



STAFF REPORT

DATE: June 5, 2018

REGULAR #9

MOTION

AGENDA ITEM: 2018 Bonding for Brookfield Building, Quit Claim Deed and Lease Purchase Agreement with EDA

TO: Mayor and City Council

SUBMITTED BY: Kristina Handt, EDA Executive Director

BACKGROUND:

In 2017 the City engaged BKV Group to complete a space needs study for city hall, fire and public works. The final draft report was presented to Council in December 2017. Also, in December 2017 the Council discussed purchasing the Brookfield Building (3880 Laverne Ave N) across from city hall. In January 2018 a purchase agreement was approved which included a number of contingencies including financing of the purchase, building inspection, and building fit analysis.

Staff met with Northland Securities in January to discuss financing options. Since the intention was to retain the tenants for a period of time (through their lease terms), the City is prohibited from issuing general obligation bonds as much of the building (about 75%) could be used for non-city business (other tenants in the private and non-profit sector). The Council had the option to just pay cash for the purchase (\$875,000) but decided they would rather borrow the funds so as not to reduce the city's fund balance by so much. The EDA has statutory powers which allows it to issue taxable bonds for non-governmental purposes such as this.

The city had CEG Assessments perform a property condition assessment and environmental assessment of the building. In addition, Leo A Daly performed a fit analysis to determine if the site could work for a city hall/fire station location. With additions for a council chamber and fire apparatus bay and remodeling of the interior it was shown to be able to meet the needs. In addition, costs estimates (including the purchase price) of the Brookfield site were estimated to be less than other options reviewed by the public at an open house in February. The public feedback supported the purchase of the Brookfield site as well.

The City closed on the purchase of the Brookfield site on April 25th. Fund balance was used at that time but is proposed to be replenished with the proceeds of the bond. The EDA will use the bond proceeds to purchase the property from the City. A quit claim deed is included in the packet.

ISSUE BEFORE COUNCIL:

Should the Council approve the resolution to allow the EDA to borrow \$933,000? Should the Council approve the lease purchase agreement with the EDA?

PROPOSAL DETAILS/ANALYSIS:

Included in your packet is a resolution to consent to and approve the EDA resolution awarding the bond sale to Lake Elmo Bank at 4.5% interest for a 15 year term. The resolution includes recitals relating to the EDA's statutory powers (including HRA powers) and the City's purchase of the building at 3880 Laverne Ave and adjacent parcel. The resolution also approves the EDA lease of the property to the City with the option to purchase.

While the purchase price was \$875,000, the \$933,000 bonds includes some of the costs associated with the purchase such as the architect work to review the suitability of the building for use as a city hall/fire station, the building inspection and some legal fees related to the purchase and closing. There are also issuance costs and legal fees associated with the bond which make up the remaining balance.

In addition, this language allows the City to reimburse itself in the future when new bonds are issued to purchase the building site back, building additions and remodeling of the existing structure.

The lease agreement between the EDA and City is included. It allows the city to sublease and retain those rents but also then to be responsible for all costs associated with running the building. Semiannual lease payments are due from the City to the EDA at least three days before the bond payments are due. The lease also includes an option for the city to purchase the property in an amount equal to the outstanding principal payments plus accrued interest. At this point, staff anticipates the City will purchase the property back in 2022 when the lease expires for the last tenant. The timing will be part of the discussion as the City works on the 2019-2023 Capital Improvement Plan beginning later this month with the Finance Committee. If the City displaces any tenants before the end of their lease the city will have to pay relocation costs.

Tammy Omdahl, Northland Securities, will be at the meeting to present information to the Council and answer questions related to the bonding.

FISCAL IMPACT:

Staff expects the rents from other tenants to cover the bond payments as well as other operating costs through 2020. Beginning in 2021, the rental payments will not be enough to cover these costs as tenant leases begin to expire and an increase in operating costs are expected. If the City reduces its rent amount from the general fund to \$30,000/year (currently \$33,223 and would have grown to over \$35,000/year under the lease with the previous owners), then no additional tax revenue will be needed to cover operating costs and bond payments prior to the potential repurchase in 2022.

OPTIONS:

- 1) Approve Resolution No. 2018-059, Relating to Economic Development Authority Taxable Public Project Lease Revenue and Limited Tax Bonds, Series 2018A: Authorizing the Issuance of Bonds; Consenting to Limited Tax Pledge; and Authorizing the Execution of Documents.
- 2) Amend and then Approve Resolution No. 2018-059, Relating to Economic Development Authority Taxable Public Project Lease Revenue and Limited Tax Bonds, Series 2018A: Authorizing the Issuance of Bonds; Consenting to Limited Tax Pledge; and Authorizing the Execution of Documents.

- 3) Do not Approve Resolution No. 2018-059, Relating to Economic Development Authority Taxable Public Project Lease Revenue and Limited Tax Bonds, Series 2018A: Authorizing the Issuance of Bonds; Consenting to Limited Tax Pledge; and Authorizing the Execution of Documents.

RECOMMENDATION:

Motion to Approve Resolution No. 2018-059, Relating to Economic Development Authority Taxable Public Project Lease Revenue and Limited Tax Bonds, Series 2018A: Authorizing the Issuance of Bonds; Consenting to Limited Tax Pledge; and Authorizing the Execution of Documents.

ATTACHMENT:

- Resolution No. 2018-059, Relating to Economic Development Authority Taxable Public Project Lease Revenue and Limited Tax Bonds, Series 2018A: Authorizing the Issuance of Bonds; Consenting to Limited Tax Pledge; and Authorizing the Execution of Documents.
- Quit Claim Deed
- Lease Purchase Agreement between the EDA and City of Lake Elmo

CERTIFICATION OF MINUTES RELATING TO
\$933,000 TAXABLE PUBLIC PROJECT LEASE REVENUE
AND LIMITED TAX BONDS, SERIES 2018A

City: City of Lake Elmo, Minnesota

Governing Body: City Council

Kind, date, time and place of meeting: A regular meeting held on June 5, 2018, at or after 7:00 p.m., at the City Hall.

Members present:

Members absent:

Documents Attached:

Minutes of said meeting (including):

RESOLUTION NO. 2018-059

RESOLUTION RELATING TO ECONOMIC DEVELOPMENT AUTHORITY
TAXABLE PUBLIC PROJECT LEASE REVENUE AND LIMITED TAX
BONDS, SERIES 2018A; AUTHORIZING THE ISSUANCE OF BONDS;
CONSENTING TO LIMITED TAX PLEDGE; AND AUTHORIZING THE
EXECUTION OF DOCUMENTS

I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the bonds referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting, so far as they relate to said bonds; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer this ____ day of June, 2018.

