

RESOLUTION PROVIDING FOR THE EXECUTION OF
A PRIMARY LEASE AND A LEASE-PURCHASE AGREEMENT

BE IT RESOLVED, by the City Council of the City of Vergas, Minnesota (the "City"), as follows:

Section 1. Purpose and Authorization.

1.01 Recital of Authority. The City is authorized to purchase personal property under an installment contract, or lease real or personal property with an option to purchase under a lease-purchase agreement.

1.02 The Project. The City desires to finance the purchase of a building which will house City offices and an office for the United States Postal Service for the City, through a lease-purchase agreement (the "Project").

1.03 Offer of Bank. The City has received an offer to enter into a Primary Lease (the "Primary Lease") from Vergas State Bank, with an office in Vergas, Minnesota (the "Bank") and a Lease-Purchase Agreement from the Bank (the "Lease-Purchase Agreement", and collectively with the Primary Lease, the "Lease Agreements") on terms substantially similar to the terms set forth in the Preliminary Term Sheet prepared by Northland Securities, Inc., the City's consultant, submitted to the City by the Bank (the "Term Sheet"). Under the Lease Agreements and as described in the Term Sheet, the Bank will provide financing in the amount of \$230,000, with a true interest cost of 6.26% and a maximum repayment term of 16 years, comprised of one year of payments of interest only and 15 years of payments of principal and interest. The financing will be fully advanced to the City on the date of closing and delivery of the Lease Agreements to pay costs of the Project.

1.04 Acceptance of Offer of Bank. The forms of the proposed Lease Agreements as presented to the City Council are hereby approved, subject to such modifications as are deemed appropriate and approved by the City Attorney. The City Council finds the offer of the Bank reasonable and proper and accepts the Bank's offer. The Mayor and the Clerk-Treasurer are hereby authorized and directed to execute the Lease Agreements and other closing certificates and documents that may be necessary to properly document the transactions described herein, and in the Lease Agreements.

Section 2. Establishment of Accounts. There are hereby created the following accounts:

(a) The Construction Account, which shall be a separate segregated account separate and apart from all other funds and moneys held by the City. There shall be credited to the Construction Account the moneys paid to the City pursuant to the Lease-Purchase Agreement and any other moneys received by the City for deposit therein. The City shall use the moneys in the Construction Account to pay for the acquisition cost of the Project. Any funds remaining in the Construction Account upon completion and acceptance of the Project and payment of all Construction Costs, but in any event not

later than three years from the date hereof, shall be transferred to the Rental Payments Account to be used for payment of the Principal portion of the Rental Payments next coming due under the Lease-Purchase Agreement.

(b) The Rental Payments Account, which shall be a separate segregated account within the City's general fund. The monies in the Rental Payments Account shall be used for no purpose other than the payment of Rental Payments as defined in the Lease-Purchase Agreement. The Clerk-Treasurer is authorized and directed to transfer monies of the City to the Rental Payments Account at the times and in an amount sufficient to ensure that Rental Payments are paid when due. The City will pay to the Bank promptly when due, all of the Rental Payments and other amounts required by the Lease Agreements from the sources at the times and in the amounts specified in the Lease Agreements.

Adopted: October 10, 2023

CITY OF VERGAS, MINNESOTA

By _____
Mayor

By _____
Clerk-Treasurer

M:\DOCS\22650\000001\ROL\ICC1712.DOC