
LEASE-PURCHASE AGREEMENT

between

**VERGAS STATE BANK,
as Lessor**

and the

**CITY OF VERGAS, MINNESOTA
as Lessee**

Dated October 24, 2023

This instrument was drafted by:

Fryberger, Buchanan, Smith & Frederick, P.A.
302 West Superior Street, Suite 700
Duluth, Minnesota 55802

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This LEASE-PURCHASE AGREEMENT, dated October 24, 2023, by and between VERGAS STATE BANK, whose address is 106 East Main Street, P.O. Box 67, Vergas, Minnesota 56587, and the CITY OF VERGAS, a municipal corporation and political subdivision organized under Minnesota Statutes, 412.211, whose address is 111 Main Street, P.O. Box 32, Vergas, Minnesota 56587-0032.

W I T N E S S E T H:

A. The City desires to finance the purchase of a building on the real property described on Exhibit A attached hereto for use as City offices and an office for the United States Postal Service.

B. The City is authorized by Minnesota Statutes, Section 465.71 to purchase personal property under an installment contract, or lease real or personal property with an option to purchase under a lease-purchase agreement.

C. The City and Lessor have entered into a Primary Lease, of even date herewith, of the Operating Facilities, as defined therein.

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

ARTICLE I – DEFINITIONS AND EXHIBITS

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

Acquisition Account: The account of that name held by the Lessor in the name of the City pursuant to Section 3.5 of this Lease.

Bank: Vergas State Bank, Vergas, Minnesota.

Bond Counsel: means Fryberger, Buchanan, Smith & Frederick, P.A.

City: The City of Vergas, Minnesota, a municipal corporation and political subdivision of the State of Minnesota.

City Council: The City Council of the City.

Code: The Internal Revenue Code of 1986, as amended.

Completion Date: October 24, 2023.

Condemnation: Any taking or requisition by governmental authority or by a person, firm or corporation acting under governmental authority, and a conveyance made under threat of condemnation provided such conveyance is made with the approval of the Lessee.

Default Rate: An annual rate of interest equal to the rate then in effect plus 3.00%.

Fiscal Year: The 12-month period commencing January 1 and ending on December 31 of each calendar year.

Force Majeure: As used in this Lease shall mean, without limitation, the following: acts of nature, strikes, lockouts or other labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or the State or their respective departments, agencies or officials, or any civil or military authority; insurrections, riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Lessee and not resulting from its negligence.

Independent Counsel: An attorney duly admitted to the practice of law before the highest court of the State who is not a full-time employee of Lessor or Lessee.

Insurance Requirements: all terms of any insurance policies covering or applicable to the Land or other Operating Facilities or any part thereof, all requirements of the issuer of any such policy, and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to or affecting the Land or other Operating Facilities or any part thereof or any use or condition of the Land or other Operating Facilities or any part thereof.

Interest: The portion of any Rental Payment designated as and comprising interest as shown in the attached Exhibit B, subject to the adjustment of the Rental Payments as permitted by Section 5.3 of this Lease, calculated on the basis of a year of 360 days and actual days elapsed in any period.

Land: The real property described in the attached Exhibit A.

Lease: This Lease-Purchase Agreement and any amendments or supplements hereto.

Lessee: The City, and its permitted successors and assigns.

Lessor: the Bank, and its permitted successors and assigns.

Maturity Date: February 1, 2039.

Net Proceeds: Any insurance proceeds or condemnation awards, paid with respect to the Operating Facilities, remaining after payment therefrom of all expenses incurred in the collection thereof.

Operating Facilities: The Land, the Project Buildings, the Project Improvements and the Project Equipment used as the City's emergency services facility that will house the fire department and ambulance services.

Payment Date: With respect to Principal, February 1 in the years 2025 through 2039. Interest is payable semiannually on February 1 and August 1 in each year commencing on August 1, 2024 through February 1, 2039.