City Clerk

Councilmember _____ introduced the following resolution and moved its adoption, which motion was seconded by Councilmember _____:

RESOLUTION RELATING TO ECONOMIC DEVELOPMENT AUTHORITY
TAXABLE PUBLIC PROJECT LEASE REVENUE AND LIMITED TAX
BONDS, SERIES 2018A; AUTHORIZING THE ISSUANCE OF BONDS;
CONSENTING TO LIMITED TAX PLEDGE; AND AUTHORIZING THE
EXECUTION OF DOCUMENTS

BE IT RESOLVED by the City Council of the City of Lake Elmo, Minnesota (the “City”), as follows:

Section 1. Recitals. The City has heretofore acquired certain real property located at or about 3880 Laverne Avenue N. and 39th Street and Laverne Avenue N., in the City of Lake Elmo, County of Washington, Minnesota, including a 2.06 acre parcel with an approximately 18,000 square foot building and a vacant .58 acre parcel (the “Real Property”), and the City has heretofore recorded or will record a quitclaim deed transferring title to the Real Property to the Economic Development Authority of the City of Lake Elmo, Minnesota (the “Authority”). The City now finds it necessary and desirable that the Authority issue its \$933,000 Taxable Public Project Lease Revenue and Limited Tax Bonds, Series 2018A (the “Bonds”) for the purpose of (i) financing the acquisition of the Real Property, and (ii) paying costs associated with the issuance of the Bonds (collectively, the “Project”).

Section 2. Authority. The City is authorized by Minnesota Statutes, Sections 465.71 and 471.64 to lease the Real Property from the Authority with an option to purchase pursuant to a Lease-Purchase Agreement dated as of June 1, 2018, between the City, as lessee, and the Authority, as lessor (the “Lease”), provided that the City retains the right to terminate said lease-purchase agreement at the end of any fiscal year during its term. It is hereby found, determined and declared to be necessary and desirable and in the best interest of the City to enter into the Lease with the Authority in order to provide for the financing of the Project by the Authority and the lease of the Real Property to the City.

Section 3. Authorization and Approval. The resolution of the Authority relating to the Bonds adopted the date hereof (the “Authority Resolution”) is hereby approved and the City hereby consents to and approves the issuance and sale of the Bonds by the Authority to Lake Elmo Bank, a Minnesota banking institution, and the pledge and levy of the HRA Levy (as defined in the Authority Resolution) on all taxable property in the City as contemplated in the Authority Resolution and the Indenture (as defined herein). The City hereby further approves the terms of the Trust Indenture dated as of June 1, 2018, to be executed by the Authority, relating to the Bonds (the “Indenture”). The execution and delivery of the purchase agreement for the Bonds by the Authority and the transfer of title to the Real Property to the Authority by quit claim deed are hereby also ratified and approved in all respects. The form of the Lease is hereby approved and shall be executed and delivered in the name and on behalf of the City by the Mayor and City Clerk or their authorized designees in substantially the form on file, but with such final changes thereto as may be approved by the officers executing the same, which approval shall be conclusively evidenced by the execution thereof. The Mayor and City Clerk or their authorized designees are

also authorized and directed to execute such closing certificates and other documents, instruments and certificates as may be necessary to complete the issuance and delivery of the Bonds and the consummation of the transaction contemplated thereby, including the acquisition of the Real Property and the financing of the Project. The Bonds, if issued, shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City or the Authority.

Section 4. Reimbursement.

4.1 *Recitals.*

(a) The Internal Revenue Service has issued Section 1.150-2 of the Income Tax Regulations (the “Regulations”) dealing with the issuance of bonds, all or a portion of the proceeds of which are to be used to reimburse the City for project expenditures made by the City prior to the date of issuance.

(b) The Regulations generally require that the City make a declaration of its official intent to reimburse itself for such prior expenditures out of the proceeds of a subsequently issued series of bonds within 60 days after payment of the expenditures, that the bonds be issued and the reimbursement allocation be made from the proceeds of such bonds within the reimbursement period (as defined in the Regulations), and that the expenditures reimbursed be capital expenditures or costs of issuance of the bonds.

(c) The City desires to comply with requirements of the Regulations with respect to certain projects hereinafter identified.

4.2 *Official Intent Declaration.*

(a) The City proposes to undertake the following project or projects and to make original expenditures with respect thereto prior to the issuance of reimbursement bonds, and reasonably expects to issue reimbursement bonds for such project or projects in the maximum principal amounts shown below:

Project

The acquisition of the Real Property and the construction of a new city hall or fire station.

Maximum Amount of Bonds Expected to be Issued for Project

\$15,000,000

(b) Other than (i) de minimis amounts permitted to be reimbursed pursuant to Section 1.150-2(f)(1) of the Regulations or (ii) expenditures constituting preliminary expenditures as defined in Section 1.150-2(f)(2) of the Regulations, the City will not seek reimbursement for any original expenditures with respect to the foregoing projects paid more than 60 days prior to the date of adoption of this resolution. All original expenditures for which reimbursement is sought will be capital expenditures or costs of issuance of the reimbursement bonds.

4.3. *Budgetary Matters.* As of the date hereof, there are no City funds reserved, pledged, allocated on a long term basis or otherwise set aside (or reasonably expected to be reserved, pledged, allocated on a long term basis or otherwise set aside) to provide permanent financing for the original expenditures related to the projects, other than pursuant to the issuance of the reimbursement bonds. Consequently, it is not expected that the issuance of the reimbursement bonds will result in the creation of any replacement proceeds.

Section 5. Effective Date. This resolution and the Authority Resolution shall be in full force and effect from and after the passage of this resolution.

Upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the Resolution was declared duly passed and adopted.

(Top 3 inches reserved for recording data)

QUIT CLAIM DEED**Municipal Entity to Municipal Entity**DATE: **June 28, 2018**DEED TAX DUE: **\$1.65**

FOR VALUABLE CONSIDERATION, **CITY OF LAKE ELMO**, a municipal organization under the laws of Minnesota ("**Grantor**"), hereby conveys and quitclaims to the **ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF LAKE ELMO**, municipal organization under the laws of Minnesota ("**Grantee**"), real property in Washington County, Minnesota, as legally described on the attached Exhibit A.

