. Transportation provided by the School District in which PACT facilities are located to and from the School shall be provided as follows:
 - 9.2.1 All transportation routes, pick-up points and times, student bus assignments, method of transportation, and other transportation scheduling shall be established by that School District.
 - 9.2.2 PACT may enter into a separate Contract with a school district to receive additional transportation services for extracurricular events, field trips, and other activities.

10 HEALTH AND SAFETY, HUMAN RIGHTS, AND STUDENT DISMISSAL GUIDELINES.

PACT Charter School will comply with State and Federal health and safety, human rights, and student dismissal laws, as applicable to charter schools:

- 10.1 Meet health and safety requirements;
- 10.2 Minnesota Statutes section 121A.15, requiring proof of student immunization.
- 10.3 The Minnesota Human Rights Act, Chapter 363.
- 10.4 The Minnesota Pupil Fair Dismissal Act (MPFDA), Minnesota Statutes section 121A.40 to section 121A.56. PACT Board of Directors shall maintain a discipline policy and procedure consistent with MPFDA .
- 10.5 The Minnesota Public Schools Fee Law, Minnesota Statutes section 123B.34 to section 123B.39.
- 10.6 PACT shall not discriminate on any basis prohibited by state or federal law.
- 10.7 Minnesota Statutes section 121A.04, to provide equal opportunity in athletic programs.
- 10.8 Minnesota Statutes section 125A and section 124D.10, and rules relating to the education of pupils with a disability.
- 10.9 Minnesota Statutes, Section 124D.10 subd. 6 (10) to provide certain data to the Commissioner including a description of the financial parameters within which PACT will operate to provide special education instruction and services to such children.

11 OTHER MANDATES.

PACT will develop policies for and train staff and students, as appropriate, on the legal requirements applicable to PACT including, but not limited to, non-discrimination, student discipline, pupil fees and other state requirements. PACT will contract with legal counsel or other providers for policy development, review and training as needed.

12 LENGTH OF SCHOOL YEAR.

PACT shall provide instruction each year as approved by the Board of Directors annually, in compliance with State law.

13 INSURANCE.

Notwithstanding anything to the contrary in this Contract, PACT CHARTER SCHOOL shall be considered a school district for the purposes of tort liability under Minnesota Statutes chapter 466. PACT shall acquire and keep in full force and effect such insurance as is required to insure said liability and shall provide proof of insurance to the Commissioner. See Attachment 6.

14 PROPERTY OWNERSHIP.

- 14.1 Upon termination of this Contract, and in the event of subsequent dissolution of PACT CHARTER SCHOOL, all property that it might lease, borrow or contract for use shall be promptly returned to those organizations or individuals from which PACT has leased or borrowed the materials.
- 14.2 All property that has been purchased by or donated to PACT will remain its own. In the event of subsequent dissolution of PACT CHARTER SCHOOL, such property

will be donated to such persons or entities as PACT shall determine, to the extent permitted by law and PACT CHARTER SCHOOL articles of incorporation after all financial obligations are met.

- 14.3 All property personally and/or individually owned by the trained and licensed teachers or staff employed by PACT CHARTER SCHOOL shall be exempt from distribution of property and shall remain the property of the individual teachers and staff. Such property includes, but is not limited to, albums, curriculum manuals, personal mementos and other materials or apparatus which have been personally financed or personally developed by teachers or staff.

15 GENERAL AUTHORITY AND IMMUNITY.

PACT CHARTER SCHOOL may not levy taxes or issue bonds. It shall have the right to sue or be sued. PACT shall assume full liability for its activities. The Commissioner, BETHEL UNIVERSITY, members of the BETHEL UNIVERSITY board in their official capacity, and employees of BETHEL UNIVERSITY are immune from civil or criminal liability with respect to all activities related to the operation of PACT CHARTER SCHOOL (Minnesota Statutes section 124D.10, subdivision 25).

16 NON-RENEWAL AND TERMINATION OF CONTRACT.

While the intent of the authorizer relationship is to maintain an ongoing working relationship, there may be a time when termination of the contract becomes necessary. In such cases:

- 16.1 BETHEL UNIVERSITY may determine not to renew this Contract at the end of the term for any ground as allowed in accordance with procedures and deadlines in Minnesota Statute 124D.10 subdivision 23.
- 16.2 BETHEL UNIVERSITY shall take action to renew or not to renew the Contract no later than the last day of classes in the last school year of any contract period.
- 16.3 The sponsor may unilaterally determine not to renew this Contract or may terminate the Contract during the term of this Contract for these grounds:
- 16.3.1 Failure to meet the requirements for pupil performance referred to in Section 6 of this Contract;
- 16.3.2 Failure to meet generally accepted standards of fiscal management;
- 16.3.3 For violations of law; or
- 16.3.4 Other good cause shown.
- 16.4 If this Contract is terminated or not renewed, PACT CHARTER SCHOOL shall be dissolved according to the applicable provisions of Minnesota Statutes chapter 308A and 317A, except when the commissioner approves the decision of a different eligible sponsor to authorize PACT CHARTER SCHOOL.

17 DISCLAIMER.

This Contract is not intended to be, nor shall it be interpreted in such manner as, an employment contract, subcontracting contract, or assignment of normal curricular, co-curricular, or extra-curricular duties by and between any party or person referred to therein.

18 REPORTING.

18.1 PACT shall develop and implement an effective annual evaluation and reporting plan that addresses its own needs, requirements of BETHEL UNIVERSITY, the Minnesota Department of Education, and the MN state and federal government.

18.2 PACT shall provide all reports required by the Commissioner.

19 WAIVER.

No waiver by either party or any breach of any covenant or provision of this Contract shall be deemed to be a waiver of any succeeding breach of the same or any other covenant or provision.

20 ENTIRETY CLAUSE.

This Agreement is the entire contract between the parties and supersedes all prior contracts, commitments, and understandings between BETHEL COLLEGE and PACT CHARTER SCHOOL and any other persons or entities which relate in any way to PACT CHARTER SCHOOL. This Agreement cannot be modified, changed, or altered except by a written modification executed by the parties hereto.

21 HEADINGS.

The headings above the various provisions of this Contract have been included only to make it easier to locate the subject covered by each provision and are not to be used in construing this Agreement or in ascertaining the parties' intentions.

Executed on this 12th day of July, 2009

PACT CHARTER SCHOOL
A Minnesota non-profit Corporation

BETHEL UNIVERSITY
A Minnesota non-profit Corporation

By *Seena Halek, Board Chair*
NAME, Title

By *Louise Wilson, Education Department Chair*
NAME, Title

By *[Signature]*
NAME, Title

By *James H. Barnes, President*
NAME, Title

APPENDIX E

DEFINITIONS OF CERTAIN TERMS, SUMMARIES OF DOCUMENTS

DEFINITIONS

The following words and phrases have the following meanings:

“Account Control Agreement” means the Account Control Agreement, dated as of _____ 1, 2013 among the Trustee, the School, and Sunrise Banks, Ramsey, Minnesota;

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

“Additional Bonds” means any additional bonds issued and secured on a parity with the Bonds in accordance with the Indenture.

“Adjusted Pledged Revenues” means all funds, money, grants, or other distributions received by the School from the State of Minnesota with respect to general student funding, state Building Lease Aid payments, state distributions of federal Title I funds, or any other funding sources, after deduction of all such operating expenses of the School (including the current expenses for staff and administrative salaries and benefits) required under State or federal laws to provide required educational program expenditures, pledged pursuant to the Pledge Agreement.

“Assignment of Lease” means the Assignment of Lease, dated as of _____ 1, 2013, from the Company in favor of the Trustee.

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

“Bond Fund” means the fund established under the Indenture.

“Bond Purchase Agreement” means the Bond Purchase Agreement by and among the Original Purchaser, the Issuer, the Company and the School.

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

“Bonds” means the Series 2013A Bonds, Series 2013B Bonds and any Additional Bonds.

“Bond Year” means 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.

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

“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 is to 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” or “Building 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.

“Completion Date” means the date of completion of the Project, as certified by the Company in a Company Certificate.

“Costs of Issuance Fund” means the fund established under 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 “Expenditures”, as shown on the financial statements for such Fiscal Year, divided by 365.

“Date of Issuance” means the date the Bonds are issued.

