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**LEASE WITH OPTION TO PURCHASE AGREEMENT**

**between**

**NEW PRAGUE ECONOMIC DEVELOPMENT AUTHORITY,  
as Lessor**

**and**

**CITY OF NEW PRAGUE, MINNESOTA,  
as Lessee**

**Dated as of October 1, 2025**

**Related to:**

**\$10,130,000**

**New Prague Economic Development Authority  
Lease Revenue Bonds  
(City of New Prague, Minnesota Police Facility Lease)  
Series 2025C**

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This instrument drafted by:

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## LEASE WITH OPTION TO PURCHASE AGREEMENT

THIS LEASE WITH OPTION TO PURCHASE AGREEMENT, dated as of October 1, 2025 (the “Lease”), is between the NEW PRAGUE ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic and political subdivision of the State of Minnesota, as lessor (the “Authority”), and the CITY OF NEW PRAGUE, MINNESOTA, a statutory city and political subdivision of the State of Minnesota, as lessee (the “City”).

### WITNESSETH:

WHEREAS, the City is authorized by law to acquire such items of real and personal property as are needed to carry out its governmental and proprietary functions, and to acquire such real and personal property by entering into lease-purchase contracts; and

WHEREAS, the City has determined that it is necessary for it to acquire, pursuant to this Lease, the Authority’s interest in certain real property described on EXHIBIT A hereto (the “Site”), together with the construction of a new Police Facility in the City (the “Improvements”) and all buildings, structures and improvements constructed and to be constructed thereon, and certain equipment to be contained therein (the “Facilities”); and

WHEREAS, the development of the Site and the Facilities is consistent with and furthers the economic development functions of the Authority; and

WHEREAS, the Authority is willing to acquire a leasehold interest in the Site from the City pursuant to a Ground Lease, dated as of October 1, 2025 (the “Ground Lease”), between the City, as lessor, and the Authority, as lessee, and to acquire title to the Facilities and to lease and sell the Site and the Facilities to the City, pursuant to this Lease; and

WHEREAS, to provide funds for the construction and equipping of the Facilities, the Authority will issue its Lease Revenue Bonds (City of New Prague, Minnesota Police Facility Lease), Series 2025C (the “Bonds”), in the original aggregate principal amount of \$10,130,000, pursuant to a resolution adopted by the Board of Commissioners of the Authority on \_\_\_\_\_, 2025 (the “Bond Resolution”); and

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:

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

## 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 and exhibits attached hereto, have the meanings herein specified:

“Act” means Minnesota Statutes, Sections 465.71 and 469.090 through 469.1082, as amended, including Section 469.103.

“Additional Lease Payments” means payments due from the City pursuant to Section 4.3 hereof.

“Authority” means the New Prague Economic Development Authority, a public body corporate and politic and political subdivision of the State, and its successors and assigns as lessor hereunder.

“Authorized Officer” means (a) when used with respect to the City, its Mayor, City Administrator, or Finance Director, or any other person who is designated in writing by the City as an Authorized Officer for purposes of this Lease; and (b) when used with respect to the Authority, its President, Executive Director, or any other person who is designated in writing by the Authority as an Authorized Officer for purposes of this Lease.

“Bond Counsel” means Kennedy & Graven, Chartered, and any attorney or law firm having a national reputation as bond counsel in connection with the issuance of state and local governmental obligations and appointed by the Authority as bond counsel.

“Bond Registrar” means Bond Trust Services Corporation in Minneapolis, Minnesota, or any successor Bond Registrar appointed by the Authority pursuant to the Bond Resolution.

“Bond Resolution” means the resolution authorizing the issuance and sale of the Bonds adopted by the Board of Commissioners of the Authority on \_\_\_\_\_, 2025.

“Bonds” means the Lease Revenue Bonds (City of New Prague, Minnesota Police Facility Lease), Series 2025C, issued by the Authority on the Closing Date in the original aggregate principal amount of \$10,130,000, pursuant to the Bond Resolution.

“City” means the City of New Prague, Minnesota, a statutory city and political subdivision of the State, and any successor to its functions.

“City Council” means the City Council of the City and any successor as governing body of the City.

“Closing Date” means \_\_\_\_\_, 2025, which is the date upon which the Bonds are delivered to the Original Purchaser thereof against payment therefor.

“Code” means the Internal Revenue Code of 1986, as amended.

“Completion Date” means the date of completion of construction of the Improvements, as evidenced by the certificate of the City described in Section 3.2(f) hereof.

“Costs of Issuance” means all fees and expenses incurred by the City and the Authority in connection with the execution and delivery of the Lease and the issuance of the Bonds, including but not limited to costs of preparing and printing the Bonds, this Lease, the Ground Lease, the Official Statement relating to the Bonds, and related documents; legal fees (including without limitation those of Bond Counsel); recording fees and title insurance premiums; Rating Agency fees; municipal advisor’s fees; and the Bond Registrar’s initial fees.

“Facilities” means any buildings, structures and improvements to be constructed or renovated on the Site, and all furniture, fixtures and equipment to be acquired with proceeds of sale of the Bonds and located thereon. For the avoidance of doubt, “Facilities” refers to the construction and equipping of a new Police Facility to be financed with the proceeds of the Bonds.

“Fiscal Year” means the twelve (12) month fiscal period of the City, which commences on January 1 and ends on December 31 of each year.

“Ground Lease” means the Ground Lease, dated as of October 1, 2025, between the City, as lessor, and the Authority, as lessee, by which the City leases the Site to the Authority, as amended or supplemented from time to time.

“Improvements” means the expansion, addition, enlargement, improvement, extension or alteration of or to the Facilities and any fixtures, furnishing or equipment within the Facilities, all to the extent financed from proceeds of the Bonds. For the avoidance of doubt, “Improvements” refers to the construction and equipping of a new Police Facility to be financed with the proceeds of the Bonds.

“Independent,” when used with reference to an attorney, engineer, architect, certified public accountant, consultant or other professional person, means a person who (i) is in fact independent; (ii) does not have any material financial interest in the City or the transaction to which such person’s certificate or opinion relates (other than payment to be received for professional services rendered); and (iii) is not connected with the Authority or the City as an officer, director or employee.

“Independent Counsel” means an Independent attorney duly admitted to practice law before the highest court of any state.

“Interest Payment Date” means August 1, 2026, and each February 1 and August 1 thereafter until the Bonds are paid in full.

“Lease” means this Lease with Option to Purchase Agreement, dated as of October 1, 2025, between the Authority, as lessor, and the City, as lessee, as amended or supplemented from time to time.

“Lease Payment” means each of the payments due from the City to the Authority on each Lease Payment Date during the Term of this Lease, as shown on EXHIBIT B.

“Lease Payment Date” means the date upon which any Lease Payment is due and payable as provided in EXHIBIT B.

“Net Proceeds,” when used with respect to proceeds of insurance or a condemnation award, means moneys received or receivable by the City, as owner or as lessee hereunder, or the Authority, as lessee under the Ground Lease or as secured party, of the Site or the Facilities, less the cost of recovery (including attorneys’ fees) of such moneys from the insuring company or the condemning authority.