Check here if all or part of the described real property is Registered (Torrens) ☒

The total amount of consideration is five hundred dollars (\$500.00) or less.

together with all hereditaments and appurtenances belonging thereto.

Check applicable box:

- ☒ The Seller certifies that the Seller does not know of any wells on the described real property.
- ☐ A well disclosure certificate accompanies this document or has been electronically filed. (If electronically filed, insert WDC number: [...].)
- ☐ I am familiar with the property described in this instrument and I certify that the status and number of wells on the described real property have not changed since the last previously filed well disclosure certificate.

Grantor:

CITY OF LAKE ELMO, MINNESOTA

By: _____
Mike Pearson, Mayor

And

By: _____
Julie Johnson, City Clerk

State of Minnesota, County of **Washington**

This instrument was acknowledged before me on **June** ____, **2018**, by Mike Pearson, the Mayor and by Julie Johnson, the City Clerk of **CITY OF LAKE ELMO, a Minnesota municipal organization**, on behalf of the municipal organization.

(Seal, if any)

(signature of notarial officer)

Title (and Rank): _____

My commission expires: _____
(month/day/year)

THIS INSTRUMENT WAS DRAFTED BY:
Dorsey & Whitney LLP (Canova)
50 South Sixth Street, Suite 1500
Minneapolis, MN 55402

TAX STATEMENTS FOR THE REAL PROPERTY DESCRIBED IN THIS
INSTRUMENT SHOULD BE SENT TO:

Economic Development Authority of the City of Lake Elmo
Attn: Executive Director

EXHIBIT A
DESCRIPTION OF REAL PROPERTY

The North 126.89 feet of Lot 1, Block 2, Brookman Addition, according to the plat thereof on file and of record in the office of the County Recorder, Washington County, Minnesota, lying easterly of the West 199.91 feet thereof.

(PIN: 13.029.21.22.0025)
(.58 acre parcel)

AND

The North 350.18 feet of Lot 1, Block 2, Brookman Addition, according to the plat thereof on file and of record in the office of the County Recorder, Washington County, Minnesota, except the West 199.91 feet of the North 126.89 feet of said Lot 1, Block 2, Brookman Addition; also except the North 126.89 feet of said Lot 1, Block 2, Brookman Addition, lying easterly of the West 199.91 feet thereof.

(PIN: 13.029.21.22.0026)
(2.06 acre parcel)

EXECUTION

LEASE-PURCHASE AGREEMENT

between the

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF LAKE ELMO, MINNESOTA**
as Lessor

and the

CITY OF LAKE ELMO, MINNESOTA
as Lessee

Dated as of June 1, 2018

Relating to:

**TAXABLE PUBLIC PROJECT LEASE REVENUE
AND LIMITED TAX BONDS, SERIES 2018A**

This instrument drafted by:

Dorsey & Whitney LLP (NC)
Suite 1500
50 South Sixth Street
Minneapolis, Minnesota 55402
(612) 340-2600

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Exhibit A – A legal description of the Real Property.

Exhibit B – The schedule of Rental Payments to be paid by Lessee to Lessor, showing the date and amount of each Rental Payment.

LEASE-PURCHASE AGREEMENT

This LEASE-PURCHASE AGREEMENT (the Lease) is executed as of June 1, 2018, between the ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF LAKE ELMO, MINNESOTA, as lessor (together with its successors and assigns, Lessor), whose address is 3800 Laverne Avenue N., Lake Elmo, Minnesota 55042, and the CITY OF LAKE ELMO, MINNESOTA, as lessee (Lessee), whose address is 3800 Laverne Avenue N., Lake Elmo, Minnesota 55042.

RECITALS

WHEREAS, the Lessee is authorized by Minnesota Statutes to acquire real and personal property by entering into lease-purchase agreements;

WHEREAS, the Lessor has authorized the issuance of its \$933,000 Taxable Public Project Lease Revenue and Limited Tax Bonds, Series 2018A (the Bonds), for the purpose of (i) acquiring certain the Real Property (as defined herein), and (ii) paying costs associated with the issuance of the Bonds (collectively, the Project);

WHEREAS, upon issuance of the Bonds, good and marketable title to the Real Property will be in the Lessor; and

WHEREAS, to secure payment of the Bonds, the Lessor hereby leases to the Lessee, and the Lessee hereby hires and takes from the Lessor, the Real Property, and for such purpose the Lessor grants to the Lessee for the term of this Lease all rights necessary for the Lessee to lease and purchase the Real Property.

NOW, THEREFORE, in the joint and mutual exercise of their powers, and in consideration of the mutual covenants herein contained, the parties hereto recite and agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease, have the meanings herein specified.

Code means the Internal Revenue Code of 1986, as now or hereafter amended, and the regulation and revenue rulings and procedures issued pursuant thereto from time to time.

Fiscal Year means each twelve month fiscal period of Lessee commencing on January 1 of any year and ending on the following December 31.

Indenture means the Trust Indenture entered into between Lessor and Trustee, dated as of the date hereof.

Independent Counsel means an attorney duly admitted to the practice of law before the highest court of any state who is not an officer or a full-time employee of Lessor, Lessee or an assignee thereof.

Lessee Representative means the City Administrator of Lessee, or any other person authorized to act on behalf of Lessee under or with respect to this Lease, as evidenced by a certificate conferring such authority executed by the City Administrator, given to the Trustee and the Lessor.

Lessor Representative means the President or Secretary of Lessor, or any other person authorized to act on behalf of Lessor under or with respect to this Lease, as evidenced by a certificate conferring such authority executed by the President, given to the Trustee and the Lessee.

Net Proceeds means any insurance proceeds or condemnation award paid with respect to the Real Property, remaining after payment therefrom of all expenses incurred in the collection thereof.

Payment Date means the date upon which any Rental Payment is due and payable as provided in the attached Exhibit B.

Permitted Encumbrances means, as of any particular time, (i) liens for taxes and assessments not then delinquent, or which Lessee may, pursuant to provisions of Article VII hereof, permit to remain unpaid; (ii) this Lease; (iii) any mechanic's, laborer's, materialmen's, supplier's or vendor's lien or right not filed or perfected in the manner prescribed by law, or which Lessee may, pursuant to provisions of Article VII hereof, permit to remain unpaid; (iv) minor defects and irregularities in the title to the Real Property which do not in the aggregate materially impair the use of the Real Property for the purposes for which it is or may reasonably be expected to be held; (v) easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of the Real Property for the purposes for which

it is or may reasonably be expected to be held; (vi) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Real Property which do not materially impair the use of the Real Property for the purposes for which it is or may reasonably be expected to be held; (vii) present and future valid zoning laws and ordinances; and (viii) any liens or encumbrances of record as of the date hereof.