Permitted Encumbrances: As of any particular time: (i) liens for taxes and assessments not then delinquent, or which Lessee may, pursuant to the provisions of Section 7.3 hereof, permit to remain unpaid, (ii) the Primary Lease, (iii) this Lease and amendments hereto, (iv) Lessor's interest in the Operating Facilities, (v) Lessee's interest in the Operating Facilities, or (vi) unpaid charges which the Lessee may, pursuant to the provisions of Section 8.5 hereof, permit to remain unpaid.

Person: An individual, partnership, corporation, trust or unincorporated organization.

Plans and Specifications: Plans and specifications for Project Improvements.

Prepayment Price: With respect to the Rental Payments, as of any Payment Date, the outstanding Principal amount and accrued Interest to the date of prepayment, and any other amounts then due or past due to Lessor.

Primary Lease: The Primary Lease dated as of the date hereof, by and between the City and the Bank, whereby the City has leased the Operating Facilities to the Bank.

Principal: The portion of any Rental Payment designated as principal in the attached Exhibit B, subject to the adjustment of the Rental Payments permitted by Section 5.3 of this Lease.

Project Buildings: All buildings, structures, improvements and fixtures located or to be located on the Land.

Project Equipment: All items of machinery, equipment or other personal property used in the Operating Facilities and financed hereunder, and all replacements thereof and substitutions therefor.

Project Improvements: All additions, alterations, modifications and improvements to the Land and the construction of the Project Buildings and all additions, alterations, modifications and improvements thereto.

Regulations: The U.S. Treasury Regulations promulgated under the Code, as amended.

Rental Payment(s): The payment due from Lessee to Lessor on each Payment Date, as shown, in part, on Exhibit B.

Resolution: The Resolution adopted by the Lessee on October 10, 2023.

State: The State of Minnesota.

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

Term or Lease Term: The period commencing on the execution of this Lease and ending as set forth in Article IV.

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

Exhibit A: A description of the Land being leased and purchased by Lessee pursuant to this Lease.

Exhibit B: A schedule indicating the amount of each Rental Payment and the amount of each Rental Payment comprising Principal and Interest, as the same is amended or adjusted pursuant to the terms of this Lease.

ARTICLE II – REPRESENTATIONS, COVENANTS AND WARRANTIES

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

(a) Lessee is a municipal corporation and political subdivision of the State, duly organized and existing under its charter and the Constitution and laws of the State.

(b) Lessee is authorized to enter into this Lease and the transactions contemplated hereby, and to perform all of its obligations hereunder.

(c) The officers of Lessee executing this Lease have been duly authorized to execute and deliver this Lease under the terms and provisions of a resolution approved by the City Council on October 10, 2023.

(d) In authorizing and executing this Lease, Lessee has complied with State and Federal Laws applicable to this Lease.

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

(f) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, to Lessee's knowledge, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Lessee is now a party or by which the Lessee is bound, or constitutes a default under any of the foregoing.

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

(a) Lessor has the power to enter into this Lease, is possessed of full power to own and hold real and personal property, and to lease and sell the same.

(b) Lessor has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by this Lease.

(c) Lessor understands that payments of Rental Payments are subject to an annual appropriation of monies therefor by the Lessee.

(d) Lessor acknowledges that no offering statement, prospectus, offering circular or other comprehensive offering statement containing material information with respect to the Lessee and this Lease has been issued or prepared by the Lessee prior to our offer to enter into this Lease, and that, in due diligence, we have made our own inquiry and analysis with respect to the Lessee, this Lease and the security therefor, and other material factors affecting the security and payment of this Lease.

(e) Lessor acknowledges that we have either been supplied with or have access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Issuer, the Lease and the security therefor, and that as a reasonable investor we have been able to make our decision to purchase the Lease.

(g) Lessor represents that it is entering into this Lease for its own account.

ARTICLE III – AGREEMENT TO LEASE; PROJECT IMPROVEMENTS

Section 3.1 Lease. Lessor leases the Operating Facilities to Lessee, and Lessee leases the Operating Facilities from Lessor, upon terms and conditions set forth in this Lease and subject to the option to purchase set forth in Section 4.3 hereof.

