
GROUND LEASE

between

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

and

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

Dated as of October 1, 2025

Related to:

\$10,130,000

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

This instrument drafted by:

KENNEDY & GRAVEN, CHARTERED (PAM)
150 South Fifth Street, Suite 700
Minneapolis, Minnesota 55402
(612) 337-9300

TABLE OF CONTENTS

	<u>Page</u>
PARTIES AND RECITALS	1
ARTICLE I	
DEMISE OF SITE AND WARRANTIES	
Section 1.01. Demise	1
Section 1.02. Warranties	1
ARTICLE II	
TERM AND RENT	
Section 2.01. Term	3
Section 2.02. Rent	3
ARTICLE III	
TERMINATION	
Section 3.01. Termination	4
Section 3.02. Use of Revenues	4
Section 3.03. Reports	4
Section 3.04. City's Option to Pay Reimbursement Amount	5
Section 3.05. Effect of Termination of Lease	5
ARTICLE IV	
USE OF SITE; ADDITIONAL COVENANTS	
Section 4.01. Use	5
Section 4.02. Quiet Enjoyment	5
Section 4.03. Assignment and Subletting	5
Section 4.04. Additional Covenants	5
ARTICLE V	
MISCELLANEOUS	
Section 5.01. Binding Effect	6
Section 5.02. Definitions	6
SIGNATURES	S-1
EXHIBIT A LEGAL DESCRIPTION OF SITE	A-1

GROUND LEASE

THIS GROUND LEASE, dated as of October 1, 2025 (the “Ground Lease”), is between the CITY OF NEW PRAGUE, MINNESOTA, a statutory city and political subdivision of the State of Minnesota, as lessor (the “City”), and the NEW PRAGUE ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic and political subdivision of the State of Minnesota, as lessee (together with its successors and assigns as lessee hereunder, the “Authority”).

WITNESSETH:

In consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

ARTICLE I

DEMISE OF SITE AND WARRANTIES

Section 1.01. Demise. Subject to and upon the terms, conditions, covenants and undertakings hereinafter set forth, the City hereby leases and permits the use to, and the Authority hereby leases from the City, the property described in EXHIBIT A attached hereto, located in Scott County, Minnesota (the “Site”).

Section 1.02. Warranties. The City covenants and warrants to the Authority:

(1) That the City has good and merchantable title to the Site, has authority to enter into, execute and deliver this Ground Lease, has duly authorized the execution and delivery of this Ground Lease and has duly executed and delivered this Ground Lease;

(2) That the Site is not subject to any dedication, easement, right-of-way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the alteration, improvement or operation of certain facilities (the “Facilities”) on the Site, as contemplated by that certain Lease with Option to Purchase Agreement by and between the City and the Authority of even date herewith (hereinafter called the “Lease”);

(3) That all taxes, assessments or impositions of any kind with respect to the Site, except current taxes, have been paid in full;

(4) That the Site is properly zoned for the purpose of the Facilities; and

(5) That the City has authority to enter into, execute and deliver the Lease, has duly authorized its execution and delivery, and has duly executed and delivered the Lease.

Section 1.03. Environmental Covenant. To the knowledge of the City, without conducting an investigation, (i) no dangerous, toxic or hazardous pollutants, contaminants, chemicals, waste, materials or substances, as defined in or governed by the provisions of any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating thereto (collectively, the “Environmental Regulations”), and also including urea-formaldehyde, polychlorinated biphenyls, asbestos, asbestos-containing materials, nuclear fuel or waste, radioactive materials, explosives, carcinogens and petroleum products, or any other waste, material, substance, pollutant or contaminant which would subject the owner of the Site and the Facilities to any damages, penalties or liabilities under any applicable Environmental Regulation (collectively, the “Hazardous Substances”) are now or have been stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited or disposed of in, upon,