“Default” and “Event of Default” mean with respect to any Default or Event of Default under the Loan Agreement or the Indenture, any occurrence or event specified and defined by the Loan Agreement or by the Indenture.

“Depository” means The Depository Trust Company, New York, New York, or its successors and assigns, or such substitute depository institution as designated by the Issuer in accordance with the Indenture.

“Depository Bonds” means Bonds in the form of one certificate for each maturity and governed by the book entry provisions 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 of all Outstanding Series 2013A 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 Series 2013A Bond is included 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 the Loan Agreement or (b) contested by the Company in accordance with the Loan Agreement 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.

“Escrow Agent” means Wells Fargo Bank, National Association, as escrow agent under the Escrow Agreement.

“Escrow Agreement” means that certain Escrow Agreement between the Company and the Escrow Agent, dated the date hereof, and as it may be amended from time to time in accordance with its terms.

“Escrow Fund” means the fund of such designation created under the Escrow Agreement.

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

“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.

“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, (b) interest on other Indebtedness with a stated maturity of more than one year, (c) amortization and (d) depreciation.

“Improvement” means any addition, enlargement, improvement, extension or alteration of or to the Schoolhouse 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.

“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, dated as of _____ 1, 2013, 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 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.

“Interest Payment Date” means _____ 1 and _____ 1 of each year, commencing _____ 1, 2013.

“Issuer” means the PCS Building Company, a public body corporate and politic of the State, and any successor.

“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.

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

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

“Lease Payments” means all payments due from the School, as lessee, to the Company, as lessor, pursuant to the Lease.

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

“Loan Agreement” means the Loan Agreement, dated as of _____ 1, 2013, between the Issuer and the Company, and any amendments and supplements thereto.

“Loan Repayments” means the payments required to be made by the Company pursuant to the loan repayments section of the Loan Agreement.

“Majority Bondholder” means the beneficial owner of or owners who together own greater than 50% of the aggregate Outstanding principal amount of the Bonds.

“Monthly Deposit” means \$6,250 per month from July 20, 2013 through _____, 2014 and \$3,333.33 per month thereafter.

“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 is dissolved or liquidated or can no longer perform the functions of a securities rating agency, “Moody’s” is 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, dated as of _____ 1, 2013, from the Company in favor of the Trustee, and all amendments thereof and supplements thereto.

“Mortgaged Property” means all real estate, buildings, equipment and other interests as more particularly described in subsections (a) through (g), inclusive, of Section 2.1 of the Mortgage, including the real estate described in EXHIBIT A thereto.

“Original Purchaser” means, with respect to the Bonds, 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 have been theretofore deposited with the Trustee in accordance with the discharge of lien article of the Indenture; and
- (c) Bonds in lieu of which others have been authenticated under the Indenture.

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

“Permitted Encumbrances” means, as of any particular time, “permitted encumbrances” as defined in the Mortgage.

“Permitted Investments” means the following investments, if and to the extent the same are legal for investment, with regard to any moneys held as part of the Bond Fund, the Revenue Fund, the Reserve Fund, the Project Fund, the Capital Improvement Fund, the Expense Fund, the Costs of Issuance Fund, or any other fund held by the Trustee pursuant to the Indenture:

- (a) bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal and interest of which are unconditionally guaranteed by, the United States of America;
- (b) direct and general obligations of any state of the United States of America or any municipality or political subdivision of such state, or obligations of any corporation, if such obligations are in one of the two highest rating categories by Standard & Poor’s Corporation or Moody’s Investors Service, or, upon the discontinuance of either or both of such rating agencies, any other nationally recognized rating service;
- (c) negotiable or non-negotiable certificates of deposit, time deposits, or other similar banking arrangements, issued by any nationally or state-chartered bank (including the Trustee) or trust company or any savings and loan association, domiciled in the State, if either (i) the long-term obligations of such bank or trust company are rated in one of the two highest rating categories by Standard & Poor’s Corporation or Moody’s Investors Service, or, upon the discontinuance of either or both of such rating services, any other nationally recognized rating service or (ii) the deposits are continuously secured as to principal, but only to the extent not insured by the Federal Deposit Insurance Corporation, or similar corporation chartered by the United States of America, (1) by lodging with a bank or trust company, as collateral security, obligations described in paragraph (a) or (b) above or, with the approval of the Trustee, other marketable securities eligible as security for the deposit of trust funds under applicable regulations of the Comptroller of the Currency of the United States of America or applicable state law or regulations, having a market value (exclusive of accrued interest) not less than the

amount of such deposit, or (2) if the furnishing of security as provided in clause (1) of this paragraph is not permitted by applicable law, in such manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for the deposit of trust funds;

(d) repurchase agreements with respect to obligations listed in paragraph (a) or paragraph (b) above if entered into with a nationally or state-chartered bank domiciled in the State (including the Trustee), trust company domiciled in the State or a broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a member of the Securities Investors Protection Corporation if (i) such obligations that are the subject of such repurchase agreement are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, provided that such repurchase agreement must provide that the value of the underlying obligations will be maintained at current market value, calculated no less frequently than monthly, of not less than the repurchase price, (ii) a prior perfected security interest in the obligations which are the subject of such repurchase agreement has been granted to the Trustee, and (iii) such obligations are free and clear of any adverse third-party claims;

(e) commercial paper maturing in 270 days or less and rated in the highest rating category by two nationally recognized rating services;

(f) money market mutual funds invested solely in obligations listed in paragraphs (a), (b), or (c) above, including funds offered or managed by the Trustee or its affiliates;

(g) agreements or contracts for guaranteed investment contracts issued or guaranteed by financial institutions, United States commercial banks, domestic branches of foreign banks, United States insurance companies, or their Canadian subsidiaries. The credit quality of the Issuer's or guarantor's long-term unsecured debt must be rated in one of the three highest categories by a nationally recognized rating agency.

(h) certificates or receipts issued by any nationally or state-chartered bank, domiciled in the State, trust company domiciled in the State or broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a member of the Securities Investors Protection Corporation, organized and existing under the laws of the United States of America or any state thereof, the outstanding unsecured long-term debt of which is rated in either of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, or, upon the discontinuance of either rating services, in the capacity of custodian, which certificates or receipts evidence ownership of a portion of the principal of or interest on Government Obligations held (which may be in book entry form) by such bank, trust company or broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) as custodian;

(i) tax-exempt obligations (as defined in section 150(a)(6) of the Code and which are not "investment property" as defined in Section 148(b)(2) of the Code) rated in one of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, or, upon the discontinuance of either rating service or both of such rating services, any other nationally recognized rating service; and

(j) U.S. dollar denominated deposit accounts, federal funds with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by Standard & Poor’s and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.).

Notwithstanding the foregoing, “Permitted Investments” will not include a financial instrument, commonly known as a “derivative,” whose performance is derived, at least in part, from the performance of any underlying asset, including, without limitation, futures, options on securities, options on futures, forward contracts, swap agreements, structured notes, and participations in pools of mortgages or other assets.

“Pledge Agreement” means the Pledge and Covenant Agreement, dated as of _____ 1, 2013, by and between the School and the Trustee.

“Prior Bonds” means the Series 2004A Bonds and the Series 2009 Bonds.

“Prior Indenture” means the Indenture of Trust, dated as of _____ 1, 2004, between the Issuer and the Prior Trustee, as amended and supplemented by the First Supplemental Indenture of Trust, dated as of July 1, 2009, between the Issuer and the Prior Trustee.

“Prior Trustee” means Wells Fargo Bank, National Association, as trustee for the Prior Bonds.

“Project” means acquisition and installation in the Schoolhouse of equipment for two Science, Technology, Engineering and Mathematics laboratories.

“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:

(a) 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;

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

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

(d) 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;

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

(f) 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;

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

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

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

(j) 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

(k) 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 Fund” means the fund established under the Indenture.

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

“Rebate Analyst” means the “Rebate Analyst” as defined in creation of the Rebate Fund section in the Indenture.

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

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

“Regular Record Date” means, with respect to the Bonds, the 15th day of the calendar month preceding an Interest Payment Date.

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

“Reserve Fund Requirement” means, with respect to the Series 2013 Bonds, \$974,712.50 through and including _____ 1, 2024 and \$899,837.50 after _____ 1, 2024 and, with respect to any Additional Bonds, the least of: (a) 10% of the original issue price of the Bonds; (b) the maximum annual debt service in any Bond Year on the Bonds (excluding amounts in the final maturity of the Bonds to be paid from the application of the Reserve Fund); or (c) 125% of the average annual debt service on the Bonds.