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

Section 3.3 Lessor Access to Operating Facilities. Lessee agrees that Lessor shall have the right at all reasonable times and upon reasonable notice to examine and inspect the Operating Facilities. Lessee further agrees that Lessor shall have such rights of access to the Operating Facilities as may be reasonably necessary to cause the proper maintenance of the Operating Facilities in the event of failure by Lessee to perform its obligations hereunder.

Section 3.4 Acquisition Account. There is created with the Lessor a special account held in the name of the Lessee entitled the "Acquisition Account."

(a) Monies in the Acquisition Account shall be used to pay, or to reimburse the Lessor or Lessee for payments made, for the acquisition of the Operating Facilities.

(b) On the date hereof, and upon compliance with the requirements of Section 3.10, the Lessor shall advance \$230,000 into the Acquisition Account.

Section 3.5 Closing. Lessor's obligation to make any advances into the Acquisition Account is contingent on the following conditions being met and satisfied:

(a) Receipt by Lessor of the fully-executed Lease, Primary Lease, Resolution, and other documents entered into between the parties pursuant to the Lease.

(b) Receipt by Lessor of a title opinion covering the Land with results satisfactory to Lessor. Lessee shall be responsible for the cost of all title review.

(c) Receipt by Lessor of certificates of insurance complying with the requirements of this Lease.

(d) Receipt by Lessor of amounts necessary to pay or reimburse Lessor for all costs and expenses suffered, incurred, or paid at any time in connection with this transaction, including attorneys' fees, bond counsel fees, appraisal fees, title review fees, filing fees, and commitment fees.

ARTICLE IV – LEASE TERM

Section 4.1 Lease Term. This Lease shall be in effect for a period commencing upon the execution hereof and ending as provided in Section 4.2. Notwithstanding the foregoing, all sums due and owing hereunder, if not sooner paid, shall be paid in full on the Maturity Date.

Section 4.2 Termination of Lease. This Lease will terminate upon the occurrence of the first of the following events:

(a) the exercise by Lessee of its option to purchase Lessor's interest in the Operating Facilities pursuant to Article X;

(b) a default by Lessee and Lessor's election to terminate this Lease pursuant to Article XII;

(c) subject to the requirements of Section 4.1 of this Lease, the payment by Lessee of all Rental Payments and all other amounts authorized or required to be paid by Lessee hereunder; or

(d) nonappropriation of funds by Lessee pursuant to Section 12.7 hereof.

Section 4.3 Option to Purchase. Upon payment of all Rental Payments as described in Section 4.2, clause (a) or (c), Lessee shall have the option to purchase Lessor's interest in the Operating Facilities at any time after the commencement date of this Lease for a purchase price equal to the then Prepayment Price but shall be under no obligation whatsoever to exercise the option.

ARTICLE V – RENTAL PAYMENTS

Section 5.1 Rental Payments.

(a) Subject to the provisions of Section 12.7, Lessee agrees to pay Rental Payments in the amounts and on the dates specified in Exhibit B, as the same may be amended in accordance with the terms of this Lease. All Rental Payments shall be paid to Lessor at its offices at the address specified in Section 13.1 of this Lease, or to such other person or entity to which Lessor has assigned such Rental Payments as specified in Article XI, at such place as such assignee may from time to time designate in lawful money of the United States of America to Lessor or, in the event of assignment of the right to receive Rental Payments by Lessor, to its assignee. Interest shall accrue from the date of this Lease.

(b) Lessee may make a prepayment of Principal on any business day.

(c) Rental Payments shall be applied as follows:

1. first to payment of any costs of collection (including attorneys' fees) or other advances by Lessor;
2. second to payment of any late charges due hereunder;
3. third to payment of Interest; and
4. the remainder thereof to payment of Principal.

Section 5.2 Interest; Adjustment of Rental Payments.