under, over or from the Site or the Facilities in violation of any Environmental Regulation; (ii) no threat exists of a discharge, release or emission of a Hazardous Substance upon or from the Site into the environment; (iii) the Site has not been used as or for a mine, a landfill, a dump or other disposal facility, an industrial or manufacturing facility, or a gasoline service station; (iv) no underground storage tank is located at the Site or has previously been located therein but has been removed therefrom; (v) no violation of any Environmental Regulation now exists relating to the Site or the Facilities, no notice of any such violation or any alleged violation thereof has been issued or given by any governmental entity or agency, and there is not now any investigation or report involving the Site or the Facilities by any governmental entity or agency which in any way relates to Hazardous Substances; (vi) no person, party or private or governmental agency or entity has given any notice of or asserted any claim, cause of action, penalty, cost or demand for payment or compensation, whether or not involving any injury or threatened injury to human health, the environment or natural resources, resulting or allegedly resulting from any activity or event described in clause (i) above; (vii) there are not now any actions, suits, proceedings or damage settlements relating in any way to Hazardous Substances, in, upon, under, over or from the Site; (viii) the Site is not listed in the United States Environmental Protection Agency's National Priorities List of Hazardous Waste Sites or any other list of Hazardous Substance sites maintained by any federal, state or local governmental agency; and (ix) the Site is not subject to any lien or claim for lien or threat of a lien in favor of any governmental entity or agency as a result of any release or threatened release of any Hazardous Substance.

The City shall not store, locate, generate, produce, process, treat, transport, incorporate, discharge, emit, release, deposit or dispose of any Hazardous Substance in, upon, under, over or from the Site or the Facilities in violation of any Environmental Regulation; shall not permit any Hazardous Substance to be stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited, disposed of or to escape therein, thereupon, thereunder, thereover or therefrom in violation of any Environmental Regulation; shall cause all Hazardous Substances to be properly removed therefrom and properly disposed of in accordance with all applicable Environmental Regulations; and shall not install or permit to be installed any underground storage tank therein or thereunder in violation of any Environmental Regulations which are applicable to the Site and the Facilities.

In the event any Hazardous Substance is found upon, under, over or from the Site or the Facilities in violation of any Environmental Regulation or if any lien or claim for lien in favor of any governmental entity or agency as a result of any release of any Hazardous Substance is threatened, the City, at its sole cost and expense, shall, within ten days of such finding, deliver written notice thereof to the Authority and shall promptly remove such Hazardous Substances upon, under, over or from the Site or the Facilities and prevent the imposition of any liens against the Site or the Facilities for the cleanup of any Hazardous Materials. Such removal shall be conducted and completed in compliance with all applicable federal, state and local laws, regulations, rules, ordinances and policies, in accordance with the orders and directives of all federal, state and local governmental authorities. In the event the City has not removed such Hazardous Substances within a time period deemed reasonable by the Authority, the City shall, at the written direction of the Authority, take such remedial action as the Authority shall direct. In the event the City shall not comply with the written directions of the Authority within the time frame established within its written directions, the City hereby grants to the Authority an irrevocable license to remove Hazardous Substances from, repair, clean up, and detoxify the Site and the Facilities and agrees to reimburse the Authority for all of its costs therefor.

The City further agrees, to the extent permitted by Minnesota law, to reimburse the Authority for any and all judgments, penalties, liabilities, costs, damages and expenses, including court costs and attorneys' fees directly or indirectly incurred by the Authority (prior to trial, at trial and on appeal) in any action against or involving the Authority, resulting from any breach of the foregoing covenants, or from the discovery of any Hazardous Substance, in, upon, under or over, or emanating from the Site or the Facilities, whether or not the City is responsible therefor, it being the intent of the City and the Authority that the Authority shall have no liability or responsibility for damage or injury to human health, the environment or natural resources caused

by, for abatement and/or clean up of, or otherwise with respect to, Hazardous Substances by virtue of the interest of the Authority in the Site and the Facilities pursuant to this Ground Lease, or hereafter created, or as the result of the Authority exercising any of its rights or remedies with respect thereto hereunder or under any other instrument, including but not limited to becoming the owner thereof by foreclosure or conveyance in lieu of foreclosure. The foregoing representations, warranties and covenants of this Section shall be deemed continuing covenants, representations and warranties for the benefit of the Authority, including but not limited to any purchaser at a foreclosure sale, any transferee of the title of the Authority or any other purchaser at a foreclosure sale, and any subsequent owner of the Site or the Facilities, and shall survive the satisfaction or release of this Ground Lease, any foreclosure of a mortgage lien under any instrument, and/or any acquisition of title to the Site or the Facilities or any part thereof by the Authority, by deed in lieu of foreclosure or otherwise. Any amounts covered by the foregoing shall bear interest from the date incurred at the maximum rate permitted by law and shall be payable on demand.