“Revenue Fund” means the fund created pursuant to 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 the existing building located at _____ in the City used as a public charter schoolhouse for kindergarten through grade twelve, to be owned by the Company and leased to the School.

“Security Agreements” means, collectively, the Loan Agreement, Lease, Mortgage, Escrow Agreement, the Account Control Agreement and Pledge Agreement.

“Series 2004A Bonds” means the Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2004A.

“Series 2009 Bonds” means the Lease Revenue Bonds (PACT Charter School Project), Series 2009.

“Series 2013A Bonds” means the Lease Revenue Bonds (PACT Charter School Project) Series 2013A, issued by the Issuer in the principal amount of \$11,180,000* and issued under and secured by the Indenture.

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

“Special Record Date” means that date specified by the Trustee for the payment of any defaulted interest.

“Standard & Poor’s” means Standard & Poor’s Ratings Group, a division of the McGraw Hill Companies, a corporation organized and existing under the laws of the State of New York, its successors and assigns and, if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, “S & P” will be deemed to refer to any other nationally recognized securities rating agency designated by the Company by notice to the Trustee.

“State” means the State of Minnesota.

“Sweep Account” means the State Aid Revenues Account established and maintained pursuant to the Pledge Agreement by the School at Sunrise Banks and of which the Trustee has control pursuant to an account control agreement.

“Tax Regulatory Agreement” means the Tax Regulatory Agreement, dated the _____ 1, among the Company, the School, and the Trustee.

“Term Bonds” means the Series 2013A Bonds maturing on _____ 1, 20__, _____ 1, 20__, _____ 1, 20__ and _____ 1, 20__.

“Trust Estate” means the property conveyed to the Trustee pursuant to the Granting Clauses of the Indenture.

“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 will be determined between 45 and 60 days prior to each Interest Payment Date, of the cash and any investments in the Reserve Fund, which will 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 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.

THE LOAN AGREEMENT

The following is a summary of certain provisions contained in the Loan Agreement and is qualified in its entirety by reference to the Loan Agreement. The definitions of all capitalized terms used herein not otherwise defined can be found in “APPENDIX I—DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF DOCUMENTS—DEFINITIONS” or in the Loan Agreement or the Indenture, unless the context indicates otherwise.

Issuance of the Bonds

Pursuant to the Loan Agreement, the Issuer agrees to issue the Bonds and to deposit the proceeds therefrom with the Trustee. From the proceeds of the sale of the Bonds (net of Underwriter’s discount), the Trustee will deposit (i) \$974,712.50 to the Reserve Fund, (ii) \$216,555.89 to the Cost of Issuance Fund, (iii) \$45,393.24 of accrued interest and rounding amount to the Bond Fund, (iv) \$640,000 to the Project Fund and (v) \$11,299,627.60 to the Escrow Fund held by the Escrow Agent pursuant to the Escrow Agreement plus \$1,239,081.63 from the proceeds of the Series 2004A Bonds and the Series 2009 Bonds.

Investment of the Revenue Fund, Bond Fund, Project Fund, Rebate Fund, Reserve Fund and Costs of Issuance Fund and Expense Fund

Any moneys held as a part of the Revenue Fund, the Bond Fund, the Project Fund, the Reserve Fund, the Costs of Issuance Fund, the Rebate Fund, Expense Fund and any other fund held by the Trustee will be invested or reinvested in any Permitted Investments by the Trustee at the request of and as directed by the Company Representative. All such Permitted Investments will at all times be a part of the fund from which the moneys used to acquire such Permitted Investments will have come, and all income and profits on such Permitted Investments will be credited to, and losses thereon will be charged against, such funds, except that the earnings (net of investment losses, if any) from the Reserve Fund and the Costs of Issuance Fund will be credited to the Bond Fund and from the Expense Fund will be credited to the Revenue Fund as provided in the Indenture. Such Permitted Investments will 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 moneys therefrom will be required. Such Permitted Investments are to be held as part of the Trust Estate and will be registered in the name of the Trustee.

Term of Loan Agreement and Loan Payments

The term of the Loan Agreement (the “Term of Agreement”) will commence as of _____ 1, 2013, and, unless sooner terminated as provided in the Loan Agreement, will expire on _____ 1, 20__, or on the date that all of the Bonds and all fees and charges of the Issuer, the Trustee, and any paying agents have been fully paid or provision made for such payment, whichever is later.

The Company agrees to pay to the Trustee for the account of the Issuer during the Term of Agreement, (i) on or before July 20, 2013, and on or before the 20th day of each month thereafter through and including November 20, 2013, a sum which, together with investment earnings and other sums which have either accrued on moneys in the Bond Fund or have been transferred to the Bond Fund from the Revenue Fund, the Reserve Fund, the Project Fund, or the Costs of Issuance Fund, which have not been used as such a credit before, equals 1/5 of the interest due and payable on the Series 2013 Bonds on _____ 1, 2013; and (ii) on or before the 20th day of each month, commencing _____ 20, 2013 and continuing until the principal of, premium, if any, and interest on the Bonds will have been fully paid or provision for the payment thereof will have been made in accordance with the Indenture, a sum which, together with investment earnings and other sums which have either accrued on moneys in the Bond Fund or have been transferred to the Bond Fund from the Revenue Fund, the Reserve Fund, the Project Fund, or the Costs of Issuance Fund, which have not been used as such a credit before, equals 1/6 of the interest due on the next succeeding Interest Payment Date and 1/12 of the principal due on the next Payment Date, (iii) commencing July 20, 2013, and thereafter on or before the 20th day of each month in which the amount held in the Capital Improvements Fund is less than \$500,000, an amount equal to the Monthly Deposit; and (iii) 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, as provided in the Indenture. Such payments will continue until the principal of, premium, if any, and interest on the Bonds have been fully paid or provision for the payment thereof has been made in accordance with the Indenture.

The obligation of the Company to make the foregoing payments is absolute and unconditional and is not subject to set-off, abatement, counterclaim, or recoupment.

In addition, during the Term of Agreement, the Company is required to pay the Issuer’s fee, the reasonable fees and expenses of the Trustee and any paying agents, and the reasonable expenses of the Issuer related to the issuance of the Bonds, and the Company will make payments into the Reserve Fund as required in the Loan Agreement and in the Indenture at any time there is a deficiency.

Payment of Cost

The Company is authorized to direct the Trustee, by certificates of the Company submitted to the Trustee, on which the Trustee may conclusively rely, to pay, or to reimburse the Company for its payment of, costs as incurred by the Company in acquiring the Project. If the Project Fund is not sufficient to pay all costs incurred in completing the Project the Company will, pursuant to the Lease, cause the School to complete the Project and to pay all costs incurred without further reimbursement.

Operation and Maintenance of Project

The Company agrees that at all times during the Term of Agreement it will, at the Company's own expense, maintain, preserve and keep the Schoolhouse, or pursuant to the Lease cause the School to maintain, preserve and keep the Schoolhouse in good repair, working order and condition and that it will make or pursuant to the Lease cause the School to make all repairs, replacements and renewals deemed proper and necessary by it. In addition, the Company has the privilege of remodeling the Schoolhouse or making substitutions, additions, modifications and improvements to the Schoolhouse as the Company, in its discretion, may deem to be desirable for the Company's or the School's use for such purposes as will be permitted by the Act, the costs of which remodeling, substitutions, additions, modifications and improvements will be paid by the Company, and the same will be the property of the Company and be included under the terms of the Loan Agreement and the Mortgage as part of the Schoolhouse; provided, however, that the Schoolhouse and the Mortgaged Property, respectively, as remodeled, improved or altered, upon completion of such remodeling, substitutions, additions, modifications and improvements, will be of a value not less than the value of the Schoolhouse and the Mortgaged Property, respectively, immediately prior to the remodeling or the making of substitutions, additions, modifications and improvements. Notwithstanding the foregoing, if such substitution, modification, addition or improvement requires the expenditure in any one year period of an amount greater than 25% of the insured value of the Project (determined at the time such work commences), the Company will, 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 or at the request of the Company Representative, such substitution, modification, addition or improvement in and of itself will not materially diminish the amount of Lease Revenues from the Schoolhouse received by the Company or the amount of lease payments or Adjusted Pledged Revenues of the School during the next succeeding fiscal year from the level received in the last preceding fiscal year prior to such substitution, modification, addition or improvement.