(a) The first Rental Payment shall be of interest only on the Principal amount advanced by Lessor. Thereafter, Rental Payments will be comprised of Principal and Interest, as set forth on Exhibit B.

(b) Rental Payments must be in an amount sufficient to amortize the then outstanding Principal amount hereof at the Interest rate then in effect over the remaining term of this Lease.

(c) Annually, on the anniversary date of this Lease, if the Lessee has made any prepayments of Principal in the preceding 12-month period, the Rental Payments will be adjusted to amortize the Principal amount then outstanding over the remaining term of this Lease, payable commencing on the next following Payment Date.

(d) Lessor and Lessee agree to revise the schedules set forth in Exhibit B in accordance with subsection (d) above.

Section 5.3 Rental Payments to be Unconditional. The obligation of Lessee to make Rental Payments or any other payments required hereunder shall be absolute and unconditional in all events, except as expressly otherwise provided under this Lease. Notwithstanding any dispute between Lessee and Lessor or any other person, Lessee shall make all Rental Payments and other payments required hereunder when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute nor shall Lessee assert any right of set-off

or counterclaim against its obligation to make such Rental Payments or other payments required under this Lease. Lessee's obligation to make Rental Payments or other payments shall not be abated through accident or unforeseen circumstances. Except as provided in Section 12.7, nothing herein shall be construed to release Lessee from the performance of its obligations hereunder, and if Lessee should fail to perform any such obligation, Lessor may institute such legal action against Lessee as Lessor may deem necessary to compel the performance of such obligation or to recover damage therefor.

ARTICLE VI – INSURANCE AND NEGLIGENCE

Section 6.1 Liability Insurance. Lessee shall take such measures as may be necessary to ensure that any liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Operating Facilities or any part thereof, is covered (i) by a blanket or other general liability insurance policy maintained by Lessee or (ii) through the City's self insurance program; in all cases, with a limit of not less than the maximum limits of liability of the City prescribed in Minnesota Statutes, Chapter 466, as now in effect or hereafter amended.

Section 6.2 Property Insurance. Lessee shall have and assume the risk of loss with respect to the Operating Facilities, or any part thereof. Lessee shall procure and maintain continuously in effect during the Lease Term, all-risk insurance, subject only to the standard exclusions contained in the policy, in such amount as will be at least sufficient either: (a) so that a claim may be made for the full replacement cost of any part thereof damaged or destroyed or (b) to pay the applicable Prepayment Price. Such insurance may be provided by a rider to an existing policy or under a separate policy. Such insurance may be written with customary deductible amounts. The Net Proceeds of insurance required by this Section shall be applied either (i) to the prompt repair, restoration or replacement of the Operating Facilities or (ii) to the payment of the Prepayment Price, both as provided in Section 6.6. Any Net Proceeds not needed for those purposes shall be paid to Lessee.

Section 6.3 Worker's Compensation Insurance. If required by State law, Lessee shall carry worker's compensation insurance covering all employees on the Operating Facilities.

Section 6.4 Requirements for all Insurance. All insurance policies (or riders) required by this Article shall be taken out and maintained within responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State; and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the Lessee at least 30 days before the cancellation or revision becomes effective. All insurance policies or riders required by Sections 6.1 and 6.2 shall name the Lessee and Lessor as insured parties, and any insurance policy or rider required by Section 6.2 shall contain the standard lender's loss payable provisions in favor of Lessor. Lessor shall also be a certificate holder of such insurance. Upon request, Lessee shall deposit with Lessor policies (and riders) evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any policy (or rider), Lessee shall furnish to Lessor evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article.

Section 6.5 Lessee's Negligence. Lessee assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Operating Facilities, or any part thereof, and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of Lessee or of third parties, and whether such property damage be to Lessee's property or property of others, which is proximately caused by the negligent or other conduct or the other acts or omissions of Lessee, its officers, employees and agents. Lessee assumes responsibility for and agrees to reimburse Lessor for all liabilities, obligations, losses and damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part upon the negligent or other conduct, acts or omissions of Lessee, its officers, employees and agents, with respect to the Operating Facilities, to the maximum extent permitted by law.