ARTICLE II

TERM AND RENT

Section 2.01. Term. The term of this Ground Lease shall commence as of the day and year first above written, and shall end on the date the term of this Ground Lease is terminated in accordance with Section 3.01 hereof.

Section 2.02. Rent. The rent for the entire term of this Ground Lease shall be One Dollar (\$1.00), payable in one installment in advance of the Closing.

ARTICLE III

TERMINATION

Section 3.01. Termination. Subject to the other provisions of this Ground Lease, this Ground Lease shall terminate upon the occurrence of any one of the following events:

- (1) The payment by the City of all Lease Payments owing by the City as lessee under the Lease.
- (2) The exercise by the City of its option to prepay the Lease Payments and all other sums due in accordance with the terms and conditions of the Lease.
- (3) The termination of the Lease Term by the City for non-appropriation pursuant to Section 5.6 of the Lease and the receipt by the Authority of amounts from the sublease or other disposition of the Authority's interest in the Site and the Facilities sufficient to:
 - (a) reimburse the Authority for all administrative costs and expenses, including reasonable attorneys' fees, incurred by the Authority as a result of the termination of the Lease Term and the sublease or sale of the Authority's interest in the Site and the Facilities;
 - (b) reimburse the Authority for all capital costs and expenses in any manner incurred by the Authority with respect to preparing the Site and the Facilities for sublease for commercial or other lawful purposes (as used in this Ground Lease, the right to sublease the Site includes the right to sell all leasehold interests in the Site); and

(c) pay the unpaid principal of and interest on the Bonds described in the Lease.

(4) The termination of the Lease Term upon the occurrence of an Event of Default by the City under Article X of the Lease and the receipt by the Authority of amounts from the sublease or sale of the Authority's interest in the Site and the Facilities sufficient to:

(a) reimburse the Authority for all administrative costs and expenses, including reasonable attorneys' fees, incurred by the Authority as a result of the Event of Default and the termination of the Lease and the sublease or sale of the Authority's interest in the Site and the Facilities;

(b) reimburse the Authority for all capital costs and expenses in any manner incurred by the Authority with respect to preparing the Site and the Facilities for sublease for commercial or other lawful purposes; and

(c) pay the unpaid principal of and interest on the Bonds described in the Lease.

The amounts referred to in clauses (a), (b) and (c) of subsection (3) or (4) above, as applicable, are hereinafter referred to as the "Reimbursement Amount."

Section 3.02. Use of Revenues. After termination of the Term of the Lease by the City because of non-appropriation pursuant to Section 5.6 of the Lease or termination of the Term of the Lease upon the occurrence of an Event of Default under Article X of the Lease, revenues received by the Authority from the Site and the Facilities as contemplated in Section 3.01(3) or (4) shall be applied as follows:

- | | | |
|--------|----|--|
| FIRST | -- | an amount thereof equal to ongoing administrative costs and costs of operation of the Site and the Facilities may be retained by the Authority; |
| SECOND | -- | an amount thereof equal to interest on the outstanding Reimbursement Amount at the rates per annum specified in Exhibit B to the Lease may be retained by the Authority; and |
| THIRD | -- | any remaining amount thereof shall be retained by the Authority and credited to the payment of the Reimbursement Amount. |

Use of the Site and the Facilities by the Authority or any affiliate of the Authority, other than for the purpose of assuming control, making any necessary changes in the Site or the Facilities, and the initial subleasing thereof, shall be treated as the sublease thereof on a monthly basis at the then current monthly value.