Qualified Investments means only those described in Minnesota Statutes, Section 475.67, Subdivision 8, or any successor statute.

Real Property means the real property legally described in Exhibit A which is located at or about 3880 Laverne Avenue N. and 39th Street and Laverne Avenue N., in the City of Lake Elmo, County of Washington, Minnesota, including a 2.06 acre parcel with an approximately 18,000 square foot building and a vacant .58 acre parcel.

Rental Payment means any payment due from Lessee to Lessor under Section 5.1 of this Lease.

State means the State of Minnesota.

State and Federal Law or Laws means the Constitution and laws of the State, any ordinance, rule or regulation of any agency or political subdivision of the State and any law of the United States, and any rule or regulation of any federal agency.

Term of this Lease or Lease Term means the period during which this Lease remains in effect as specified in Sections 4.1 and 4.2.

Trustee means U.S. Bank National Association, as trustee under the Indenture.

Section 1.2. Exhibits.

The following exhibits are attached to and by reference made a part of this Lease:

Exhibit A – A legal description of the Real Property.

Exhibit B – The schedule of Rental Payments to be paid by Lessee to Lessor, showing the date and amount of each Rental Payment.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of Lessee. Lessee represents, covenants and warrants as follows:

- (a) Lessee is a duly formed and validly existing body corporate and political subdivision of the State, governed by the Constitution and laws of the State.
- (b) State and Federal Laws authorize Lessee to acquire, lease, operate and maintain the Real Property; to enter into this Lease and the transactions contemplated hereby; and to carry out its obligations under this Lease.
- (c) The officers of Lessee executing this Lease and the documents contemplated hereby have been duly authorized to execute and deliver this Lease and related documents under the terms and provisions of a resolution of Lessee's governing body or by other appropriate official action.
- (d) Lessee has complied with all open meeting laws, all public bidding laws and all other State and Federal Laws applicable to this Lease and the acquisition of the Real Property by Lessee.
- (e) Except as provided under the terms of this Lease, Lessee will not transfer, lease, assign, mortgage or encumber the Real Property.
- (f) Lessee may accomplish any of its obligations herein by an agent.

Section 2.2. Representations Covenants and Warranties of Lessor. Lessor represents, covenants and warrants as follows:

- (a) Lessor is a public body, corporate and politic duly organized, existing and in good standing under the laws of the State; has full and complete power to issue the Bonds and to enter into this Lease and to enter into and carry out the transactions contemplated hereby, and to carry out its obligations hereunder; is possessed of full power to own and hold real and personal property, and to lease the same; and has duly authorized the issuance and delivery of the Bonds and the execution and delivery of this Lease.
- (b) Neither the issuance and delivery of the Bonds nor the execution and delivery of this Lease, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any law, regulation, restriction or any agreement or instrument to which Lessor is now a party or by which Lessor or its property is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of Lessor, or upon the Real Property, except Permitted Encumbrances.

(c) Upon payment by Lessee of the amounts described in Section 10.1 hereof or the defeasance of Lessee's obligations hereunder pursuant to Article X hereof, Lessor will deliver to Lessee all documents which are or may be necessary to vest all of Lessor's right, title and interest in and to the Real Property in Lessee, and will release all liens and encumbrances created under this Lease.

ARTICLE III

AGREEMENT TO LEASE

Section 3.1. Lease. Lessor hereby leases, with an option to purchase, the Real Property to Lessee, and Lessee hereby leases, with an option to purchase, the Real Property from Lessor, upon the terms and conditions set forth in this Lease.

Section 3.2. Possession and Enjoyment. Lessor hereby covenants with respect to the Real Property to provide Lessee during the Term of this Lease with quiet use and enjoyment of the Real Property, and Lessee shall during such Lease Term peaceably and quietly have and hold and enjoy the Real Property, without suit, trouble or hindrance from Lessor, except as expressly set forth in this Lease. Lessor will, at the request of Lessee and at Lessee's cost, join in any legal action in which Lessee asserts its right to such possession and enjoyment to the extent Lessor may lawfully do so.

Section 3.3. Lessor Access to Real Property. Lessee agrees that Lessor shall have the right during Lessee's normal working hours on Lessee's normal working days to enter on and examine and inspect the Real Property for the purpose of assuring that the Real Property is being properly maintained, preserved and kept in good repair and condition. Lessee further agrees that Lessor shall have such rights of access to the Real Property as may be reasonably necessary to cause the proper maintenance of the Real Property in the event of failure by Lessee to perform its obligations hereunder.

ARTICLE IV

TERM OF LEASE

Section 4.1. Term of Lease. This Lease shall be and remain in effect with respect to the Real Property for a Lease Term commencing on the date of execution hereof and continuing until terminated as provided in Section 4.2.

Section 4.2. Termination of Lease Term. The Term of this Lease will terminate upon the occurrence of the first of the following events:

- (a) the termination by Lessee of its obligation to make any further Rental Payments in accordance with Section 6.1;
- (b) the exercise by Lessee of its option to purchase Lessor's interest in the Real Property or to defease its obligations hereunder pursuant to Article X;
- (c) a default by Lessee and termination of this Lease pursuant to Article XII; or
- (d) the payment by Lessee of all Rental Payments required to be paid by Lessee hereunder.

ARTICLE V

RENTAL PAYMENTS

Section 5.1. Rental Payments. Lessee shall pay semiannual Rental Payments with respect to the Real Property on each Payment Date, as set forth in Exhibit B, three business days prior to the dates that payments are due on the Bonds, as further described in the Indenture, which Rental Payments are sufficient to pay the principal of, premium, if any, on and interest on the Bonds when due. The Rental Payments shall be payable to the Trustee, as assignee of the Lessor's right, title and interest in such Rental Payments, at its address specified in Section 14.08 of the Indenture.