Section 6.6 Damage to or Destruction of Operating Facilities. If all or any substantial part of the Operating Facilities is lost, stolen, destroyed or damaged beyond repair, Lessee shall as soon as practical after such event either: (a) replace the same at Lessee's sole cost and expense with equipment or facilities of equal or greater value to the Operating Facilities immediately prior to the time of the loss occurrence, such replacement equipment or facilities to be subject to Lessor's reasonable approval, whereupon such replacement shall be substituted in this Lease by appropriate endorsement, or (b) pay the applicable Prepayment Price. Lessee shall notify Lessor of which course of action it will take within 60 days after the loss occurrence. If Lessee fails or refuses to notify Lessor within the required period, Lessor may, at its option, declare the applicable Prepayment Price immediately due and payable and Lessee shall be obligated to pay the same. The Net Proceeds of all insurance payable with respect to the Operating Facilities shall be paid to Lessor and shall be available to Lessee and shall be used to discharge Lessee's obligations under this Section. Any excess after such payment shall be returned to Lessee. On payment of the Prepayment Price this Lease shall terminate and Lessee thereupon shall become entitled to the Operating Facilities AS IS, WITHOUT WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY LESSEE, except that the Operating Facilities shall not be subject to any lien or encumbrance created by or arising through Lessor.

Section 6.7 Condemnation.

(a) In the event of a Condemnation of all or substantially all of the Operating Facilities, this Lease shall terminate on the date of such Condemnation and the Rental Payments and all other sums and charges required to be paid by the Lessee hereunder shall be apportioned and paid to such date and, except as provided in this Section, neither party shall have any further obligations hereunder. In the event of any such Condemnation, the Lessee and the Lessor shall together make one claim for an award for their combined interests in the Operating Facilities and the net award received (after deduction of reasonable fees and expenses of collection, including, but not limited to, reasonable attorneys' and experts' fees) shall be paid to the Lessor and applied to payment of Lessee's obligations hereunder. Any excess after such payment shall be returned to Lessee.

(b) Unless the Lessee exercises its right to terminate under Section 6.7(a), in the event of a Condemnation of less than all or substantially all of the Operating Facilities, this Lease shall continue in full force and effect, and the Lessee shall at its expense proceed with reasonable diligence to commence and complete restoration of the Operating Facilities in accordance, as near as is practicable, with the Plans and Specifications. In the event of any such Condemnation, the Lessee and the Lessor shall together make one claim for an award for their combined interests in the Operating Facilities and the net award received (after deduction of reasonable fees and expenses of collection, including, but not limited to, reasonable attorneys' and experts' fees) shall be paid to the Lessor. Any excess after such payment shall be returned to Lessee. Unless the Lessee elects to terminate this Lease under Section 6.7(a), the award or portion thereof paid to the Lessor shall be used in restoration of the Operating Facilities.

(c) Except as otherwise expressly provided herein, no Condemnation shall entitle or permit the Lessee to surrender or terminate this Lease or shall relieve the Lessee from its liability to pay in full the Rental Payments and other sums and charges payable by the Lessee hereunder, or from any of its other obligations under this Lease, and the Lessee waives any rights now or hereafter conferred upon it by statute or otherwise to surrender this Lease or quit or surrender the Operating Facilities or any part thereof, or to receive any suspension, diminution, abatement or reduction of the Rental Payments or other sums and charges payable by the Lessee hereunder on account of any such Condemnation.

ARTICLE VII – OTHER OBLIGATIONS OF LESSEE

Section 7.1 Use; Permits. Lessee shall exercise due care in the installation, use, operation and maintenance of the Operating Facilities, and shall not install, use, operate or maintain the Operating Facilities improperly, carelessly, in violation of any applicable State and Federal Law or for a purpose or in a manner contrary to that contemplated by this Lease. Lessee shall comply with all State and Federal Laws applicable to the installation, operation, possession and use of the Operating Facilities. If compliance with any State and Federal Law requires changes or additions to be made to the Operating Facilities, such changes or additions shall be made by Lessee at its expense.