“Original Purchaser” means\_\_\_\_\_.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds theretofore authenticated and delivered by the City under the Bond Resolution except: (i) Bonds theretofore canceled by the Bond Registrar or surrendered to the Bond Registrar for cancellation; (ii) Bonds for the payment or redemption of which funds or direct obligations of or obligations fully guaranteed by the United States of America in the necessary amount shall have theretofore been deposited with the Bond Registrar (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to the Bond Resolution, or provision satisfactory to the Bond Registrar shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Registrar pursuant to the terms of the Bond Resolution pertaining to replacement of Bonds.

“Owner” means the registered owner of any Outstanding Bond.

“Permitted Encumbrances” means, as of any particular time: (i) liens for taxes and assessments not then delinquent, or which the City may, pursuant to provisions of Section 6.3 hereof, permit to remain unpaid; (ii) the Ground Lease, this Lease and amendments hereto or thereto; (iii) the Authority’s interest in the Facilities; (iv) 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; (v) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Site and which do not, in the opinion of Independent Counsel, materially impair the property affected thereby for the purpose for which it was intended; and (vi) easements, restrictions or encumbrances, if any, shown on EXHIBIT A hereto.

“Project” means the Site and the Facilities, as they exist at any time. For the avoidance of doubt, the “Project” refers to the construction and equipping of a new Police Facility to be financed with the proceeds of the Bonds.

“Project Costs” has the meaning provided in Section 3.2(b) hereof.

“Project Fund” means the Project Fund established under the Bond Resolution.

“Purchase Price” means, with respect to any date, cash or obligations of or guaranteed by the United States of America maturing at such times and in such amounts as to provide for the full and timely payment of all interest and premium, if any, on and principal of the Outstanding Bonds to maturity or an earlier redemption date, if applicable. The City shall be entitled to credit against the Purchase Price the amount of any moneys theretofore paid to and held by the Authority or the Bond Registrar and available for the payment of the Outstanding Bonds.

“Site” means the real property described in EXHIBIT A hereto, including any property added to or substituted for any portion of the Site, and less any real property released from this Lease pursuant to Article VI hereof.

“State” means the State of Minnesota.

“State and Federal Laws” means the Constitution and any law of the State and 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 executive department or federal agency.



“Term” means the period during which this Lease may remain in effect as specified in Section 5.1 hereof.

Section 1.2. Exhibits. The following exhibits are attached to and by reference made a part of this Lease:

EXHIBIT A: Legal description of the Site and a listing of Permitted Encumbrances.

EXHIBIT B: The date and amount of each Lease Payment coming due during the Term of this Lease.

EXHIBIT C: The form of Completion Certificate to be delivered by the City to the Authority pursuant to Section 3.2(f) hereof.

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## ARTICLE II

### REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the City. The City represents, covenants and warrants as follows:

(a) The City is authorized under the Constitution and laws of the State to enter into this Lease and the transactions contemplated hereby, and to perform all of its obligations hereunder.

(b) None of the execution and delivery of this Lease, the fulfillment of or compliance with the terms and conditions thereof, or the consummation of the transactions contemplated thereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, 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 the City, or upon the Site and the Facilities except Permitted Encumbrances.

(c) This Lease is entered into under authority of and pursuant to the Act.

(d) The officers of the City executing this Lease have been duly authorized to do so.

(e) The City will not pledge, mortgage or assign this Lease, or its rights, duties and obligations hereunder to any other person, firm or corporation except as provided under the terms of this Lease.

(f) Subject to the City's rights under Section 5.6 hereof, the Facilities will be used until the Bonds have all been paid primarily to carry out the essential governmental or proprietary purposes of the City.

(g) Subject to the provisions of Section 5.6 hereof, the City administration will include in the annual budget of the City submitted to the City Council, for each Fiscal Year during the Lease Term, moneys sufficient to pay and for the purpose of paying all Lease Payments and Additional Lease Payments and other obligations of the City under this Lease, and for this purpose the City will make a reasonable estimate of Additional Lease Payments to become due in the next Fiscal Year, and will take all other actions necessary to provide moneys for the payment of the obligations of the City under this Lease from sources of the City lawfully available for this purpose.

(h) Except to the extent specifically provided herein, the City is not obligated to appropriate or otherwise provide moneys for the payment of the Lease Payments or any other amounts coming due hereunder; and in the event of non-appropriation or non-renewal by the City, the City shall not be liable for general, special, incidental, consequential or other damages resulting therefrom. This Lease does not constitute a general or moral obligation of the City, and the full faith and credit and taxing powers of the City are not pledged for the payment of the Lease Payments or other amounts coming due, or other actions required to be performed, hereunder.

(i) The City hereby declares its current need for the Facilities and the Improvements. The City has determined that the purchase price to be paid for the Site and the Facilities (as improved by the Improvements) under this Lease represents the fair market value of the improved Facilities; that Lease Payments and Additional Lease Payments hereunder during the Lease Term represent the

fair value of the use of the improved Facilities; and that the Purchase Price represents the fair purchase price of the improved Facilities. The City hereby determines that the Lease Payments and Additional Lease Payments do not exceed a reasonable amount so as to place the City under an economic compulsion to renew this Lease or to exercise its option to purchase the Facilities hereunder. In making such determinations, the City has given consideration to the costs of the Facilities and Improvements, the uses and purposes for which the Facilities will be employed by the City, the benefit to the City by reason of the acquisition of the Facilities pursuant to the terms and provisions of this Lease and the City's option to purchase the Facilities. The City hereby determines and declares that the improvement of the Facilities and the leasing of the Facilities pursuant to this Lease will result in facilities of comparable quality and meeting the same requirements and standards as would be necessary if the construction of the Facilities was performed by the City other than pursuant to this Lease. The City hereby determines and declares that the period during which the City has an option to purchase the Facilities (i.e., the Term of this Lease) does not exceed the useful life of the Facilities as improved by the Improvements.

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

(a) The Authority is a public body corporate and politic and political subdivision of the State; has power to enter into this Lease; is possessed of full power to own and hold real and personal property, and to sell the same; and has duly authorized the execution and delivery of this Lease.

(b) Neither the execution and delivery of this Lease, nor the fulfillment of or compliance with the terms and conditions thereof, nor the consummation of the transactions contemplated thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, 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 the Authority, or upon the Site and the Facilities except Permitted Encumbrances.

(c) This Lease is entered into under authority of and pursuant to the Act.

(d) The Authority declares and finds that the Facilities are necessary to operate the Authority, and also promote economic development generally by ensuring a modern and efficient City public works facility.

(e) The officers of the Authority executing this Lease have been duly authorized to do so.

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

## ARTICLE III

### ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS; PAYMENT OF COSTS

Section 3.1. Costs. The City has caused estimates of the costs of construction of the Improvements on the Site to be prepared, which estimates have been reviewed and approved by the Authority. Based on such estimates, the total costs of construction of the Improvements on the Site, when added to the Costs of Issuance of the Bonds, are estimated to be not less than \$10,130,000. In order to provide the moneys needed to pay such costs when due, and in consideration of the actions agreed to be performed by the City under this Lease, the Board of Commissioners of the Authority has adopted the Bond Resolution, pursuant to which the proceeds of sale of the Bonds in the amount of \$\_\_\_\_\_ (par amount of \$10,130,000.00, plus original issue premium of \$\_\_\_\_\_, less underwriter's discount of \$\_\_\_\_\_) will be deposited with the City.