Maintenance of Nonprofit Corporate Existence

The Company agrees that during the Term of Agreement it will maintain its nonprofit corporate existence, will maintain its status as an exempt organization under Section 501(c)(3) 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 legal entities to consolidate with or merge into it. The School has made similar representations in the Tax Regulatory Agreement.

Assurance of Tax Exemption

The Company represents that it understands, after consultation with such legal counsel as deemed appropriate, that the exclusion from gross income of interest on the Series 2013A 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 will comply with the Tax Regulatory Agreement.

Financial Statements

Commencing with the Fiscal Year ending _____ 30, 2013, the Company agrees to furnish to the Trustee, the Original Purchaser and EMMA (and to the Issuer, upon request), by no later than 150 days after the close of each Fiscal Year during the Term of Agreement, 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.

Additional Bonds and Additional Indebtedness

The Company will not incur any additional Indebtedness unless it can satisfy certain requirements, including amending the Lease to provide additional Lease Revenues sufficient to pay principal and interest on such proposed Additional Bonds, and any related fees and expenses, and either (1) establishing that (i) the Income Available for Debt Service for the preceding Fiscal Year was at least equal to 120% of maximum amount of payments due under the Lease, plus principal and interest payable in any Fiscal Year on the School's payable in any Fiscal Year and (ii) Income Available for Debt Service projected by the School for each of the School's two Fiscal Years beginning with the Fiscal Year in which any improvements being financed by such proposed Additional Bonds are to be placed in service, or, if no improvements are to be financed thereby, beginning with the first Fiscal Year after the Fiscal Year in which the proposed Additional Bonds are to be issued, will be at least 130% of the maximum amount of payments due under the Lease, plus principal and interest payable in any Fiscal Year on the School's Indebtedness (including such requirements for the proposed Additional Bonds but excluding such requirements for any Indebtedness to be refinanced thereby) or (2) receives the prior written consent of the Majority Bondholder to the issuance of such Additional Bonds. See "THE BONDS - Additional Bonds." The Company is prohibited under the Loan Agreement from incurring any Indebtedness which is subordinate to the payment of the Bonds.

Covenants of the School

The Company will cause the School in the Lease to agree and covenant, and pursuant to the Pledge Agreement the School agrees and covenants, that, for the duration of the Loan Agreement, it will:

(a) Commencing for the fiscal year ending _____ 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.

(b) Prepare and submit to the Trustee and EMMA (and to the Issuer, upon request) by no later than _____ 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 August 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 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 budget model forecasting the operations of the School for at least 5 years; and
 - (vi) the balance of the Fund Balance Account (as defined below).

(d) On or before _____ 30th 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.

(e) Make all necessary applications or submissions, including all supporting documentation, on or before _____ 30 of each year to the Minnesota Department of Education (or its successor) necessary to receive any Title I federal funding or other federal moneys included in the School's annual budgeted operating revenues.

(f) Other than the obligation to make additional Lease Payments for the purpose of repaying Additional Bonds, not incur any additional Indebtedness without the prior written consent of the Majority Bondholder; provided that the foregoing requirements shall not apply to (i) loans or operating or capital leases for computers and/or technology or (ii) short-term (less than 12 months) working capital borrowings or sales of accounts receivable by the School for cash flow purposes in an amount not to exceed \$1,000,000 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 45 Days Cash on Hand. The School's Cash on Hand shall be tested each year (on an unaudited basis) 30 days after the end of the School's Fiscal Year (i.e. on July 30 of each year), commencing the Fiscal Year ending _____ 30, 2014. The School will also 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 (based upon such audit). 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 45 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) Complete the Project in the event the cost of the Project exceeds the amount of Bond proceeds available for the Project.

(j) Make all payments due under the Lease prior to any payments of additional rent due under 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).

(k) Provide notice to the Issuer, the 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 _____ 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 will 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 110% 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.

Assignment and Leasing

Subject to the covenants set forth in the transfer section of the Loan Agreement, the Loan 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 either the Issuer or the Trustee, subject, however, to each of the following conditions: (i) no assignment or lease will relieve the Company from primary liability for any obligations under the Loan Agreement, and in the event of any such assignment or lease the Company will continue to remain primarily liable for payment of the amounts specified in the Loan Agreement and for performance and observance of the other agreements on its part provided to be performed and observed by the Company to the same extent as though no assignment or lease had been made; (ii) the assignee or lessee must assume the obligations of the Company under the Loan Agreement to the extent of the interest assigned or leased; (iii) the assignee or lessee must receive no greater interest in the Schoolhouse than that held by the Company; in particular, any assignment or lease must be granted only subject to the rights of the Issuer and the Trustee under the Loan Agreement and the Indenture, and must terminate upon any foreclosure of the Company's rights under the Loan Agreement or under the Mortgage; and (iv) the Company must, 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 a true and complete draft copy of each assignment, assumption of obligation or lease, as the case may be and an opinion from a nationally recognized bond counsel to the effect that the assignment or lease will not cause interest on the Outstanding Series 2013A 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 the Loan Agreement

Defaults

The Loan Agreement provides that any one or more of the following events will constitute an "Event of Default":

(a) Failure by the Company to pay the amounts required to be paid under the Loan Agreement 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 will have a period of 90 days to cure such payment default. The Trustee will give telephonic or telegraphic notice, with subsequent written notice, to the Company 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 paragraph (a), for a period of 30 business days after written notice specifying such failure and requesting that it be remedied will have been given to the Company by the Trustee unless the Trustee agrees in writing to an extension of such time prior to its expiration or if any representation or warranty of the Company will 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 be such that it 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) Certain events of bankruptcy, dissolution, liquidation or reorganization by the Company, as set forth in the Loan Agreement;

(d) The occurrence of an Event of Default under the Indenture;

(e) The occurrence of an Event of Default under the Tax Regulatory Agreement, the Mortgage, the Lease, or the Pledge Agreement; or

(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 and remaining unvacated, unpaid, unbonded, uninsured, or unstayed for a period of 30 days.

The Company will not be deemed to be in default under paragraph (b) above if by reason of force majeure, as defined in the Loan Agreement, it is unable in whole or in part to carry out any agreement in the Loan Agreement, other than the agreement to make the loan repayments.

Remedies

Whenever an Event of Default has happened and is continuing, the Trustee or the Issuer, with the written consent of the Trustee, may take one or any combination of the following remedial steps:

(a) By written notice to the Company, declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity (as provided in the Indenture) or otherwise, to be immediately due and payable as liquidated damages under the Loan Agreement and not as a penalty;

(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 the Loan Agreement, and also including, without limitation, any remedy set forth in the Indenture, subject to the limitations set forth in the Loan Agreement and the Indenture.

Any amounts collected pursuant to action taken upon the happening of an Event of Default will be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

Options and Obligations to Prepay

The Company will have the option or the obligation to prepay the amounts payable under the Loan Agreement upon the occurrence of certain events described herein under the caption “THE SERIES 2013BONDS—Redemption of Series 2013Bonds.”

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 expressly provided in the Loan Agreement, the Loan 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.

THE INDENTURE

The following is a summary of certain provisions contained in the Indenture and is qualified in its entirety by reference to the Indenture. The definitions for all capitalized terms used herein not otherwise defined can be found in “APPENDIX I—DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF DOCUMENTS—DEFINITIONS” or in the Indenture or the Loan Agreement, unless the context indicates otherwise.

Assignment and Security

Pursuant to the Indenture, the Issuer’s interest in the Loan Agreement and the Pledge Agreement and all amounts payable by the Company to the Issuer under the Loan Agreement or the Pledge Agreement (other than certain indemnification rights and certain fees and expenses of the Issuer), as well as the Issuer’s interest in certain moneys and funds held by the Trustee under the Indenture, are assigned to the Trustee by the Issuer to secure the payment of the principal of, premium, if any, and interest on the Bonds.