Section 7.2 Maintenance of Operating Facilities by Lessee. Lessee shall, at its own expense, maintain, preserve and keep the Operating Facilities in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Operating Facilities in such condition. Lessor shall have no responsibility for any of these repairs or replacements.

Section 7.3 Taxes, Other Governmental Charges and Utility Charges. (a) Except as expressly limited by this Section, Lessee shall pay all taxes and other charges of any kind whatsoever which are at any time lawfully assessed or levied against or with respect to the Operating Facilities, the Rental Payments or any part thereof, or which become due during the Lease Term, whether assessed against Lessee or Lessor. Lessee shall also pay when due all gas, water, steam, electricity, heat, power, telephone, and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Operating Facilities, and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Operating Facilities; provided that with respect to special assessments or

other governmental charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as are required to be paid during the Lease Term as and when the same become due. Lessee 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 Lessor, its successors or assigns, unless such tax is made in lieu of or as a substitute for any tax, assessment or charge which is the obligation of Lessee under this Section.

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

Section 7.4 Advances. If Lessee shall fail to perform any of its obligations under this Article, Lessor may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and Lessee shall be obligated to repay all such advances on demand, with interest at the Default Rate.

Section 7.5 Reports to Lessor. Lessee agrees to provide Lessor its annual financial statements for each fiscal year (ending December 31) during the Lease Term, as soon as they are available, commencing with fiscal year ending December 31, 2023. Lessee also agrees to provide Lessor with proof of appropriation for the ensuing Fiscal Year and such other financial information relating to the ability of Lessee to continue to pay the Rental Payments as may be requested by Lessor or its assignee.

Section 7.6 Other Obligations. Lessee agrees that Lessee is obligated to and shall perform all obligations of the owner of the Operating Facilities under, and pay all expenses which the owner of the Operating Facilities may be required to pay in accordance with, any other requirement imposed upon the Operating Facilities or related to the operation thereof not covered by the express provisions of this Lease, and that Lessee shall comply with all of the terms and conditions of any such requirements during the term of this Lease. Lessee further covenants and agrees to indemnify and hold harmless Lessor against any claim, loss or damage suffered by Lessor by reason of Lessee's failure to perform any obligations or pay any expenses as may be required under any such requirements or obligations.

ARTICLE VIII – TITLE

Section 8.1 Title. During the term of the Primary Lease, Lessee's interest in the Operating Facilities and any and all repairs, replacements, substitutions and modifications to it shall remain subject to the interest of the Lessor as described in the Primary Lease. Upon termination of this Lease pursuant to Section 4.2, clauses (a) or (c) and the exercise by Lessee of its option to purchase under Section 4.3, Lessor's interest in the Operating Facilities shall

terminate, and Lessor shall execute and deliver to Lessee such documents as Lessee may reasonably request to evidence the termination of Lessor's interests in the Operating Facilities.

Section 8.2 Security Interest. Lessor is granted and shall have and retain a security interest under the Uniform Commercial Code in the Project Equipment, the proceeds thereof and all repairs, replacements, substitutions and modifications thereto or thereof pursuant to Section 8.5, in order to secure Lessor's payment of all Rental Payments and the performance of all other obligations herein to be performed by Lessee. Lessee will join with Lessor in executing such financing statements or other documents and will perform such acts as Lessor may reasonably request to establish and maintain a valid security interest in the Project Equipment.

Section 8.3 Liens and Encumbrances.