#### Section 3.2. Acquisition of Site; Construction of Improvements; Payment of Cost.

(a) The Authority shall cause the Improvements to be constructed with all reasonable dispatch. The Authority hereby appoints the City as its agent for the purpose of construction of the Improvements on the Site, and the City may perform the same itself or through its agents, and may make or issue such contracts, orders, receipts and instructions, and in general do or cease to be done all such other things as it may consider requisite or advisable for the completion of the Improvements and for fulfilling its obligations under this Article. The City shall have full authority and the sole right under this Lease to supervise and control, directly or indirectly, all aspects of the construction of the Improvements on the Site.

(b) The Authority shall deposit the proceeds of the issuance and sale of the Bonds in the amount of \$\_\_\_\_\_ with the City for credit to the Project Fund, as provided in the Bond Resolution. Amounts in the Project Fund shall be disbursed to pay the following costs (referred to as "Project Costs"):

(i) Obligations incurred for labor (including payroll cost of City employees according to time spent by such employees on the Improvements) and to contractors, builders and material suppliers in connection with the construction, reconstruction, renovation and installation of the Improvements, including obligations for machinery, materials and equipment therefor;

(ii) Costs of acquisition of land and all interests in land required specifically for the Site, site improvements required for the construction or operation of the Improvements, demolition of any portion of the existing building on the Site and removal of any equipment therefrom (net of any salvage).

(iii) Costs of acquisition and installation of equipment, furnishings and other tangible personal property required for the Improvements or the Facilities;

(iv) Fees and expenses of engineers and architects for surveys, estimates and other preliminary investigations, preparation of plans, drawings and specifications, and supervising construction, as well as for the performance of all other duties of engineers and architects in relation to the Improvements or the issuance of the Bonds therefor, including the costs of such services as may have been performed by employees of the City;

(v) Expenses of administration, supervision and inspection properly chargeable to the Improvements or acquisition of the Site, administrative fees and other expenses relating to the acquisition of the Site and Improvements, title insurance premiums, abstracting and filing fees, and legal expenses and fees;

(vi) Costs of Issuance of the Bonds; and

(vii) Any other obligation or expense heretofore or hereafter incurred by the City in connection with the Improvements defined as and constituting a proper Improvements cost and approved by an Authorized Officer of the City.

(c) Before any of the payments referred to in this Section may be made from the Project Fund, an Authorized Officer of the City shall certify with respect to each such payment: (i) that none of the items for which the payment is proposed to be made has formed the basis for any payment theretofore made from the Project Fund; and (ii) that each item for which payment is proposed to be made is or was necessary in connection with construction of the Improvements. In the case of any construction contract providing for the retention of a portion of the contract price, there shall be paid only the net amount remaining after deduction of any such portion. Notwithstanding anything to the contrary herein, proceeds of the Bonds may be applied directly to pay Costs of Issuance in accordance with the Bond Resolution.

(d) Money in the Project Fund shall be subject to withdrawal from time to time only for the purposes of paying Project Costs or for the reimbursement to the City, subject to any applicable provision of law, for payments theretofore made by the City for Project Costs. The Authority agrees that none of the funds in the Project Fund shall be used for any purposes other than payment or reimbursement of Project Costs and the payment of principal of, premium (if any) on and interest on the Bonds.

(e) If the proceeds of the Bonds, together with any other moneys available to pay the costs of construction of the Improvements, shall not be sufficient to pay such costs in full, then the City shall pay all that portion of the costs in excess of the moneys available therefor. If the City shall make any payments pursuant to this subsection, it shall not be entitled to any reimbursement therefor from the Authority or the Owners of the Bonds, nor shall it be entitled to any diminution in or postponement of the payment of the Lease Payments, the Additional Lease Payments or the payment of any other amounts payable under this Lease.

(f) The Completion Date shall be the date on which the Improvements are completed in their entirety and the Facilities, as improved by the Improvements, are ready to be placed in service and all other property which constitutes the Facilities has been acquired and installed, all as determined by the City. Promptly after the Completion Date, the City shall submit to the Authority a certificate signed by an officer of the City, substantially in the form of EXHIBIT C hereto, which shall specify the Completion Date and shall state that construction of the Improvements has been completed and the costs thereof have been paid, except for any portion thereof which has been incurred but is not then due and payable, or the liability for the payment of which is being contested or disputed by the City. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights against third parties which exist at the date thereof or which may subsequently come into being. The certificate as to the Completion Date shall include a list of the equipment financed with proceeds of the Bonds and included as part of the Facilities.

(g) Upon the Completion Date, the City shall transfer any remaining balance in the Project Fund to the Debt Service Fund for the Bonds in accordance with the Bond Resolution.

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## ARTICLE IV

### LEASE AND SALE OF FACILITIES

Section 4.1. Lease and Sale of Facilities. The Authority hereby leases and sells its leasehold interest in the Site and the Facilities to the City, and the City hereby leases and purchases the Authority's interest in the Site and the Facilities from the Authority, upon the terms and conditions set forth in this Lease. The sale shall be completed in accordance with the terms of Section 5.5 hereof.

The Site and the Facilities are leased and sold in their present condition without representation or warranty of any kind by the Authority, and subject to the rights of parties in possession, to the existing state of title, to all applicable legal requirements now or hereafter in effect, and to Permitted Encumbrances. The City has examined the Site and title thereto and has found all of the same to be satisfactory for the purposes of this Lease.

Section 4.2. Lease Payments. Subject to the provisions of Section 4.4 hereof, the City shall pay to the Authority the Lease Payments at the times and in the manner specified in the attached EXHIBIT B. The Lease Payments shall be paid in lawful money of the United States of America, in same-day funds, directly to the Bond Registrar. It is acknowledged that the Lease Payment to be made on each February 1 or August 1 shall be applied by the Bond Registrar to payment of the principal of and interest on the Bonds to be paid on the same date.

Section 4.3. Additional Lease Payments. During the Term of this Lease, the City shall pay or cause to be paid as Additional Lease Payments the following amounts:

- (a) All fees, charges and expenses, including agent and counsel fees, of the Bond Registrar and any Paying Agent, as and when the same become due.
- (b) All costs incident to the payment of the principal of, premium, if any, and interest on the Bonds as the same become due and payable, including redemption premiums, if any, and all other costs and expenses in connection with the call, redemption and payment of Bonds.
- (c) An amount sufficient to reimburse the Authority for all expenses reasonably incurred by the Authority hereunder and in connection with the performance of the Authority's obligations under this Lease or the Bond Resolution.
- (d) All expenses incurred in connection with the enforcement of any rights under this Lease by the Authority or the Owners of the Bonds.
- (e) All other payments of whatever nature which the City has agreed to pay or assume under the provisions of this Lease (including without limitation any amounts advanced under Section 6.2(b) hereof and interest thereon).
- (f) All costs, charges, expenses and other amounts and obligations due and owing by the Authority under the Ground Lease, as and when the same become due.