The Revenue Fund

The Revenue Fund is created under the Indenture, into which the Company will cause the School pursuant to the Pledge Agreement to deposit all rent payments due under the Lease. In addition, to assure the full and timely deposit of such rent payments, the Trustee is directed to withdraw from the Sweep Account and deposit in the Revenue Fund the amounts payable by the

School under the Lease each month, commencing in July, 2013, and then any amounts remaining in the Sweep Account after such withdrawal will be transferred by the Trustee to or at the direction of the School.

Use of Moneys in the Revenue Fund

As and when received each month, the Trustee will apply any funds in the Revenue Fund in the following priority:

(a) first, to the Bond Fund, an amount sufficient to cause the total amount then deposited in the Bond Fund to equal the monthly payment required under Section 4.2(a) of the Loan Agreement and, on a pro rata basis, to any lender on any parity Indebtedness permitted pursuant to Section 6.12(f) of the Loan Agreement, an amount equal to the monthly payment required on such parity Indebtedness;

(b) second, into the Rebate Fund, rebate deposits described in the Tax Regulatory Agreement;

(c) third, into the Reserve Fund, an amount equal to that required pursuant to Section 4.2(d) of the Loan Agreement;

(d) fourth, into the Capital Improvement Fund, the Monthly Deposits;

(e) fifth, to the Trustee, the amount necessary for payment of the Trustee's fees and expenses for services rendered hereunder; and

(f) sixth, into the Expense Fund, 1/12 of the annual Rating Agency fee and Issuer's Fee and the monthly cost of any other expenses required to be paid by the Company pursuant to the Lease; and

(g) seventh, to the Company, any amounts remaining in the Revenue Fund.

The Bond Fund

The Bond Fund is created under the Indenture, into which the payments made pursuant to the Loan Agreement and certain other amounts specified in the Indenture will be deposited and maintained with the Trustee. Money in the Bond Fund will be used solely for the payment of the principal of, premium, if any, and interest on the Bonds and for the redemption of the Bonds prior to maturity. Upon the issuance of the Bonds, an amount equal to \$45,903.65 of accrued interest will be credited to the Bond Fund.

The Reserve Fund

Upon the issuance of the Bonds, an amount equal to the Reserve Fund Requirement will be deposited in the Reserve Fund. Any earnings realized from investments in the Reserve Fund will be credited to the Reserve Fund until the amount therein is equal to the Reserve Fund Requirement, and thereafter to the Bond Fund. The Reserve Fund is to be valued by the Trustee semiannually. Pursuant to the Loan Agreement, the Company is required to cure any deficiency in the Reserve Fund below the Reserve Fund requirement within 30 days if the deficiency occurs

as a result of a valuation, or within 90 days of such withdrawal if the deficiency occurs as a result of a withdrawal from the Reserve Fund. Moneys on deposit in the Reserve Fund will be used to pay the principal of, premium, if any, and interest on the Bonds as the same become due (whether at maturity or upon redemption or by acceleration) in the event that moneys in the Bond Fund is insufficient therefor, and to pay the final maturities of principal of and interest on the Bonds. In addition if, on _____ 2, 2024 such Value is in excess of \$899,837.50 and no Event of Default has occurred and is continuing under the Loan Agreement, Mortgage, Pledge Agreement or this Indenture and the School is maintaining Income Available for Debt Service of at least 110% of the principal and interest due on the Bonds and any Additional Bonds in the prior Fiscal Year in accordance with Section 3(O) of Pledge Agreement, the Trustee shall deposit an amount equivalent to the excess in the Bond Fund to be used to pay interest on and principal of the Bonds.

The Costs of Issuance Fund

Moneys deposited in the Costs of Issuance Fund of the Indenture will be used to pay the costs incurred in issuing the Bonds.

The Project Fund

Upon the issuance of the Bonds, an amount equal to \$640,000 from Bond proceeds and thereafter any money received by the Trustee for payment of Project Costs, will be credited to the Project Fund. Amounts on hand in the Project Fund will be held by the Trustee and applied to the payment of Project Costs. All disbursements from the Project Fund will be made in accordance with and subject to the provisions and restrictions set forth in the Loan Agreement. On the Completion Date, after payment of the Project Costs relating to the Project, any balance remaining the Project Fund will be transferred to the Bond Fund and applied to redemption of the Bonds.

Capital Improvement Fund

Once per month the Company will transfer the Monthly Deposit to the Trustee to be deposited in the Capital Improvement Fund in any month the amount held therein is less than \$500,000. The Trustee will apply money in such fund not more often than once each month as requested in a Company request to the payment of items of repair, improvement, and replacement with respect to the Project which constitute capital expenditures under Generally Accepted Accounting Principles or which otherwise constitute major periodic repair or maintenance of the Schoolhouse, such as annual painting or re-carpeting of a section of the Schoolhouse (as opposed to incidental repairs such as touch-up painting, replacement of individual carpet tiles, etc.). The Company request will identify the expenditures to be made by nature and amount, will identify the contractor or other party making the repairs, improvements, and replacements, and will certify that the expenditures are proper expenditures to be made or reimbursed from the Capital Improvement Fund. Investment earnings on amounts held in the Capital Improvement Fund will remain in, and be credited as received to, the Capital Improvement Fund. The Trustee may conclusively rely on Company requests submitted in accordance with the Indenture as complete authorization for the disbursements made pursuant thereto and will not be responsible for any representations or certifications made therein.

Amounts on hand in the Capital Improvement Fund will be transferred by the Trustee to the Bond Fund, as needed, if, on any Interest Payment Date, the amount then on hand in the Bond Fund, after application of any available amounts in the Reserve Fund, is not sufficient to pay the principal and interest then due on the Bonds, whether at maturity or upon redemption or by acceleration.

Amounts, if any, remaining in the Capital Improvement Fund upon the payment in full of all Bonds, or the provision for payment therefor in accordance with the terms of the Indenture, will be transferred to the Company.

Expense Fund

Once per month the Trustee will transfer from the Revenue Fund an amount sufficient to pay certain monthly and annual expenses of the Company when due. Upon the payment in full of all Bonds, or the provision for payment therefor in accordance with the terms of the Indenture, any amounts remaining in the Expense Fund will be transferred to the Company.

Investment

Any moneys held as part of the Revenue Fund, the Bond Fund, the Reserve Fund, the Project Fund, the Rebate Fund, the Expense Fund, the Capital Improvement Fund, and the Costs of Issuance Fund will be invested and reinvested as provided in the Loan Agreement. (See the caption “THE LOAN AGREEMENT—Investment of Revenue Fund, Bond Fund, Reserve Fund, Project Fund, Rebate Fund, Expense Fund, Capital Improvement Fund, and Costs of Issuance Fund” herein.)

Discharge of Lien

The lien of the Indenture will be discharged if: (a) the Issuer pays or causes to be paid, or there is otherwise paid or provision for payment made, to the Registered Owners of the Bonds, the principal of, premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein; (b) the Issuer is not then in default in any of the covenants and promises in the Bonds and in the Indenture; and (c) the Issuer pays or causes to be paid to the Trustee and any paying agents all sums of money due or to become due according to the provisions of the Indenture.

Any Bond will be deemed to be paid when (a) payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing with a commercial bank with trust powers (the “Escrow Agent”), in trust and set aside exclusively for such payment, (1) moneys sufficient to make such payment and/or (2) noncallable Governmental Obligations, maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof provided for to the Trustee’s satisfaction. At such time as a Bond is deemed to be paid as aforesaid, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

Notwithstanding the foregoing, no deposit under clause (a)(ii) of the immediately preceding paragraph will be deemed a payment of such Bonds until: (a) proper notice of redemption of such Bonds has been previously given in accordance with the Indenture, or in the event said Bonds are not by their terms subject to redemption within the next 45 days or are not to be redeemed within the next succeeding 45 days, until the Company has given the Trustee on behalf of the Issuer, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Owners of the Bonds, in accordance with the requirements of the Indenture, that the deposit required by (a)(ii) above has been made with the Escrow Agent and that said Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption premium, if any, on said Bonds, plus interest thereon to the due date thereof; or (b) the maturity of such Bonds.

Defaults and Remedies

Any of the following events will constitute an Event of Default under the Indenture:

- (a) Default in the due and punctual payment of any interest on any Bond;
- (b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;
- (c) Default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Issuer contained in the Indenture or in the Bonds and failure to remedy the same after notice as provided in the Indenture; or
- (d) The occurrence of an “Event of Default” under the Loan Agreement (see the caption “THE LOAN AGREEMENT—Defaults” herein), the Mortgage (see the caption “THE MORTGAGE” herein), the Tax Regulatory Agreement, the Lease, the Pledge Agreement, or any other Security Agreement.