(a) During the Lease Term, Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or within respect to the Operating Facilities, other than the respective rights of Lessor and Lessee as herein provided, and Permitted Encumbrances. Except as expressly provided in Sections 7.3, 8.5 or elsewhere in this Article, Lessee shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. Lessee shall reimburse Lessor for any expense incurred by Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) The Lessor at the request of the Lessee from time to time shall grant easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Operating Facilities which shall be reasonably necessary or may release existing easements, licenses, rights-of-way and other rights or privileges with or without consideration, and the Lessor agrees that it shall execute and deliver any instrument necessary or appropriate to grant or release any such easement, license, right-of-way or other right or privilege upon receipt of: (a) a copy of the instrument of grant or release, and (b) a written application signed by the Lessee's Clerk-Treasurer requesting such instrument, and certifying that in his or her opinion such grant or release is not detrimental to the proper use or operation of the Operating Facilities.

Section 8.4 Installation of Lessee's Equipment. Lessee may at any time and from time to time, in its sole discretion and at its own expense, install other items of equipment or improvements in or upon the Operating Facilities, which items shall be identified by tags or other symbols affixed thereto as property of Lessee. All such items so identified shall remain the sole property of Lessee, in which Lessor shall have no interest, and may be modified or removed by Lessee at any time provided that Lessee shall repair and restore any and all damage to the Operating Facilities resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent Lessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease-purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Operating Facilities.

Section 8.5 Modification of Operating Facilities. Lessee shall at its own expense, have the right to make repairs to the Operating Facilities, and to make repairs, replacements,

substitutions and modifications to all or any part of the parts thereof. All such work and any part or component used or installed to make a repair or as a replacement, substitution or modification, shall thereafter comprise part of the Operating Facilities and be subject to the provisions of this Lease. Such work shall not in any way damage the Operating Facilities or cause them to be used for purposes other than those authorized under the provisions of State and Federal Law or those contemplated by this Lease; and the Operating Facilities, upon completion of any such work shall be of a value which is not less than the value of the Operating Facilities immediately prior to the commencement of such work. Any property for which a replacement or substitution is made pursuant to this Section may be disposed of by Lessee in such manner and on such terms as are determined by Lessee. Lessee will not permit any mechanic's or other lien to be established or remain against the Operating Facilities for labor or materials furnished in connection with any repair, replacement, substitution or modification made by Lessee pursuant to this Section; provided that if any such lien is established and Lessee shall first notify Lessor of Lessee's intention to do so, Lessee may in good faith contest any lien filed or established against the Operating Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period such contest and any appeal therefrom unless Lessor shall notify Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the interest of Lessor in the Operating Facilities will be materially endangered or the Operating Facilities or any part thereof will be subject to loss or forfeiture, in which event Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide Lessor with full security against any such loss or forfeiture, in form satisfactory to Lessor. Lessor will cooperate fully with Lessee in any such contest.

Section 8.6 Condition of Title. Lessor provides no warranties or representations concerning title to the Operating Facilities. Lessor assumes no obligation to perform any acts or to pay for any expenses incurred in connection with possible title deficiencies concerning the Operating Facilities.

ARTICLE IX – WARRANTIES

Section 9.1 Construction and Selection of Fixtures and Equipment. The Lessee has selected each contractor to construct improvements on the Operating Facilities and the fixtures and equipment therein. Lessor shall have no responsibility in connection with the selection of such items or their suitability for the use intended by Lessee.

Section 9.2 Disclaimer. LESSOR HAS NOT MADE AND WILL NOT MAKE ANY INSPECTION OF ANY OF THE LEASED FACILITIES, AND LESSOR LEASES AND WILL LEASE AND LESSEE TAKES AND WILL TAKE THE LEASED FACILITIES "AS IS," AND LESSEE ACKNOWLEDGES THAT LESSOR (WHETHER ACTING AS LESSOR HEREUNDER OR IN ANY OTHER CAPACITY) HAS NOT MADE AND WILL NOT MAKE, NOR SHALL LESSOR BE DEEMED TO HAVE MADE, ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO ANY OF THE LEASED FACILITIES, INCLUDING ANY WARRANTY OR REPRESENTATION AS TO ITS FITNESS FOR USE OR PURPOSE, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE, AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, AS TO LESSOR'S TITLE THERETO, OR AS TO VALUE, COMPLIANCE WITH SPECIFICATIONS, LOCATION, USE, CONDITION,