Section 4.4. Source of Lease Payments. Notwithstanding any other provision of this Lease apparently to the contrary, this Lease shall not constitute a general or moral obligation of the City, and the full faith and credit of the City are not pledged for the payment of the Lease Payments or the performance by the City of its obligations hereunder. The Lease Payments and Additional Lease Payments shall be paid, and

other obligations of the City hereunder shall be met, solely from the amount appropriated by the City Council for such purpose in the City's annual budget and shall constitute a current expense of the City for the Fiscal Year then in effect. It shall not constitute an indebtedness of the City within the meaning of the Constitution and laws of the State.

The other obligations of the City hereunder shall be met solely from one or more of the following: (a) Net Proceeds of insurance or self-insurance required to be maintained by the City under Article VII hereof; (b) Net Proceeds of any condemnation award with respect to the Site and Facilities; and (c) moneys from time to time appropriated by the City Council for this purpose, provided that the City Council shall have no legal obligation to appropriate moneys for this purpose.

#### Section 4.5. City's Obligations and Remedies.

(a) Except as provided in Section 5.6 hereof, the City's obligation to pay Lease Payments due with respect to the Site and the Facilities, and to perform and observe all other covenants and agreements of the City contained herein, shall be absolute and unconditional; and the Lease Payments and Additional Lease Payments due and payable hereunder shall be made without notice or demand and without set-off, counterclaim, abatement, deduction or defense, including without limitation any failure or delay by the Authority in the performance of any of its obligations hereunder, and irrespective of whether the Improvements shall have been started or completed, or whether the City's or the Authority's title thereto or to any part thereof is defective or nonexistent, and notwithstanding any damage to, loss, theft or destruction of the Facilities or any part thereof, any failure of consideration, the taking by eminent domain of title to or of the right of temporary use of all or any part of the Facilities, legal curtailment of the City's use thereof, the eviction or constructive eviction of the City, any change in the tax or other laws of the United States of America, the State or any political subdivision thereof, any change in the Authority's legal organization or status, or any default of the Authority hereunder, and regardless of the invalidity of any action of the Authority, and regardless of the invalidity of any portion of this Lease.

(b) Notwithstanding any provision or covenant contained in this Lease or the Bonds, the City is not obligated to renew the Lease beyond any Fiscal Year from time to time in effect, nor is it obligated to budget or appropriate moneys or to pay Lease Payments or Additional Lease Payments beyond the end of the Fiscal Year in effect at a given time.

(c) Nothing in this Lease shall be construed to release the Authority from the performance of any agreement on its part herein contained or as a waiver by the City of any rights or claims which the City may have against the Authority under this Lease or otherwise, but any recovery upon such rights and claims shall be had from the Authority separately, it being the intent of this Lease that the City shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under this Lease during the Term of this Lease unless sooner terminated in accordance with Section 5.2 hereof (including the obligation to make Lease Payments and Additional Lease Payments) for the benefit of the Owners of the Bonds. The City may, however, at its own cost and expense and in its own name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the Authority hereby agrees to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Authority in any such action or proceeding if the City shall so request.



Section 4.6. Possession and Enjoyment. The Authority hereby covenants to provide the City during the Term of this Lease with quiet use and enjoyment of the Site and Facilities, and the City shall during such Term peaceably and quietly have and hold and enjoy the Site and Facilities, without suit, trouble or hindrance from the Authority, except as expressly set forth in this Lease. At the request of the City and at the City's cost, the Authority will join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so.

Section 4.7. Authority Access to Site and Facilities. The Authority shall have the right at all reasonable times to examine and inspect the Site and Facilities, and shall have such rights of access to the Site and Facilities as may be reasonably necessary to cause the proper maintenance thereof in the event of failure by the City to perform its obligations hereunder.

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## **ARTICLE V**

### **TERM OF LEASE; TRANSFER OR SURRENDER OF SITE AND FACILITIES**

Section 5.1. Lease Term. Subject to the provisions of Section 5.6 hereof, this Lease shall be in effect for a Term commencing upon the execution hereof and ending on February 1, 2055.

Section 5.2. Termination of Lease Term. The Term of this Lease will terminate upon the occurrence of the first of the following events:

- (a) non-appropriation by the City pursuant to Section 5.6 hereof;
- (b) the payment by the City of the Purchase Price, pursuant to Section 8.1 hereof;
- (c) the discharge by the City of its obligation to pay the Lease Payments and Additional Lease Payments required to be paid by it hereunder pursuant to Section 8.3 hereof; or
- (d) a default by the City and the Authority's election to terminate this Lease pursuant to Article X hereof.

Section 5.3. Authority's Interest in the Site and Facilities. Upon payment of all Lease Payments and Additional Lease Payments due hereunder, or upon prepayment of the Lease Payments and Additional Lease Payments or discharge of the City's obligation to make the Lease Payments and Additional Lease Payments in accordance with Article VIII hereof, and in either event, upon defeasance of the Bonds, full and unencumbered legal title to the Facilities shall pass to the City, and the Authority shall have no further interest therein. In such event the Authority and its officers shall take all actions necessary to authorize, execute and deliver to the City any and all documents necessary to vest in the City, all of the Authority's right, title and interest in and to the Site and Facilities, free and clear of all liens, leasehold interests, encumbrances (other than Permitted Encumbrances), including, if necessary, a release of any and all interests or liens created under the provisions of this Lease.

Section 5.4. Surrender of Site and Facilities. Upon termination of the Term of this Lease pursuant to Section 5.2(a) or (d) hereof, or upon exercise by the Authority of its right to take possession of the Site and Facilities under Section 10.2 hereof, the City shall surrender the Site and Facilities to the Authority in the condition in which they were originally received from the Authority, except as repaired, rebuilt, restored, altered or added to as permitted or required hereby, ordinary wear and tear excepted. The City shall have the right to remove from the Site and Facilities at or prior to such termination or possession all personal property located therein which was not financed with proceeds of the Bonds, or which has not replaced personal property so financed, and which is not otherwise owned by the Authority, but the City shall repair any damages caused by such removal.

Section 5.5. Purchase; Conveyance of Title. At any time when the Purchase Price, together with any unpaid or delinquent interest, has been fully paid or provided for, whether by (i) payment of all Lease Payments and Additional Lease Payments as provided in Section 8.1 hereof, or (ii) payment or provision for payment of the Purchase Price as provided in Article VIII hereof, then the purchase of the Site and the Facilities by the City shall be deemed to have been completed. The Authority shall thereupon deliver to the City such instruments of conveyance or release as, in the opinion of the City, may be necessary to release the interest of the Authority in the Site and Facilities.