During the continuation of an Event of Default the Trustee may, and must at the direction of the Registered Owners of a majority in the aggregate principal amount of the Outstanding Bonds, and upon indemnification as provided in the Indenture, by notice in writing delivered to the Issuer, the Registered Owners, and the Company, declare the principal of all Outstanding Bonds and the interest accrued thereon to be immediately due and payable. Upon any declaration of acceleration, the Issuer and the Trustee must immediately declare an amount equal to all amounts then due and payable on the Bonds to be immediately due and payable under the Loan Agreement.

Waiver of Event of Default

The Trustee may at its discretion, waive any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of principal, and must do so upon the written request of the Registered Owners of more than 66 ²/₃% in aggregate principal amount of all Outstanding Bonds provided, however, that there may not be waived any Event of Default in the payment of the principal of or interest on any Outstanding Bonds unless prior to such waiver

or rescission all arrears of principal and interest (other than principal of or interest on the Bonds which became due and payable by declaration of acceleration), both, to the extent permitted by law, and all expenses of the Trustee in connection with such Event of Default will have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Default has been discontinued or abandoned or determined adversely, then and in every such case, the Issuer, the Trustee, and the Registered Owners of the Bonds will be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission will extend to any subsequent or other Default or impair any right consequent thereon.

Supplemental Indentures

The Issuer and the Trustee may enter into indentures supplemental to the Indenture without the consent of or notice to the Registered Owners of the Bonds for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission in the Indenture; (b) to grant to or confer upon the Trustee for the benefit of the Registered Owners of the Bonds any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Registered Owners of the Bonds or the Trustee to make any change which, in the opinion of the Trustee, is not to the material prejudice of the Registered Owners of the Bonds; (c) to subject to the Indenture additional revenues, properties or collateral; (d) to modify, amend, or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America; (e) to evidence the appointment of a separate Trustee or a Co-Trustee or the succession of a new Trustee or paying agent under the Indenture; (f) to amend or modify any provisions of the Indenture so long as such amendment or modification does not materially adversely affect the interests of the registered owner of the Bonds; and (g) to provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture.

Exclusive of supplemental indentures for the purposes set forth in the previous paragraph, the consent of the Registered Owners of not less than 2/3 in aggregate principal amount of Outstanding Bonds is required to approve any supplemental indenture, except no supplemental indentures may permit without the consent of the Registered Owners of each Bond outstanding affected thereby (i) an extension of the maturity of the principal of, or the interest on, any Bond issued under the Indenture, (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures of any modification or waiver of the provisions of the Loan Agreement, (v) the creation of any lien ranking prior to or on a parity with the lien of the Indenture, or any part thereof, or (vi) the deprivation of the Registered Owner of any Outstanding Bond of the lien of the Indenture.

No supplemental indenture will become effective unless and until the Company has consented to the execution and delivery thereof.

THE MORTGAGE

The following is a summary of certain provisions of the Mortgage and is qualified in its entirety by reference to the Mortgage. The definitions for all capitalized terms used herein not otherwise defined can be found in “APPENDIX I—DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF DOCUMENTS—DEFINITIONS” or in the Indenture, the Loan Agreement, or the Mortgage, unless the context indicates otherwise.

The Company will convey to the Issuer a lien and security interest in Schoolhouse and the other Mortgaged Property as security for payment of the principal of, premium, if any, and interest on the Bonds. In the event of the occurrence and continuation of an Event of Default under the Loan Agreement, the Mortgage provides for the selling or leasing of the subject premises or any part thereof by the Trustee or its assigns, consistent with the applicable provisions of Minnesota law. Net proceeds from such sale or lease will be applied to the payment of the principal of, premium, if any, and interest on the Bonds. All the Bonds are equally and ratably secured by the Mortgage on the Schoolhouse and the other Mortgaged Property.

THE LEASE

The following is a summary of certain provisions contained in the Lease and is qualified in its entirety by reference to the Lease. The definitions for all capitalized terms used herein not otherwise defined can be found in the Indenture, the Loan Agreement or the Lease, unless the context indicates otherwise.

The Company will lease the Project to the School pursuant to a Lease Agreement dated as of _____ 1, 2013 (the “Lease”). Under the Lease, upon the commencement of the initial term of the Lease as set forth in the Lease, the School agrees to pay monthly base rental payments to the Company on or before the twentieth (20th) day of each month in amounts which, in the aggregate, are calculated to be equal to the amount necessary for the Company to pay semi-annual debt service on the Series 2013 Bonds, certain annual fees of the Trustee and the Issuer and fund a Capital Improvement Fund, as set forth in detail in the rent schedule attached as Exhibit B to the Lease.

To assure the full and timely payment of the amounts due under the Lease, the School has created the Sweep Account, into which all State education funding sources will be deposited and from which the Trustee shall withdraw the School’s payments due under the Lease. In addition, the School agrees to pay the Additional Rent as set forth in the Rent Schedule attached to the Lease, which additional rent may include any and all expenses which are allowable under Minnesota Statutes Section 124D.11, subdivision 4, including but not limited to, real estate taxes, assessments, or other governmental charges levied or assessed against the Project which are payable during the term of the Lease.

THE PLEDGE AGREEMENT

The following is a summary of certain provisions contained in the Pledge and Covenant Agreement (the “Pledge Agreement”) and is qualified in its entirety by reference to the Pledge Agreement. The definitions for all capitalized terms used herein not otherwise defined can be found in “APPENDIX I—DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF

DOCUMENTS—DEFINITIONS” or in the Indenture, the Loan Agreement, or the Pledge Agreement, unless the context indicates otherwise.

The Company and the School have entered into the Lease pursuant to which the School has agreed to make Lease Payments in the amounts and at such times as will be necessary to pay the amounts due from the Company under the Loan Agreement, which amounts are calculated to be sufficient to pay (i) principal and interest when due on the Bonds; (ii) certain fees of the Issuer with respect to the Bonds; (iii) fees and expenses of the Trustee with respect to the Bonds; (iv) fund certain reserves; and (v) pay certain monthly and annual expenses. The School has agreed in the Pledge Agreement to pledge to the Trustee certain “Adjusted Pledged Revenues” of the School (as hereinafter defined) in order to provide additional security for the timely payments of amounts due under the Lease.

The School has also agreed in the Pledge Agreement to establish and maintain a depository account (the “State Aid Revenues Account”) with Sunrise Banks, into which all education funding received by the School from the Minnesota Department of Education (including general education funding, Building Lease Aid, other special funds and federal pass-through funding) will be deposited. This State funding is generally disbursed to the School twice monthly on the 15th and last day of each month (or the next preceding Business Day). Under the Pledge Agreement, the School will cause all such disbursements from the State to be deposited in the State Aid Revenues Account. In accordance with the Account Control Agreement, the Trustee is authorized to withdraw from the State Aid Revenues Account the payments due from the School under the Lease and deposit such amounts in the Revenue Fund under the Indenture, and then any amounts remaining in the State Aid Revenues Account after such withdrawal will be transferred by the Trustee to or at the direction of the School. The terms of the State Aid Revenues Account provide that the Trustee will withdraw the lease payments from the State Aid Revenues Account before 12:00 noon on the 20th day of each month. In the event that the first deposit of State funds in any month is insufficient to pay the total Lease Payment due from the School, the Trustee will withdraw the amount of any such deficiency from the second (or succeeding) monthly deposits of State funds to the State Aid Revenues Account until such deficiency is cured.