Section 3.03. Reports. In the event that the Term of the Lease is terminated by the City because of non-appropriation pursuant to Section 5.6 of the Lease or terminated by the Authority as a result of the occurrence of an Event of Default by the City thereunder, the Authority shall keep complete and accurate records regarding any sublease of the Site and the Facilities and shall, within sixty days after the end of each Fiscal Year of the City, deliver a written report to the City showing: (a) all amounts received by the Authority from any sublease of the Site and the Facilities; (b) an analysis as to whether the Authority has received the Reimbursement Amount, with all supporting calculations; and (c) the date, if any, during the next Fiscal Year of the City on which the Authority expects to receive the Reimbursement Amount. Such

written report shall be verified by a certified public accountant or firm of certified public accountants not in the regular employ of the Authority. The City shall have the right, at its own expense, to examine all of the Authority's records insofar as they relate to the Site and the Facilities. Such examination shall be made at the Authority's offices during normal business hours.

Section 3.04. City's Option to Pay Reimbursement Amount. In the event that the Lease Term is terminated by the City because of non-appropriation pursuant to Section 5.6 of the Lease or terminated by the Authority as a result of the occurrence of an Event of Default by the City thereunder, the unpaid balance of the Reimbursement Amount and any other payment required under Section 3.02 hereof may be paid by the City at any time. Upon such payment, this Ground Lease and the Authority's interest in the Site and the Facilities shall terminate; provided that if the Authority's interest in the Site or the Facilities has been subleased to any sublessee pursuant to any sublease that is still in effect, this Ground Lease shall not terminate, but the Authority shall assign and set over to the City all of the Authority's interest in the Site and the Facilities granted under this Ground Lease, subject to all existing rights created in the Site and the Facilities by all such subleases, and the City shall be entitled to all rent payments with respect to any subleases of the Site and the Facilities.

Section 3.05. Effect of Termination of Lease. In the event that the Lease Term is terminated by the City because of non-appropriation pursuant to Section 5.6 of the Lease or terminated by the Authority as a result of the occurrence of an Event of Default by the City thereunder, the City shall have no continuing obligation under this Ground Lease after such termination, other than to continue to allow the Authority to continue to use and enjoy the Site and the Facilities as provided herein.

ARTICLE IV

USE OF SITE; ADDITIONAL COVENANTS

Section 4.01. Use. The Authority shall not use or permit the use of the Site for any unlawful purpose.

Section 4.02. Quiet Enjoyment. The City covenants that upon the Authority's paying the rent reserved herein, and performing all conditions and covenants set forth in this Ground Lease and the Lease, the Authority shall and may peaceably have, hold and enjoy the Site for the term of this Ground Lease. The Authority covenants that upon expiration of this Ground Lease, it shall give the City peaceable possession of the Site, together with the Facilities and any other improvements constructed thereon pursuant to the Lease.

Section 4.03. Assignment and Subletting. The Authority shall have the right to assign its interest in this Ground Lease, and to sublet the Site in accordance with the Lease.

Section 4.04. Additional Covenants. In the event that any person or entity, however organized (other than the Authority or any assignee of the Authority), shall be determined to hold any interest that in any manner affects the City's good and merchantable title to the Site, the City shall use its best efforts to acquire the interest so held, such acquisition to be made at the City's sole cost and expense. The City hereby agrees to save and keep harmless the Authority, or any assignee of the Authority, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees, but only in the event that litigation is actually commenced by the Authority) of whatever kind and nature, imposed on, incurred by or asserted against the Authority, or any assignee of the Authority, that in any way relate to or arise out of the assertion of any interest affecting the City's good and merchantable title to the Site by any person or entity, however organized (other than the Authority or any assignee of the Authority).

ARTICLE V

MISCELLANEOUS

Section 5.01. Binding Effect. This Ground Lease shall be binding upon, and inure to the benefit of, the parties hereto, and their successors and assigns.

Section 5.02. Definitions. Unless the context hereof clearly requires otherwise, capitalized terms used in this Ground Lease and defined in the Lease are used herein with the same meanings as set forth in the Lease.

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

IN WITNESS WHEREOF, the City has caused this Ground Lease to be executed in its corporate name by its duly authorized officers and sealed with its corporate seal; and the Authority has caused this Ground Lease to be executed in its name by its duly authorized officers, 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

Execution page of the Authority to the Ground Lease, dated 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

EXHIBIT A
LEGAL DESCRIPTION OF SITE