Section 5.2. Current Expense. The obligations of Lessee under this Lease, including its obligation to pay the Rental Payments due with respect to the Real Property in any Fiscal Year for which this Lease is in effect, shall constitute a current expense of Lessee for such Fiscal Year and shall not constitute an indebtedness of Lessee within the meaning of the Constitution and laws of the State. Nothing herein shall constitute a pledge by Lessee of any taxes or other moneys, other than moneys lawfully appropriated from time to time by or for the benefit of Lessee in its annual budget, the proceeds or Net Proceeds of the Real Property, to the payment of any Rental Payment or other amount coming due hereunder.

Section 5.3. Rental Payments to be Unconditional. Except as provided in Section 6.1, the obligation of Lessee to make Rental Payments due with respect to the Real Property or any other payments required hereunder shall be absolute and unconditional in all events. Notwithstanding any dispute between Lessee and Lessor or any other person, Lessee shall make all Rental Payments and other payments required hereunder when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute nor shall Lessee assert any right of set-off or counterclaim against its obligation to make such Rental Payments or other payments required under this Lease. Lessee's obligation to make Rental Payments or other payments during the Lease Term shall not be abated through accident or unforeseen circumstances. However, nothing herein shall be construed to release Lessor from the performance of its obligations hereunder, and if Lessor should fail to perform any such obligation, Lessee may institute such legal action against Lessor as Lessee may deem necessary to compel the performance of such obligation or to recover damages therefor.

Section 5.4. Reserved.

Section 5.5. Intent to Continue Rental Payments; Appropriations. Lessee presently intends to continue this Lease for the entire Term of this Lease and to pay all Rental Payments required hereunder. Lessee reasonably and in good faith believes that amounts sufficient to pay all Rental Payments due hereunder can and will lawfully be appropriated or budgeted and made available for this purpose during the Lease Term.

ARTICLE VI

NONAPPROPRIATION

Section 6.1. Termination of Lease. Lessee shall have the right to cancel and terminate this Lease, in whole but not in part, effective at the end of any Fiscal Year of Lessee, in the manner and subject to the terms specified in this Section and Section 6.3, if Lessee is not authorized by law to appropriate or does not appropriate moneys sufficient to pay the Rental Payments coming due in the next Fiscal Year. Lack of a sufficient appropriation shall be evidenced by a specific provision in Lessee's budget for the Fiscal Year in question so stating. Lessee may effect such termination by giving to Lessor a written notice of nonappropriation and termination and by paying to Lessor any Rental Payments which are due and have not been paid at or before the end of its then current Fiscal Year. Lessee shall endeavor to give notice of termination not less than 120 days prior to the end of such Fiscal Year, and shall notify Lessor of any anticipated termination.

Section 6.2. Return of Real Property. In the event of termination of this Lease as provided in Section 6.1, Lessee shall surrender possession of the Real Property to Lessor in accordance with Section 12.3, and release its interest in the same, as granted under this Lease, within 10 days after the termination of this Lease.

Section 6.3. Effect of Termination. Upon termination of Lessee's obligation to make Rental Payments as provided in Section 6.1, Lessee shall not be responsible for the payment of any additional Rental Payments coming due with respect to succeeding Fiscal Years, but if Lessee has not surrendered possession of the Real Property to Lessor in accordance with Sections 6.2 and 12.3, the termination shall nevertheless be effective, but Lessee shall be responsible for the payment of damages in an amount equal to the amount of the Rental Payments thereafter coming due under Exhibit B which are attributable to the number of days during which Lessee fails to take such actions.

Section 6.4. Reserved.

ARTICLE VII

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 7.1. Maintenance and Modification of Real Property by Lessee. Lessee shall, at its own expense, maintain, preserve and keep the improved portions of the Real Property in good repair, working order and condition, and shall from time to time make all repairs, replacements and improvements necessary to keep the improved portions of the Real Property in such condition. Lessor shall have no responsibility for any of these repairs, replacements or improvements. In addition, Lessee shall, at its own expense, have the right to remodel the improved portions of the Real Property or to make additions, modifications and improvements thereto. All such additions, modifications and improvements shall thereafter comprise part of the Real Property and be subject to the provisions of this Lease. Such additions, modifications and improvements shall not in any way damage the improved portions of the Real Property nor cause the Real Property to be used for purposes other than those authorized under the provisions of State law, and the Real Property, upon completion of any additions, modifications and improvements made pursuant to this Section, shall be of a value not less than the value of the Real Property immediately prior to the making of such additions, modifications and improvements. Any property for which a substitution or replacement is made pursuant to this Section may be disposed of by Lessee in such manner and on such terms as are determined by Lessee. Lessee will not permit any mechanic's or other lien to be established or remain against the Real Property for labor or material furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by Lessee pursuant to this Section; provided that if any such lien is established and Lessee shall first notify Lessor of Lessee's intention to do so, Lessee may in good faith contest any lien filed or established against the Real Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless Lessor shall notify Lessee that, in the opinion of Independent Counsel, by nonpayment of such item the interest of Lessor in the Real Property will be materially endangered or the Real Property or any part thereof will be subject to loss or forfeiture, in which event Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide Lessor with full security against any such loss or forfeiture, in form satisfactory to Lessor. Lessor will cooperate fully with Lessee in any such contest, upon the request and at the expense of Lessee.

Section 7.2. Taxes, Other Government Charges and Utility Charges. Lessee shall also pay when due all gas, water, steam, electricity, heat, power, telephone, and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Real Property. Lessee shall also pay all property and excise taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Real Property or any part thereof, and which become due during the Term of this Lease with respect thereto, and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Real Property; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due.

Lessee may, at Lessee's expense and in Lessee's name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the

taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless Lessor shall notify Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the interest of Lessor in the Real Property will be materially endangered or the Real Property or any part thereof will be subject to loss or forfeiture, in which event Lessee shall promptly pay such taxes, assessments or charges or provide Lessor with full security against any loss which may result from nonpayment, in form satisfactory to Lessor.

Section 7.3. Liability Insurance. Upon receipt of possession of the Real Property, the Lessee shall take such measures as may be necessary to ensure that any liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Real Property or any part thereof, is covered by a blanket or other general liability insurance policy maintained by the Lessee. The Net Proceeds of all such insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which any Net Proceeds may be paid.

Section 7.4. Lessee's Negligence. Lessee assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Real Property and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of Lessee or of third parties, and whether such property damage be to Lessee's property or the property of others, which is proximately caused by the negligent conduct of Lessee, its officers, employees and agents. Lessee hereby assumes responsibility for and agrees to reimburse Lessor and Trustee for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorney's fees) whatsoever kind and nature, imposed on, incurred by or asserted against Lessor or Trustee that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part upon the negligent conduct of Lessee, its officers, employees and agents, to the maximum extent permitted by law.