Pursuant to the Pledge Agreement, the School pledges, transfers, grants a security interest in and assigns to the Trustee to secure the payment of Lease Payments, all funds, moneys, grants, or other distributions received by the School from the State of Minnesota with respect to general student funding, state Building Lease Aid payments, state distributions of federal Title I funds, or any other funding sources, after deduction of all such operating expenses of the School (including the current expenses for staff and administrative salaries and benefits) required under State or federal laws to provide required educational program expenditures (such net amount hereinafter referred to as “Adjusted Pledged Revenues”), and any other funds or amounts held in any fund or account established by the School and all right, title and interest of the School in and to any agreements with the State of Minnesota to provide any such Adjusted Pledged Revenues. Said pledge will constitute a lien on and security interest in such Adjusted Pledged Revenues, funds and accounts, and will attach, be perfected and be valid and binding from and after the date of the Pledge Agreement, without any physical delivery thereof or further act. In the event that the deposits and withdrawals from the State Aid Revenues Account are not sufficient to make the School’s payments under the Lease, the Trustee will be entitled to collect and receive all of the Adjusted Pledged Revenues, and any Adjusted Pledged Revenues collected or received by the

School will be deemed to be held, and to have been collected or received, by the School as agent of the Trustee and will forthwith be paid by the School to the Trustee.

Pursuant to the Indenture, as and when received from the State Aid Revenues Account to the Revenue Fund, the Trustee will apply amounts deposited in the Revenue Fund to the payment of principal and interest on the Bonds, payment of any rebate required, replenishment of the Reserve Fund, funding the Capital Improvement Fund, payment of the fees and expenses of the Trustee, and payment of the fees of the Issuer and certain other monthly and annual expenses. See Appendix I: “THE INDENTURE—The Revenue Fund.”

Pursuant to the Pledge Agreement, the School makes certain financial and operating covenants for the benefit of Bondholders. See Appendix I: “THE LOAN AGREEMENT—Covenants of the School.”

Upon the occurrence of any Event of Default under the Pledge Agreement, the Trustee will have, in addition to all other rights and remedies provided in the Pledge Agreement or by law, the rights and remedies of a secured party under the Minnesota Uniform Commercial Code, and the Trustee may appropriate (by set-off or otherwise) all amounts held in the Revenue Fund or otherwise under the Indenture and apply the same to the payment of amounts due under the Loan Agreement with respect to the Bonds in such order and manner as provided in the Indenture.

THE ESCROW AGREEMENT

The following is a summary of certain provisions of the Escrow Agreement and is qualified in its entirety by reference to the Escrow Agreement. The definitions for all capitalized terms used herein not otherwise defined can be found in “APPENDIX I—DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF DOCUMENTS—DEFINITIONS” or in the Indenture, the Loan Agreement, or the Escrow Agreement, unless the context indicates otherwise.

The Escrow Agreement creates and provides for the investment of an Escrow Fund to be used to defease, redeem, and prepay the Prior Bonds. On the Closing Date, the Trustee will disburse such funds to the Escrow Agent for deposit to the Escrow Fund, which will be applied, along with money on hand with the Prior Trustee pursuant to the terms of the Prior Indenture, to pay when due the principal of and interest on the Prior Bonds to and including _____ 1, 2014, and pay all of the outstanding principal amount of the Prior Bonds on _____ 1, 2014.

THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions contained in the Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) and is qualified in its entirety by reference to the Continuing Disclosure Agreement. The definitions for all capitalized terms used herein not otherwise defined can be found in the Indenture, the Loan Agreement or the Continuing Disclosure Agreement, unless the context indicates otherwise.

Section 1. Purpose of the Disclosure Agreement. The Continuing Disclosure Agreement dated as of _____ 1, 2013 (the “Disclosure Agreement”), is being executed and delivered by the Company, the School, and the Trustee for the benefit of the holders and beneficial owners of the Securities in order to assist the Underwriter (defined herein) within the

meaning of the Rule (defined herein) in complying with the Rule. The Disclosure Agreement constitutes the written undertaking required by the Rule. The Company and the School acknowledge in the Disclosure Agreement that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under the Disclosure Agreement, and has no liability to any person including any Holder of the Bonds, for any such reports, notices or disclosures.

Section 2. Definitions. In addition to the defined terms set forth in the Indenture, which apply to any capitalized term used in the Disclosure Agreement unless otherwise defined in this section, the following capitalized terms shall have the following meanings:

“Annual Report” will mean any annual report provided by the Company or the School pursuant to, and as described in, this Disclosure Agreement.

“Company’s Annual Report” means any annual report provided by the Company pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Company’s Audited Financial Statements” means the Company’s annual financial statements, prepared in accordance with generally accepted accounting principles (“GAAP”).

“Company’s Disclosure Representative” means the Chair of the Company or his/her designee or such other person as the Company shall designate in writing to the Trustee from time to time.

“Company’s Fiscal Year” means the fiscal year of the Company.

“EMMA” shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule and further described in Section 4 hereof.

“Issuer” means the PCS Building Company, a body corporate and politic under the laws of the State of Minnesota.

“Listed Event” means any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” will mean the Municipal Securities Rulemaking Board, c/o CDI Net, 1900 Duke Street, Suite 600, Alexandria, VA 22314; Phone: (703) 797-6000; Fax: (703) 683-1930.

“Notice of Listed Event” will mean any notice provided by the Company pursuant to, and as described in, the section below entitled “Reporting of Listed Events.”

“Repository” shall mean the MSRB through EMMA or any other entity or system designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

“Rule” will mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Act of 1934, as the same may be amended from time to time.

“School’s Annual Report” means any annual report provided by the School pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“School’s Audited Financial Statements” means the School’s annual financial statements, prepared in accordance with GAAP.

“School’s Fiscal Year” means the fiscal year of the School.

“SEC” means the Securities and Exchange Commission.

“Underwriter” means Dougherty & Company LLC and its successors and assigns.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

The Company shall, or shall cause the Trustee to, not later than one hundred fifty (150) days after the end of the Company’s Fiscal Year commencing with the year that ends _____ 30, 2013, provide each Repository with the Company’s Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The School shall, or shall cause the Trustee to, not later than one hundred fifty (150) days after the end of the School’s Fiscal Year commencing with the year that ends _____ 30, 2013, provide each Repository with the School’s Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If the Trustee is to provide any such Annual Report to each Repository, not later than fifteen (15) Business Days prior to said date, the Company and the School shall provide their respective Annual Report to the Trustee. The Company and the School shall provide a written certification with the Annual Reports furnished to the Trustee to the effect that such Annual Reports constitute the Annual Reports required to be furnished by the Company and the School hereunder. The Annual Reports may each be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the Company’s Audited Financial Statements may be submitted separately from the balance of the Company’s Annual Report and the School’s Audited Financial Statements may be submitted separately as the School’s Annual Report. The Trustee’s obligation to deliver the information at the times and with the contents described above shall be limited to the extent the Company and the School have provided such information to the Trustee as required hereby.

If by fifteen (15) Business Days prior to the date specified in the provision above for providing the Annual Report to each Repository, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Company and the School, as appropriate, to inquire if the Company and the School are in compliance with subsection (a).

If the Company and the School, as appropriate, do not provide a written certification to the Trustee to the effect that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

The Trustee shall to the extent the Company and the School have provided the Annual Report to the Trustee, file a report with the Company and the School certifying that the information represented to the Trustee by the Company and the School as the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

The Company's and the School's Annual Report shall contain or incorporate by reference the following:

- (i) The Company's and the School's Audited Financial Statements for the prior Company's Fiscal Year, containing balance sheets as of the end of such Company's and the School's Fiscal Year and a statement of operations, changes in fund balance and cash flows for Company's Fiscal Year then ended, audited by a certified public accountant retained by the Company and the School; and
- (ii) A summary report for the prior Company's and the School's Fiscal Year which includes information consistent with the information relating to the Company and the School in the Official Statement under the headings "THE COMPANY," "THE CHARTER SCHOOL," and "THE PROJECT," and in Appendix A.

The Disclosure Agreement also requires the Company, the Company and the School to give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) business days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (7) Modification to rights of holders of the Securities;
- (8) Securities calls (other than pursuant to mandatory sinking fund redemption), if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Company;

- (13) The consummation of a merger, consolidation, or acquisition involving the Company or the sale of all or substantially all of the assets of the Company, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (15) Changes or delays in the schedule of funding to charter schools from the State of Minnesota.

The Trustee shall, within one (1) business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Company or the School promptly notify the Trustee in writing whether or not to report the event. For purposes of this Disclosure Agreement, “actual knowledge” of such Events shall mean knowledge by an officer of the Trustee at its Corporate Trust Office with responsibility for matters related to the Indenture.

Whenever the Company or the School obtains actual knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to the Company or the School shall as soon as possible determine if such event is required to be reported pursuant to this Section 5.