Section 5.6. Non-Appropriation. If the City Council does not appropriate or budget moneys sufficient to pay the Lease Payments and reasonably estimated Additional Lease Payments coming due in the next Fiscal Year, as determined by the City's budget for the Fiscal Year in question, then the Term of this Lease shall terminate at the end of the preceding Fiscal Year. The City Council shall effect such non-appropriation by adoption of a resolution specifically referring to this Lease and determining (i) not to provide moneys for payments due hereunder in the next Fiscal Year and (ii) that the Lease shall terminate at the end of the then-current Fiscal Year, and the City shall give the Authority a written notice of such non-appropriation and shall pay to the Authority any Lease Payments and Additional Lease Payments which are due and have not been paid at or before the end of its then current Fiscal Year. The City shall endeavor to give as much notice of non-renewal as possible prior to the end of such Fiscal Year, but in any event the City shall not be required to give more than twelve (12) months' notice, and the City shall notify the Authority of any anticipated termination. In the event of termination of this Lease as provided in this Section, the City shall surrender possession of the Site and Facilities to the Authority in accordance with Section 5.4 hereof and convey to the Authority or release its interest in the Site and Facilities within ten (10) days after the expiration of the then-current term.

Section 5.7. Intent to Continue Term; Appropriations. The City presently intends to continue this Lease for its entire Term and to pay all Lease Payments specified in EXHIBIT B attached hereto and Additional Lease Payments. The City reasonably believes that moneys in an amount sufficient to make all such Lease Payments and Additional Lease Payments can and will lawfully be appropriated or budgeted and made available.

Section 5.8. Effect of Termination. Upon termination of this Lease as provided in Section 5.6 hereof, the City shall not be responsible for the payment of any Lease Payments or Additional Lease Payments coming due with respect to succeeding Fiscal Years, but if the City has not delivered possession of the Site and Facilities to the Authority in accordance with Section 5.4 hereof and conveyed to the Authority or released its interest in the Site and Facilities within ten (10) days after the termination date, the termination shall nevertheless be effective, but the City shall be responsible for the payment of damages in an amount equal to the amount of the Lease Payments thereafter coming due under EXHIBIT B attached hereto and Additional Lease Payments which are attributable to the number of days during which the City fails to take such actions and for any other loss suffered by the Authority as a result of the City's failure to take such actions as required. The City shall be required to pay over to the Authority any moneys which it has appropriated or budgeted for the purpose of paying obligations under this Lease for any Fiscal Years preceding the Fiscal Year for which non-renewal under Section 5.6 hereof is effective.

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## ARTICLE VI

### GENERAL MATTERS

Section 6.1. Use; Permits. The City shall exercise due care in the use, operation and maintenance of the Site and Facilities, and shall not use, operate or maintain the Site and Facilities improperly, carelessly, in violation of any State and Federal Law or for a purpose or in a manner contrary to that contemplated by this Lease. The City shall obtain or cause to be obtained all permits and licenses necessary for the operation, possession and use of the Site and Facilities. The City shall comply with all State and Federal Laws applicable to the operation, possession and use of the Site and Facilities, and if compliance with any such State and Federal Law requires changes or additions to be made to the Site and Facilities, such changes or additions shall be made by the City at its expense.

Section 6.2. Maintenance and Modification of Facilities by the City.

(a) During the Term of this Lease the City shall, at its own expense, maintain, preserve and keep the Site and the Facilities in good repair, working order and condition, and shall from time to time make all repairs, replacements and improvements necessary to keep the Site and the Facilities in such condition. The Authority shall have no responsibility for any of these repairs, replacements or improvements. In addition, the City shall, at its own expense, have the right to remodel the Facilities or to make additions, modifications and improvements thereto. All such additions, modifications and improvements shall thereafter comprise part of the Facilities and be subject to the provisions of this Lease. Such additions, modifications and improvements shall not in any way damage the Facilities; and the Facilities, 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 Facilities 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 the City in such manner and on such terms as are determined by the City. The City will not permit any mechanic's or other lien to be established or remain against the Site and Facilities for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City pursuant to this Section; provided that if any such lien is established and the City shall first notify the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Site or the Facilities, 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 the Authority shall notify the City that, in the opinion of Independent Counsel, by nonpayment of any such item the interest of the Authority in the Site or the Facilities will be materially endangered or the Site or the Facilities or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide the Authority with full security against any such loss or forfeiture, in form satisfactory to the Authority. The Authority will cooperate fully with the City in any such contest, upon the request and at the expense of the City.

(b) In the event the Authority becomes aware of any condition on the Site or in the Facilities which, in the reasonable opinion of the Authority, creates a risk to the health and safety of any users of the Facilities or creates a risk of significant deterioration of the Facilities (as improved by the Improvements) if not corrected, the Authority may, but shall be under no obligation to, notify the City of such condition and request that it be cured as promptly as is reasonably possible. In the event the City does not promptly cure such condition, the Authority may, but shall be under no obligation to, take reasonable steps to correct such condition. In such event, the cost to the Authority

and interest thereon at the highest rate specified in any Bond until paid will be charged to the City as an Additional Lease Payment.

Section 6.3. Taxes, Other Governmental Charges and Utility Charges. During the Term of this Lease the City shall also pay or cause to be paid when due all gas, water, steam, electricity, heat, power and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Site and the Facilities. The City 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 Site or the Facilities or any part thereof or the Lease Payments, 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 Site or the Facilities; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City 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. The City shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by the Authority, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property.

The City may, at the City's expense and in the City'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 the Authority shall notify the City that, in the opinion of Independent Counsel, by nonpayment of any such items the interest of the Authority in the Site or the Facilities will be materially endangered or the Site, the Facilities or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

Section 6.4. Liens. The City 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 Site or the Facilities, except the respective rights of the Authority and the City as herein provided and Permitted Encumbrances. Except as expressly provided in this Article, the City shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. The City shall reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 6.5. Easements. The Authority will from time to time, at the request of the City and at the City's cost and expense, cooperate and join with the City: (a) in granting easements and other rights in the nature of easements, releasing existing easements or other rights in nature of easements which are for the benefit of the Site or the Facilities; (b) in executing amendments to any covenants and restrictions affecting the Site or the Facilities; (c) in executing and delivering to any person any instrument appropriate (i) to confirm or to the effect that such grant, release or execution is not detrimental to the proper conduct of the operations of the City on or in the Site or the Facilities; (ii) to show the consideration, if any, being paid for such grant, release or amendment; (iii) to show that such grant, release, dedication, transfer, petition or amendment does not materially impair the use of the Site or the Facilities or reduce the value of the Site or the Facilities; or (iv) to confirm that the City will remain obligated hereunder to the same extent as if such grant, release, or amendment had not been made, and the City will perform all obligations under such instrument. The consideration, if any, received by the Authority or the City for such grant, release, or amendment shall be applied to the payment of the Bonds.

Section 6.6. Addition and Substitution of Land. The Authority and the City agree to add to the Ground Lease and this Lease certain additional interests in land, and to release from the Ground Lease and this Lease certain portions of the Site, and to substitute other interests in real property for some or all of the portions of the Site so released, but only upon the conditions hereinafter set forth:

(a) The City may, from time to time, add additional real property to the Site subject to the Ground Lease and this Lease if (i) the additional real property is to be the site of a portion of the Facilities; and (ii) the City provides the Authority with an adequate legal description and survey of the Site, satisfactory to the Authority.

(b) The City may, from time to time and with the prior written consent of the Authority, obtain the release of a portion of the Site as now described, if (i) the City certifies that such portion of the Site is not reasonably necessary for the construction of Improvements or operation of the Facilities; and (ii) the unreleased portion of the Site is not impaired by such release with respect to ingress and egress, access to dedicated roads and use of the unreleased portion of the Site for its then current or intended purposes.