Section 7.5. Property Insurance. Upon receipt of possession of the Real Property, the Lessee shall have and assume the risk of loss with respect thereto. The Lessee shall procure and maintain continuously in effect during the Lease Term, all-risk insurance, subject only to the standard exclusions contained in the policy, in such amount as will be at least sufficient so that a claim may be made for the full replacement cost of any part thereof damaged or destroyed and to pay the applicable purchase price of the Real Property as set forth in Section 10.1. Such insurance may be provided by a rider to an existing policy or under a separate policy. Such insurance may be written with customary deductible amounts. The Net Proceeds of insurance required by this Section shall be applied to the prompt repair, restoration or replacement of the Real Property, or to the purchase of the Real Property, as provided in Section 8.1. Any Net Proceeds not needed for those purposes shall be paid to the Lessee.

Section 7.6. Worker's Compensation Insurance. If required by State law, the Lessee shall carry worker's compensation insurance covering all its employees on, in, near or about the Real Property. Alternatively, the Lessee may self-insure against such liabilities in accordance with applicable law.

Section 7.7. Other Insurance and Requirements for All Insurance. All insurance required by this Article may be carried under a separate policy or a rider or endorsement; shall be

taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State; shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to all parties at least ten (10) days before the cancellation or revision becomes effective; and shall name Lessee and Lessor as insured parties. Lessee shall deposit with Lessor policies evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any such policy, Lessee shall furnish to Lessor evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article, unless such insurance is no longer obtainable in which event Lessee shall notify Lessor of this fact.

Section 7.8. Advances. If Lessee shall fail to perform any of its obligations under this Lease, Lessor may, but shall not be obligated to take such action as may be necessary to cure such failure, including the advancement of money, and Lessee shall be obligated to repay all such advances on demand with interest at the maximum rate permitted by law or 12%, whichever is less, from the date of the advance to the date of repayment.

Section 7.9. Liens. Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Real Property, other than the respective rights of Lessor and Lessee as herein provided and Permitted Encumbrances. Except as expressly provided in this Article, Lessee shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

ARTICLE VIII

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 8.1. Damage, Destruction and Condemnation. If (i) more than 25% of the value of the Real Property or any portion thereof is destroyed or is damaged by fire or other casualty, or (ii) title to or the temporary use of the Real Property or any part thereof, or the interest of Lessee or Lessor in the Real Property or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, Lessee, unless it has determined to terminate this Lease in accordance with Section 6.1 hereof, shall be entitled to the Net Proceeds of any insurance or condemnation award and shall apply such Net Proceeds (x) to the prompt repair, restoration, modification or improvement of the Real Property by Lessee, in which event Lessee shall be obligated to continue to pay the Rental Payments due with respect to the Real Property, or (y) to the payment of the applicable prepayment price in accordance with Article X. In the event the Lessee has determined to terminate this Lease in accordance with Section 6.1 hereof, the Lessee shall turn over such Net Proceeds to the Lessor.

Section 8.2. Cooperation of Lessor. Lessor shall cooperate fully with Lessee at the expense of Lessee in filing any proof of loss with respect to any insurance policy covering the casualties described in Section 8.1 hereof and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Real Property or any part thereof and will, to the extent it may lawfully do so, permit Lessee to litigate in any proceeding resulting therefrom in the name of and on behalf of Lessor. In no event will Lessor voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim or any prospective or pending condemnation proceeding with respect to the Real Property or any part thereof without the written consent of Lessee.

Section 8.3. Condemnation of Other Property Owned by Lessee. Lessee shall be entitled to the Net Proceeds of any condemnation award or portion thereof made for destruction of, damage to or taking of its property not included in the Real Property.

ARTICLE IX

LESSEE'S EQUIPMENT; WARRANTIES

Section 9.1. Installation of Lessee's Equipment. Lessee may at any time and from time to time, in its sole discretion and its own expense, install items of moveable machinery, standard office partition, railings, doors, lighting fixtures, and such other equipment as may in Lessee's judgment be necessary for its purposes, in or upon the Real Property. All such items shall remain the sole property of Lessee, in which Lessor shall have no interest, and may be modified or removed by Lessee at any time provided that Lessee shall repair and restore any and all damage to the Real Property resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent Lessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease with option to purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Real Property.

Section 9.2. Reserved.

Section 9.3. Reserved.

Section 9.4. Warranties. Lessor hereby assigns to Lessee for and during the Term of this Lease, all of its interest in all warranties and guarantees or other contract rights against any architect, contractor or manufacturer for the Real Property, expressed or implied, issued on or applicable to the Real Property, and Lessor hereby authorizes Lessee to obtain the customary services furnished in connection with such warranties and guarantees at Lessee's expense. Lessee's sole remedy for the breach of such warranties and guarantees shall be against the manufacturer or supplier of such portion of the Real Property or such contractor or architect, and not against Lessor, nor shall such matter have any effect whatsoever on the rights of the Lessor with respect to this Lease, including the right to receive full and timely payments hereunder. Lessee expressly acknowledges that Lessor does not make and has not made any representation or warranty whatsoever as to the existence or availability of such warranties with respect to the Real Property or any portion thereof.

Section 9.5. Disclaimer of Warranties. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY LESSEE OF THE REAL PROPERTY, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE REAL PROPERTY. In no event shall Lessor be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Lease or the existence, furnishing, functioning or Lessee's use of any portion of the Real Property provided for in this Lease.

ARTICLE X

OPTION TO PURCHASE

Section 10.1. When Available. Lessee shall have the option to purchase Lessor's interest in the Real Property at a price equal to the principal amount of Rental Payments outstanding, plus accrued interest to the date of prepayment, only in the manner provided in this Article, (i) on any date, but only if Lessee is not in default under this Lease, and (ii) on any date pursuant to the events described in Section 8.1 hereof.

Section 10.2. Exercise of Option. Lessee shall give notice to Lessor of its intention to exercise its option not less than forty-five (45) days prior to the date on which the option is to be exercised, and shall deposit with Lessor on the date of exercise an amount equal to all Rental Payments and any other amounts then due or past due. The closing shall be on the date on which the option is to be exercised at the office of Lessor.