If the Company or the School determines that such event is required to be reported pursuant to the Company or the School shall promptly notify the Trustee and the Significant Bondholders in writing. Such notice shall instruct the Trustee to report the occurrence.

If, in response to a request, the Company or the School determines that the event is not required to be reported, the Company or the School shall so notify the Trustee and the Significant Bondholders in writing and instruct the Trustee not to report the occurrence.

If the Trustee has been instructed by the Company or the School to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the MSRB, with a copy to the Significant Bondholders, the Company and the School.

Filing Methods. Any filing under the Disclosure Agreement shall be made by transmitting such filing to the MSRB, through EMMA, as provided at <http://www.emma.msrb.org> or any similar system that is acceptable to the United States Securities and Exchange Commission.

Termination of Reporting Obligations. The obligations of the Company, the School and the Trustee under the Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

Default. In the event of a failure of the Company, the School or the Trustee to comply with any provision of this Disclosure Agreement, the Significant Bondholders or any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Company, the School or the Trustee to comply with its obligations under the Disclosure Agreement. A default under this Disclosure

Agreement shall not be deemed an event of default with respect to the Bonds and the sole remedy under the Disclosure Agreement in the event of any failure of the Company, the School or the Trustee to comply with the Disclosure Agreement shall be an action to compel performance.

APPENDIX F

FORMS OF BOND COUNSEL OPINIONS

\$11,180,000*
Housing and Redevelopment Authority
of the City of Ramsey, Minnesota
Lease Revenue Refunding Bonds
(PACT CHARTER SCHOOL PROJECT)
Series 2013A

\$_____*
Housing and Redevelopment Authority
of the City of Ramsey, Minnesota
Taxable Lease Revenue Refunding Bonds
(PACT CHARTER SCHOOL PROJECT)
Series 2013B

We have acted as Bond Counsel in connection with the issuance by the PCS Building Company, a body corporate and politic organized and existing under the laws of the State of Minnesota (the "Issuer"), of its Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2013A (the "Series 2013A Bonds"), in the aggregate principal amount of \$11,180,000*, and its Taxable Lease Revenue Refunding Bonds (PACT Charter School Project), Series 2013B (the "Series 2013B Bonds"), in the aggregate principal amount of \$_____*. The Series 2013A Bonds and the Series 2013B Bonds (collectively, the "Series 2013 Bonds") and the Indenture (defined below) establish the terms of the Series 2013 Bonds, including the maturity dates, the principal amounts for each maturity date, the interest rate per annum for each maturity date, and the terms of mandatory and optional redemption prior to maturity.

In connection with the issuance of the Series 2013 Bonds, we have examined: (i) a certified copy of the Resolution adopted by the Issuer on May 22, 2013, in connection with the issuance of the Series 2013 Bonds pursuant to and under the provisions of Minnesota Statutes, Sections 469.152-469.1655, as amended (the "Act"); (ii) an executed counterpart of an Indenture of Trust, dated as of _____ 1, 2013 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association (the "Trustee"); (iii) an executed counterpart of a Loan Agreement, dated as of _____ 1, 2013 (the "Loan Agreement"), between the Issuer and PCS Building Company, a Minnesota nonprofit corporation (the "Company"); (iv) an executed counterpart of a Tax Regulatory Agreement, dated as of _____ 1, 2013, between the Company, PACT Charter School, a Minnesota nonprofit corporation (the "School"), and the Trustee; (v) an executed counterpart of an Escrow Agreement, dated as of _____ 1, 2013, between the Company, and the escrow agent; (vi) forms of the Series 2013 Bonds; (vii) an opinion of even date herewith of John Cairns Law, P.A., Minneapolis, Minnesota, as counsel to the Company and the School; and (viii) such other documents as we deemed relevant and necessary in rendering this opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents, and certificates furnished to us by public officials and officials of the Company, the School, the Trustee, and the Issuer, without undertaking to verify such facts by independent investigation. We have relied upon the opinion of John Cairns Law, P.A., of even date herewith, to the effect that, among other things: (i) the Company and the School are nonprofit corporations and organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as

amended (the “Code”) and are exempt from federal income taxation under Section 501(a) of the Code; (ii) subject to the qualifications set forth in such opinion, the Loan Agreement and the Tax Regulatory Agreement have been duly authorized, executed, and delivered by the Company and the School and constitute valid and binding obligations of the Company and the School enforceable in accordance with their respective terms, and (iii) to the best of his knowledge after reasonable investigation consisting of interviews with officers of the Company and the School most likely to have relevant information as of the date hereof, no portion of the facilities to be financed with the proceeds of the Series 2013 Bonds is or will be used by the Company or the School in or for any unrelated trade or business of the Company or the School, as the case may be, determined by applying Section 513 of the Code.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and Federal laws (which excludes any pending legislation which may have a retroactive effect prior to the date hereof), regulations, rulings, and judicial or other decisions, it is our opinion that:

(1) The Issuer is a body corporate and politic organized and existing under the laws of the State of Minnesota and is authorized under the Act to issue the Series 2013 Bonds, to loan the proceeds thereof to the Company under the terms of the Loan Agreement to finance or refinance the acquisition, construction, and equipping of the Schoolhouse (as defined in the Indenture), and to pledge and grant to the Trustee a security interest in all of its right, title, and interest in the Loan Agreement (except for certain rights to payment of fees, indemnification, and reimbursement of expenses), including payments which are required to be made thereunder, and the other revenues and funds held pursuant to the Indenture.

(2) The Issuer has complied with all applicable provisions of the laws of the State of Minnesota, including the Act, and has full power and authority to execute and deliver the Series 2013 Bonds, the Loan Agreement, the Indenture, and the other documents to which it is a party (collectively, the “Issuer Documents”), and to carry out the terms thereof.

(3) The Issuer Documents have been duly and validly authorized, executed, and delivered by the Issuer and, assuming due authorization and execution by the other parties thereto, are valid instruments legally binding on the Issuer and legally enforceable in accordance with their terms, except to the extent that enforceability of the indemnification provisions in the Loan Agreement is limited by state and federal securities laws.

(4) The Series 2013 Bonds have been duly and validly authorized, executed, and delivered by the Issuer, and are valid and binding special, limited obligations of the Issuer secured by and entitled to the benefits provided by the Indenture, enforceable in accordance with their terms and the terms of the Indenture. The Series 2013 Bonds are not general or moral obligations or indebtedness of the Issuer within the meaning of any constitutional or statutory limitation and do not constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers, but are payable solely from revenues derived from the Loan Agreement and the other documents executed and delivered by the Company and documents executed and delivered by the School in connection with the issuance of the Series 2013 Bonds. By the Indenture, the Issuer has validly pledged and assigned to the Trustee and

granted to the Trustee a security interest in all of its rights and interest in the Loan Agreement (except for certain rights of the Issuer to payment of fees, indemnification, and reimbursement of expenses), including payments that the Loan Agreement requires the Company to make to the Issuer in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Series 2013 Bonds as the same become due and payable; provided, however, we express no opinion as to the priority of such pledge, assignment, and security interest, or its effect against third parties.

(5) Based on federal and Minnesota laws, as presently enacted and construed, interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from taxable net income of individuals, estates, and trusts for State of Minnesota income tax purposes. Interest on the Series 2013A Bonds is included in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series 2013A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and the Minnesota alternative minimum tax applicable to individuals, estates, and trusts. However, interest on the Series 2013A Bonds is included in the adjusted current earnings of certain corporations for the purposes of the federal alternative minimum taxes imposed on corporations. The opinion set forth in this paragraph is subject to the condition that the Company and the School comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2013A Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 2013A Bonds to be so included in gross and net taxable income retroactive to the date of issuance of the Series 2013A Bonds. The Company and the School have covenanted to comply with such requirements. We express no opinion regarding other federal or state tax consequences arising with respect to ownership of the Series 2013A Bonds or caused by the receipt or accrual of interest thereon.

(6) Interest on the Series 2013B Bonds is included in gross income for federal income tax purposes and is included in taxable net income of individuals, estates, and trusts for State of Minnesota income tax purposes.

It is understood that the rights of the owners of the Series 2013 Bonds and the enforceability of the Series 2013 Bonds, the Indenture, and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law or facts that may hereafter occur.

Dated at Ramsey, Minnesota, _____ 26, 2013.