(c) To accomplish the addition, release or substitution of real property as described in subsection (a) or (b) above, the City shall prepare and furnish to the Authority amendments or supplements to this Lease, the Ground Lease and any UCC financing statements filed in connection with this Lease. The City shall pay all expenses, including attorney's fees, incurred in accomplishing any such addition, release or substitution.

Section 6.7. [Reserved].

Section 6.8. Compliance with Bond Resolution. During the Term of this Lease, the City agrees to perform all obligations imposed upon the Authority or the City by the Bond Resolution.

Section 6.9. Tax Covenants.

(a) The City covenants and agrees with the Authority for the benefit of the Owners from time to time of the Bonds that it will take, and will cause its officers, employees or agents to take, all actions necessary to comply with the applicable provisions of the Code, and that it will not take or permit to be taken by any of its officers, employees or agents any actions that would cause the interest on the Bonds to become subject to federal income taxation under the applicable provisions of the Code.

(b) None of the proceeds of the Bonds will be used, directly or indirectly, to replace funds which were used in any business carried on by any person other than a state or local governmental unit.

(c) The payment of the Lease Payments will not be (i) directly or indirectly secured by any interest in (A) property used or to be used for a private business use by any person other than a state or local governmental unit or (B) payments in respect of such property; or (ii) directly or indirectly derived from payments (whether or not by or to the Authority or the City), in respect of property or borrowed money, used or to be used for a private business use by any person other than a state or local governmental unit.

(d) None of the proceeds of the Bonds will be used, directly or indirectly, to make or finance loans to persons other than a state or local governmental unit.

(e) Except as provided below, no user of the Facilities or other property financed with proceeds of the Bonds will use the Facilities or such other property in a trade or business on any basis other than the same basis as the general public; and no person other than a state or local governmental unit will be a user of the Facilities or such other property in a trade or business as a result of (i) ownership; or (ii) actual or beneficial use pursuant to a lease or a management or incentive payment contract; or (iii) joint venture or any other similar arrangement. Notwithstanding the foregoing, the City may permit a portion of the usable square footage of the Facilities to be used in the trade or business of a person other than a governmental unit, subject to the same conditions that apply to any sublease by the City under Section 9.2 hereof (e.g., consent the Authority and receipt of an opinion of Bond Counsel).

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## ARTICLE VII

### INSURANCE AND INDEMNIFICATION; DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.1. Liability Insurance. During the Term of this Lease the City shall procure and maintain continuously in effect with respect to the Site and the Facilities, insurance against 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 maintenance, use or operation of the Site, the Facilities or any part thereof, in amounts not less than the City's tort liability limits under Minnesota Statutes, Chapter 466, as amended ("Chapter 466"), for death of or personal injury to any one person, in amounts not less than the City's tort liability limits under Chapter 466 for all personal injuries and deaths arising out of any one occurrence, and in amounts not less than the City's tort liability limits under Chapter 466 for property damage arising out of any one occurrence. The Net Proceeds of all such insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds may be paid. It is understood that with respect to persons or entities other than the Authority, this insurance covers any and all liability of the City and its officers, employees and agents. As an alternative to the purchase of liability insurance, the City may self-insure against such liabilities in accordance with the provisions of applicable law. Policies of commercial insurance may include deductibles of no more than ten percent (10%) of policy amounts.

Section 7.2. Property Insurance. During the Term of this Lease, the City shall procure and maintain continuously in effect, to the extent of the full insurable value of the Facilities, other than building foundations, but in an amount at least equal to the principal amount of the outstanding Bonds from time to time, insurance against loss from or damage by vandalism and fire, with a uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State, 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. All policies (or endorsements or riders) evidencing insurance required in this Section shall be carried in the names of the City and the Authority, as their respective interests may appear. The Net Proceeds of insurance required by this Section shall be applied as provided in Article VII hereof.

Section 7.3. Administration of Claims, Etc. Neither the City nor the Authority shall be required to prosecute any claim against or contest any settlement proposed by any insurer, but any of them may prosecute any such claim or contest any such settlement. In the event of a contest by the City, it shall be at the City's expense, and the City may bring such claim or contest in the name of the Authority, the City or both, and the Authority will join therein at the City's written request upon the receipt by the Authority of an indemnity from the City against all costs, liabilities and expenses in connection with such claim or contest.

Section 7.4. 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 the City and the Authority at least thirty (30) days before the cancellation or revision becomes effective; and shall name the City and the Authority as insured parties. The insurance required by Sections 7.1 and 7.2 hereof may be provided by the City pursuant to an umbrella policy which provides coverage for the amounts and the insurable incidents provided in such Sections. Annually, the City shall deposit with the Authority policies evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in force and effect. Before the expiration of any such policy, the City shall furnish to the Authority 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.



Section 7.5. Indemnification. As between the Authority and the City, to the extent permitted by the laws of the State, the City assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Facilities 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 the City, the Authority or of third parties, and whether such property damage be to the City or the Authority's property or the property of others, which is proximately caused by the negligent conduct of the City, its officers, employees, agents and lessees, or arising out of the operation, maintenance or use of the Site and the Facilities by the City, its officers, employees, agents and lessees. The City hereby assumes responsibility for and agrees to reimburse the Authority for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorney's fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Authority or its officers or employees that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part on the foregoing, to the maximum extent permitted by law.

Section 7.6. Hazardous Substance Indemnification. The City agrees, to the extent permitted by the laws of the State, to defend, indemnify and hold harmless the Authority, its officers, employees, agents, successors and assigns (the "Indemnitees") from and against, and shall reimburse the Indemnitees for, any and all loss, claim, liability, damage, judgment, penalty, injunctive relief, injury to personal property or natural resources, cost, expense, action or cause of action arising in connection with or as the result of any past, present or future existence, use, handling, storage, transportation, manufacture, release or disposal of any Hazardous Substance in, on or under the land upon which the Project is located, whether foreseeable or unforeseeable, regardless of the source, the time of occurrence or the time of discovery (collectively referred to as "Loss"). This indemnification against Loss includes, without limitation, indemnification against all costs in law or in equity or removal, response, investigation, or remediation of any kind, and disposal of such Hazardous Substances, all costs of determining whether the land upon which the Project is located, is in compliance with, and of causing the land upon which the Project is located, to be in compliance with, all applicable Environmental Laws, all costs associated with claims for damages to persons, property, or natural resources, and the Indemnitees' reasonable attorneys' and consultants' fees, court costs and expenses incurred in connection with any of the above. For this purpose "Hazardous Substance" shall be defined as any substance, the presence of which requires investigation, permitting, control or remediation under any federal, state or local statute, regulation, ordinance or order, including without limitation: (a) any substance defined as "hazardous waste" under the Resource Conservation and Recovery Act, as amended (42 U.S.C. §6901, et seq.); (b) any substance defined as a "hazardous substance" under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. §9601, et seq.); (c) any substance defined as a "hazardous material" under the Hazardous Materials Transportation Act (49 U.S.C. §5101, et seq.); (d) any substance defined under any Minnesota statute analogous to (a), (b) or (c), to the extent that said statute defines any term more expansively; (e) asbestos; (f) urea formaldehyde; (g) polychlorinated biphenyls; (h) petroleum, or any distillate or fraction thereof; (i) any hazardous or toxic substance designated pursuant to the laws of the State; and (j) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority.