Section 10.3. Release of Lessor's Interest. Upon exercise by Lessee of its option to purchase, Lessee shall have no further obligations under this Lease and Lessor and its officers shall take all actions necessary to authorize, execute and deliver to Lessee any and all documents necessary to vest in Lessee, all of Lessor's right, title and interest in and to the Real Property, free and clear of all liens, leasehold interest and encumbrances arising under the provisions of this Lease.

Section 10.4. Defeasance. Lessee shall have the right to defease and satisfy its obligations to pay Rental Payments due under this Lease, in the manner and with the effect provided in this Section; but such right may only be exercised if Lessee is not in default under the Lease, or if the exercise of such right would cure such default. If the whole amount of the Rental Payments due and payable under this Lease shall be paid, or provision shall have been made for the payment of the same by the deposit of cash or Qualified Investments in an amount sufficient (together with interest earnings thereon) to provide for payment of said Rental Payments to the last Payment Date, or earlier date on which the option to purchase of Lessee is exercised, and all administrative expenses related thereto shall have been paid or provided for, then, and in that case, all right, title and interest of Lessor in and to the Real Property, this Lease and the Rental Payments due hereunder shall thereupon cease, terminate and become void; and Lessor shall assign and transfer to or upon the order of Lessee all rights in the Real Property and this Lease then held by Lessor, and shall execute such documents as may be reasonably required by Lessee for this purpose; and thereafter the Rental Payments due hereunder shall be payable solely from the moneys and securities so deposited.

ARTICLE XI

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Section 11.1. Assignment by Lessor. Lessor shall not assign its obligations under this Lease, and no purported assignment thereof shall be effective. All of Lessor's rights, title and interest in the Rental Payments shall be assigned to the Trustee for the benefit of the holders of the Bonds. No other rights, title and/or interests of the Lessor may be assigned.

Section 11.2. Assignment and Subleasing by Lessee. This Lease may not be assigned by Lessee without the written consent of Lessor and the Trustee. The Lessee may sublease all or any portion of the Real Property and collect reasonable rents from any third-party user of the Real Property without prior written consent of the Lessor or the Trustee.

Section 11.3. Restriction on Mortgage or Sale of Real Property by Lessee. Lessee will not mortgage, sell, assign, transfer or convey the Real Property or any portion thereof during the Term of this Lease without the written consent of Lessor, except as permitted pursuant to Section 7.1 in the event of a permitted substitution or replacement.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.1. Events of Default Defined. The following shall be “events of default” under this Lease and the terms “events of default” and “default” shall mean, whenever they are used in this Lease, with respect to the Real Property, any one or more of the following events:

(a) Failure by Lessee to pay any Rental Payment or other payment required to be paid hereunder on the due date specified herein and the continuation of said failure for a period of three (3) business days after written notice given by Lessor that the payment referred to in such notice has not been received.

(b) Failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (a) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected.

(c) The filing by Lessee of a voluntary petition in bankruptcy, or failure by Lessee promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of Lessee to carry on its operations at the Real Property, or adjudication of Lessee as a bankrupt, or assignment by Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to Lessee in any proceedings instituted under the provisions of the Federal Bankruptcy Statute, as amended, or under any similar acts which may hereafter be enacted.

The provisions of this Section 12.1 and Section 12.2 are subject to the following limitation: if by reason of force majeure Lessee is unable in whole or part to carry out its obligations under this Lease with respect to the Real Property, other than the obligation of Lessee to pay Rental Payments with respect thereto which shall be paid when due notwithstanding the provisions of this paragraph, Lessor or Lessee shall not be deemed in default during the continuance of such inability. The term “force majeure” as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or any of its departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause of event not reasonably within the control of Lessee and not resulting from its negligence. Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its obligations under this Lease; provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Lessee and Lessee shall not be required to make settlement of strikes, lockouts and other industrial

disturbances by acceding to the demands of the opposing party or parties when such course is in its judgment unfavorable to Lessee.

Notwithstanding anything contained in this Section 12.1 to the contrary, a failure by Lessee to pay when due any payment required to be made under this Lease or a failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Lease, resulting from Lessee's termination of the Lease as contemplated by Section 6.1 hereof, shall not constitute an event of default under this Section 12.1.

Section 12.2. Remedies on Default. Whenever any event of default referred to in Section 12.1 hereof shall have happened and be continuing with respect to the Real Property, Lessor shall have the right, at its option and without any further demand or notice, to take one or any combination of the following remedial steps:

(a) Terminate this Lease, re-enter and take possession of the Real Property and exclude Lessee from using it; or

(b) Terminate this Lease, declare all Rental Payments due or to become due during the Fiscal Year of Lessee in effect when the default occurs to be immediately due and payable by Lessee, whereupon such Rental Payments shall be immediately due and payable; or

(c) Terminate this Lease and take whatever action at law or in equity may appear necessary or desirable to collect the Rental Payments then due and thereafter to become due during the then current Fiscal Year of Lessee with respect to the Real Property, or enforce performance and observance of any obligation, agreement or covenant of Lessee under this Lease.

Section 12.3. Return of Real Property. Upon the expiration or termination of this Lease prior to the payment of all Rental Payments in accordance with Exhibit B, Lessee shall deliver possession of the Real Property to Lessor in the condition, repair, appearance and working order required in Section 7.1. Lessor shall take the Real Property subject to any sublease then in effect.

Section 12.4. Delay; Notice. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any party to exercise any remedy reserved to it in this Lease it shall not be necessary to give any notice, other than such notice as may be required in this Lease.

Section 12.5. No Remedy Exclusive. No remedy herein conferred upon or reserved to Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 12.6. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease should default under any of the provisions hereof and the non-defaulting party should

employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefore pay to the non-defaulting party the reasonable fee of such attorneys and such other expenses so incurred by the non-defaulting party.

Section 12.7. No Additional Waiver Implied By One Waiver. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XIII

TITLE

Section 13.1. Title to Real Property. During the Term of this Lease, legal title to the Real Property and any and all repairs, replacements, substitutions and modifications thereto shall be in Lessor, subject to Lessee's interests under this Lease. Upon termination of this Lease for either of the reasons specified in Section 4.2, Clauses (b) and (d), Lessor shall transfer legal title to the Real Property to Lessee and Lessor shall have no further interest therein. In either of such events, Lessor shall execute and deliver to Lessee such documents as Lessee may request to evidence such transfer of legal title to the Real Property to Lessee. Upon termination of this Lease for either of the reasons specified in Section 4.2, Clauses (a) and (c), Lessee shall surrender possession of the Real Property to Lessor and shall have no further interest therein. In either of such events Lessee shall execute and deliver to Lessor such documents as Lessor may request to evidence the termination of Lessee's interest in the Real Property.