Section 7.7. Damage, Destruction and Condemnation. If the Facilities or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty or title to or the temporary use of the Facilities or any part thereof, or the interest of the City or the Authority in the Site or the Facilities or any part thereof is taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the City shall have the rights with respect to the Net Proceeds of any insurance or condemnation award specified in this Section, but the City shall be obligated to continue to pay the Lease Payments and Additional Lease Payments due with respect to the Facilities. All Net Proceeds shall be applied to the prompt repair, restoration, modification, improvement or replacement of the Site and the Facilities by the City, or, if the City elects not to repair or rebuild, all Net

Proceeds shall be applied to prepay the Lease Payments and Additional Lease Payments; in either event all Net Proceeds not needed for the purpose shall belong to the City.

Section 7.8. Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Site and the Facilities, the City shall either: (a) complete the work and pay any cost in excess of the amount of the Net Proceeds, and the City agrees that if by reason of any such insufficiency of the Net Proceeds, the City shall make any payments pursuant to the provisions of this Section 7.8, the City shall not be entitled to any reimbursement therefor from the Authority nor shall the City be entitled to any diminution of the Lease Payments or Additional Lease Payments due with respect to the Facilities; or (b) prepay the Lease Payments and Additional Lease Payments, in which event the Net Proceeds shall be used for this purpose. If the City elects not to repair, rebuild or restore, the City shall prepay or discharge the Lease Payments and Additional Lease Payments to the full extent of the Net Proceeds.

Section 7.9. Cooperation of Authority. The Authority shall cooperate fully with the City at the expense of the City in filing any proof of loss with respect to any insurance policy covering the casualties described in Section 7.7 hereof and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Site or the Facilities or any part thereof and will, to the extent it may lawfully do so, permit the City to litigate in any proceeding resulting therefrom in the name of and on behalf of the Authority. In no event will the Authority 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 Site or the Facilities or any part thereof without the written consent of the City.

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## ARTICLE VIII

### OPTION TO PURCHASE; OPTION TO PREPAY

Section 8.1. Option to Purchase or Prepay. The City shall have the option at any time to purchase the Site and Facilities by payment to the Authority of the Purchase Price then applicable, or to prepay unpaid Lease Payments and Additional Lease Payments, in whole or in part.

Section 8.2. Exercise of Option. The City shall give notice to the Authority of its intention to exercise its purchase or prepayment option not less than forty-five (45) days in advance of the date of prepayment or purchase, and shall pay to the Authority on the date of prepayment or purchase the prepayment amount or (in the event of a purchase) an amount equal to the then current Purchase Price, less any Net Proceeds to be applied to the amount to be so paid in accordance with Section 7.8 hereof.

Section 8.3. Provision for Payment of Purchase Price; Discharge of City's Obligation. The City may at any time provide for the payment of the Purchase Price or discharge its obligation to pay Lease Payments due under this Lease by depositing irrevocably in escrow with a bank or trust company, cash or direct obligations of the United States, bearing interest payable at such times and at such rates and maturing on such dates, but not callable prior thereto, as shall be required to provide moneys sufficient to pay or prepay all unpaid Lease Payments and the applicable redemption premium, if any, on the Outstanding Bonds, on the dates when they are due or subject to prepayment as provided in Section 8.1 hereof, as determined by the City, together with (i) computations and an opinion letter of a certified public accounting firm showing and attesting to the sufficiency of such moneys and securities for this purpose, and (ii) an opinion letter of Bond Counsel stating that the deposit of such cash or securities will not cause the Bonds to become "arbitrage bonds" under Section 148 of the Internal Revenue Code.

Section 8.4. Prerequisite; No Default. The City may exercise the rights specified in Sections 8.1, 8.2, and 8.3 hereof only if it is not in default under this Lease or if such exercise cures any default then existing.

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## ARTICLE IX

### ASSIGNMENT, SUBLEASING, INDEMNIFICATION, MORTGAGING AND SELLING

Section 9.1. Assignment by Authority. Except as expressly provided in this Section, the Authority's rights and obligations under this Lease, including the right to receive and enforce payment of the Lease Payments and Additional Lease Payments to be made by the City under this Lease and its interest in the Site and the Facilities, shall not be assigned, pledged, mortgaged or transferred, in whole or in part. The rights and obligations of the Authority may be transferred and assigned to any legal successor to the functions of the Authority.

Section 9.2. Assignment and Subleasing by the City. The rights and obligations of the City under this Lease may not be assigned by the City without the written consent of the Authority. The City may sublease the Project, or any portion thereof, to any other entity, provided that the City furnishes to the Authority an opinion of Bond Counsel that such sublease will not adversely affect the validity of the Outstanding Bonds or the exemption of the interest thereon from federal income taxation.

Section 9.3. Restriction on Mortgage or Sale by the City. Without the prior written consent of the Authority, the City will not mortgage, sell, assign, transfer or convey the Site or the Facilities or any portion thereof during the Term of this Lease.

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## ARTICLE X

### EVENTS OF DEFAULT AND REMEDIES

Section 10.1. Events of Default Defined. Any one (1) or more of the following events shall be an “Event of Default” under this Lease:

(a) the failure by the City to pay any Lease Payment, Additional Lease Payment, or other payment required to be paid hereunder at the time and from the sources specified herein;

(b) the failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) above, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority, unless the Authority 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, the Authority shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected;

(c) the occurrence of any of the following events:

(i) the City shall (A) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the City or of all or a substantial part of its property; (B) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect); or (C) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) a proceeding or case shall be commenced, without the application or consent of the City, as the case may be, in any court of competent jurisdiction, seeking (A) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the City; (B) the appointment of a trustee, receiver, custodian, liquidator or the like of the City; or (C) similar relief in respect of the City under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case has not been dismissed within sixty (60) days of the filing thereof.

The provisions of subsection (b) above are subject to the following limitation: if by reason of force majeure either party is unable in whole or in part to carry out its obligations under this Lease, it shall not be deemed in default during the continuance of such inability or during any other delays which are a direct consequence of the force majeure inability, and the time for such performance shall be extended to cover such delays. 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, or the State or any of its departments, agencies or officials; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; pandemics; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of a party and not resulting from its negligence. Each party agrees, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements.

Section 10.2. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Authority may take, but only upon not less than five (5) days' written notice to the City, one or any combination of the following remedial steps:

(a) without terminating this Lease, re-enter and take possession of the Site and the Facilities and exclude the City from using the Site and the Facilities until the Event of Default is cured;

(b) subject to the provisions of Section 5.6 hereof, take any action at law or in equity which may appear necessary or desirable to: (i) collect the Lease Payments and Additional Lease Payments then due for the Fiscal Year then in effect; (ii) collect any Lease Payments and Additional Lease Payments to become due and payable during the current Fiscal Year; or (iii) enforce performance and observance of any obligation, agreement or covenant of the City under this Lease; or

(c) terminate the Term of this Lease, exclude the City from possession of the Site and the Facilities, and use its best efforts to lease the Site and the Facilities to another for the account of the City, holding the City liable for the difference between the rentals received and the Lease Payments and Additional Lease Payments which would have been receivable hereunder for the Fiscal Year then in effect.