Section 13.2. Security Interest. Lessor shall have and retain a security interest under the Uniform Commercial Code in any portion of the Real Property constituting personal property or fixtures, the proceeds thereof and all repairs, replacements, substitutions and modifications thereto or thereof made pursuant to Section 7.1, in order to secure Lessee's payment of all Rental Payments due during the Term of this Lease and the performance of all other obligations herein to be performed by Lessee.

ARTICLE XIV

ISSUANCE OF THE BONDS

Section 14.1. Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for payment of the costs of the Project, the Lessor has, or will have, upon or promptly after the execution of this Lease, issued and delivered to the initial purchaser thereof the Bonds, and the Lessor has or will have deposited proceeds of the Bonds as described in Section 4.01 of the Indenture.

ARTICLE XV

ADMINISTRATIVE PROVISIONS

Section 15.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given on the earlier of (i) delivery or (ii) three days following deposit in the United States mail in certified or registered form with postage fully prepaid to the addresses shown in the first paragraph hereof. Lessor and Lessee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 15.2. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

Section 15.3. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 15.4. Amendments, Charges and Modifications. This Lease may be amended or any of its terms modified only by written amendment authorized and executed by Lessee and Lessor.

Section 15.5. Further Assurances and Corrective Instruments. Lessor and Lessee agree that they will, if necessary, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Real Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

Section 15.6. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15.7. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State.

Section 15.8. Lessor and Lessee Representatives. Whenever under the provisions of this Lease the approval of Lessor or Lessee is required, or Lessor or Lessee is required to take some action at the request of the other, such approval of such request shall be given for Lessor by a Lessor Representative and for Lessee by a Lessee Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 15.9. Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Lease.

IN WITNESS WHEREOF, Lessor has caused this Lease to be executed in its corporate name by its duly authorized officers, and Lessee has caused this Lease to be executed in its name by its duly authorized officers, as of the date first above written.

Lessor:

ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF LAKE ELMO, MINNESOTA

By _____
President

Attest _____
Secretary

STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

The foregoing instrument was acknowledged before me this _____ day of _____, 2018, by Steve Nelson and Kristina Handt, the President and Secretary, respectively, of the Economic Development Authority of the City of Lake Elmo, Minnesota, on behalf of such Authority.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

(SEAL)

[Signature Page – Lease-Purchase Agreement]

Lessee:

CITY OF LAKE ELMO, MINNESOTA

By _____
Mayor

And _____
City Clerk

STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

The foregoing instrument was acknowledged before me this ____ day of _____, 2018, by Michael Pearson and Julie Johnson, the Mayor and City Clerk, respectively, of the City of Lake Elmo, Minnesota, on behalf of the City.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

(SEAL)

[Signature Page – Lease-Purchase Agreement]

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

The North 126.89 feet of Lot 1, Block 2, Brookman Addition, according to the plat thereof on file and of record in the office of the County Recorder, Washington County, Minnesota, lying easterly of the West 199.91 feet thereof.

(PIN: 13.029.21.22.0025)
(.58 acre parcel)

AND

The North 350.18 feet of Lot 1, Block 2, Brookman Addition, according to the plat thereof on file and of record in the office of the County Recorder, Washington County, Minnesota, except the West 199.91 feet of the North 126.89 feet of said Lot 1, Block 2, Brookman Addition; also except the North 126.89 feet of said Lot 1, Block 2, Brookman Addition, lying easterly of the West 199.91 feet thereof.

(PIN: 13.029.21.22.0026)
(2.06 acre parcel)

EXHIBIT B

RENTAL PAYMENT SCHEDULE*

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/28/2018	-	-	-	-	-
01/15/2019	-	-	22,975.13	22,975.13	22,975.13
07/15/2019	-	-	20,992.50	20,992.50	-
01/15/2020	45,000.00	4.500%	20,992.50	65,992.50	86,985.00
07/15/2020	-	-	19,980.00	19,980.00	-
01/15/2021	47,000.00	4.500%	19,980.00	66,980.00	86,960.00
07/15/2021	-	-	18,922.50	18,922.50	-
01/15/2022	49,000.00	4.500%	18,922.50	67,922.50	86,845.00
07/15/2022	-	-	17,820.00	17,820.00	-
01/15/2023	51,000.00	4.500%	17,820.00	68,820.00	86,640.00
07/15/2023	-	-	16,672.50	16,672.50	-
01/15/2024	53,000.00	4.500%	16,672.50	69,672.50	86,345.00
07/15/2024	-	-	15,480.00	15,480.00	-
01/15/2025	56,000.00	4.500%	15,480.00	71,480.00	86,960.00
07/15/2025	-	-	14,220.00	14,220.00	-
01/15/2026	58,000.00	4.500%	14,220.00	72,220.00	86,440.00
07/15/2026	-	-	12,915.00	12,915.00	-
01/15/2027	61,000.00	4.500%	12,915.00	73,915.00	86,830.00
07/15/2027	-	-	11,542.50	11,542.50	-
01/15/2028	64,000.00	4.500%	11,542.50	75,542.50	87,085.00
07/15/2028	-	-	10,102.50	10,102.50	-
01/15/2029	67,000.00	4.500%	10,102.50	77,102.50	87,205.00
07/15/2029	-	-	8,595.00	8,595.00	-
01/15/2030	70,000.00	4.500%	8,595.00	78,595.00	87,190.00
07/15/2030	-	-	7,020.00	7,020.00	-
01/15/2031	73,000.00	4.500%	7,020.00	80,020.00	87,040.00
07/15/2031	-	-	5,377.50	5,377.50	-
01/15/2032	76,000.00	4.500%	5,377.50	81,377.50	86,755.00
07/15/2032	-	-	3,667.50	3,667.50	-
01/15/2033	80,000.00	4.500%	3,667.50	83,667.50	87,335.00
07/15/2033	-	-	1,867.50	1,867.50	-
01/15/2034	83,000.00	4.500%	1,867.50	84,867.50	86,735.00
Total	\$933,000.00	-	\$393,325.13	\$1,326,325.13	-

***The PAYMENT DATE for Rental Payments due under this Lease shall be three business days prior to each bond payment date provided.**