This provision does not limit any other remedies which the Authority may have under any other document or provision of law.

Section 10.3. 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 part 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 10.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority 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 10.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease is 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.

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## ARTICLE XI

### ADMINISTRATIVE PROVISIONS

Section 11.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand-delivered or deposited in the United States mail in certified or registered form with postage fully prepaid:

If to the City:                   City of New Prague, Minnesota  
118 Central Avenue N.  
New Prague, MN 56071  
Attention: City Administrator

If to the Authority:           New Prague Economic Development Authority  
118 Central Avenue N.  
New Prague, MN 56071  
Attention: Executive Director

The above-named persons, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.2. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

Section 11.3. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court or competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.4. Amendments, Changes and Modifications. This Lease may be amended or any of its terms modified only by written amendment authorized and executed by the City and the Authority.

Section 11.5. Further Assurances and Corrective Instruments. The Authority and the City 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 Site and the Facilities or for carrying out the expressed intention of this Lease.

Section 11.6. 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 11.7. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State.

Section 11.8. Authorized Officers. Whenever under the provisions of this Lease the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval of such request shall be given for the Authority or for the City by an Authorized Officer, and any party hereto shall be authorized to rely upon any such approval or request.

Section 11.9. 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.

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IN WITNESS WHEREOF, the Authority has caused this Lease with Option to Purchase Agreement to be executed in its corporate name by its duly authorized officers; and the City has caused this Lease with Option to Purchase Agreement to be executed in its name by its duly authorized officers and sealed with its corporate seal, as of the date and year first written above.

**NEW PRAGUE ECONOMIC DEVELOPMENT  
AUTHORITY**

By \_\_\_\_\_  
Its President

By \_\_\_\_\_  
Its Executive Director

STATE OF MINNESOTA       )  
                                          ) ss.  
COUNTY OF SCOTT        )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2025, by \_\_\_\_\_, the President of the New Prague Economic Development Authority, a public body corporate and politic and political subdivision of the State of Minnesota, on behalf of the Authority.

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

STATE OF MINNESOTA       )  
                                          ) ss.  
COUNTY OF SCOTT        )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2025, by \_\_\_\_\_, the Executive Director of the New Prague Economic Development Authority, a public body corporate and politic and political subdivision of the State of Minnesota, on behalf of the Authority.

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

Execution page of the City to the Lease with Option to Purchase Agreement, dated as of the date and year first written above.

**CITY OF NEW PRAGUE, MINNESOTA**

By \_\_\_\_\_  
Its Mayor

(SEAL)

By \_\_\_\_\_  
Its City Administrator

STATE OF MINNESOTA     )  
                                          ) ss.  
COUNTY OF SCOTT        )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2025, by \_\_\_\_\_, the Mayor of the City of New Prague, Minnesota, a statutory city and political subdivision of the State of Minnesota, on behalf of the City.

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

STATE OF MINNESOTA     )  
                                          ) ss.  
COUNTY OF SCOTT        )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2025, by \_\_\_\_\_, the City Administrator of the City of New Prague, Minnesota, a statutory city and political subdivision of the State of Minnesota, on behalf of the City.

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

## **EXHIBIT A**

### **DESCRIPTION OF SITE AND PERMITTED ENCUMBRANCES**

Legal Description of the Site

Permitted Encumbrances

None

**EXHIBIT B****SCHEDULE OF LEASE PAYMENTS**

| Payment Date | Principal | Interest | Total Payment |
|--------------|-----------|----------|---------------|
|              |           |          |               |
| 08/01/2026   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2027   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2027   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2028   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2028   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2029   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2029   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2030   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2030   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2031   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2031   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2032   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2032   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2033   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2033   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2034   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2034   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2035   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2035   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2036   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2036   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2037   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2037   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2038   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2038   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2039   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2039   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2040   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2040   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2041   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2041   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2042   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2042   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2043   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2043   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2044   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2044   | \$0.00    | \$0.00   | \$0.00        |
| 02/01/2045   | \$0.00    | \$0.00   | \$0.00        |
| 08/01/2045   | \$0.00    | \$0.00   | \$0.00        |

|            |        |        |        |
|------------|--------|--------|--------|
| 02/01/2046 | \$0.00 | \$0.00 | \$0.00 |
| 08/01/2046 | \$0.00 | \$0.00 | \$0.00 |
| 02/01/2047 | \$0.00 | \$0.00 | \$0.00 |
| 08/01/2047 | \$0.00 | \$0.00 | \$0.00 |
| 02/01/2048 | \$0.00 | \$0.00 | \$0.00 |
| 08/01/2048 | \$0.00 | \$0.00 | \$0.00 |
| 02/01/2049 | \$0.00 | \$0.00 | \$0.00 |
| 08/01/2049 | \$0.00 | \$0.00 | \$0.00 |
| 02/01/2050 | \$0.00 | \$0.00 | \$0.00 |
| 08/01/2050 | \$0.00 | \$0.00 | \$0.00 |
| 02/01/2051 | \$0.00 | \$0.00 | \$0.00 |
| 08/01/2051 | \$0.00 | \$0.00 | \$0.00 |
| 02/01/2052 | \$0.00 | \$0.00 | \$0.00 |
| 08/01/2052 | \$0.00 | \$0.00 | \$0.00 |
| 02/01/2053 | \$0.00 | \$0.00 | \$0.00 |
| 08/01/2053 | \$0.00 | \$0.00 | \$0.00 |
| 02/01/2054 | \$0.00 | \$0.00 | \$0.00 |
| 08/01/2054 | \$0.00 | \$0.00 | \$0.00 |
| 02/01/2055 | \$0.00 | \$0.00 | \$0.00 |

## **EXHIBIT C**

### **FORM OF COMPLETION CERTIFICATE**

I, the undersigned, hereby certify that I am the duly qualified and acting City Administrator of the City of New Prague, Minnesota (the "City"), and, with respect to the Lease with Option to Purchase Agreement dated as of October 1, 2025 (the "Lease"), between the City, as lessee, and the New Prague Economic Development Authority, as lessor (the "Authority"), that:

1. The Improvements to the Facilities described in the Lease have been completed , delivered and installed in accordance with the City's specifications.

2. The City has appropriated and/or taken other lawful actions necessary to provide moneys sufficient to pay all Lease Payments required to be paid under the Lease during the current fiscal year of the City, and such moneys will be applied in payment of all Lease Payments due and payable during such current fiscal year.

3. Attached as EXHIBIT A to this Certificate is a list of the equipment financed with proceeds of the Bonds and included as part of the Improvements.

Capitalized terms used in this Certificate have the meaning provided in the Lease.

Dated: \_\_\_\_\_, 20\_\_.

**CITY OF NEW PRAGUE, MINNESOTA**

By \_\_\_\_\_  
Its City Administrator

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## **EXHIBIT A**

### **LIST OF EQUIPMENT**