MERCHANTABILITY, QUALITY, DESCRIPTION, DURABILITY OR OPERATION, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY LESSEE. Lessee acknowledges that the Operating Facilities are of its selection and to its specifications, and that the Operating Facilities have been inspected by Lessee and are satisfactory to it. In the event of any defect or deficiency in any of the Operating Facilities of any nature, whether patent or latent, Lessor shall not have any responsibility or liability with respect thereto or for any incidental or consequential damages (including strict liability in tort). The provisions of this Section 9.2 have been negotiated, and the foregoing provisions are intended to be a complete exclusion and negation of any warranties by Lessor, express or implied, with respect to any of the Operating Facilities, arising pursuant to the uniform commercial code or any other law now or hereafter in effect or otherwise.

ARTICLE X – PURCHASE OPTION

Section 10.1 When Available. Lessee shall have the option to purchase Lessor's interest in the Operating Facilities on any business day, at the Prepayment Price, but only if Lessee is not in default under this Lease, and only in the manner provided in this Article.

Section 10.2 Exercise of Option. Lessee shall give notice to Lessor of its intention to exercise its option not less than 10 days prior to the date on which the option is to be exercised and shall deposit with Lessor on the date of prepayment an amount equal to all unpaid Principal and accrued interest to the date of prepayment and any other amounts then due or past due.

Section 10.3 Release of Lessor's Interest. Upon exercise of the prepayment option and option to purchase by Lessee, Lessor shall, at Lessee's cost, convey or release to the Lessee all of its right, title and/or interest in and to the Operating Facilities by delivering to Lessee such documents as Lessee reasonably deems necessary to terminate the rights of the Lessor hereunder and the Lessee shall deliver to Lessor a termination of the Primary Lease.

ARTICLE XI – ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Section 11.1 Assignment by Lessor. All of Lessor's rights, title and/or interest in and to: (a) this Lease, (b) the Rental Payments, (c) other amounts due hereunder and (d) the Operating Facilities may be assigned and reassigned in whole, but not in part, to one or more assignees or subassignees by Lessor at any time, without the consent of Lessee. No such assignment shall be effective as against Lessee unless and until the assignor shall have filed with Lessee a copy or written notice thereof identifying the assignee by name, address, telephone number and contact person. Lessee shall pay all Rental Payments to the Lessor or at the written direction of Lessor to the assignee named in the most recent assignment or notice of assignment filed with Lessee. During the Lease Term, Lessee shall keep a complete and accurate record of all such assignments.

Section 11.2 Assignment and Subleasing by Lessee. Neither this Lease nor Lessee's interest in the Operating Facilities may be assigned by Lessee without the written consent of Lessor. However, the Operating Facilities may be subleased by Lessee, in whole or in part, with the prior written consent of Lessor, which consent will not unreasonably be withheld, subject to each of the following conditions:

(a) This Lease and the obligation of Lessee to make Rental Payments shall remain obligations of Lessee.

(b) The sublessee shall assume the obligation of Lessee hereunder to the extent of the interest subleased.

(c) Lessee shall, within 30 days after the delivery thereof, furnish or cause to be furnished to Lessor a true and complete copy of such sublease.

(d) No sublease by Lessee shall cause the Operating Facilities to be used for a purpose other than a governmental function authorized under the provisions of the Constitution and the laws of the State.

(e) No sublease shall cause the Interest to become includible in gross income of the recipient for federal income tax purposes.

Short term rentals (rentals for less than a 30-day period) of the Operating Facilities by the lessee shall not be considered a sublease for purposes of this Lease.

Section 11.3 Restriction on Mortgage or Sale of Operating Facilities by Lessee. Except as provided in Section 11.2, Lessee will not mortgage, sell, assign, transfer or convey the Operating Facilities or any portion thereof during the Lease Term, or remove the same from its boundaries, without the written consent of Lessor.

ARTICLE XII – EVENTS OF DEFAULT AND REMEDIES

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

(i) Except as permitted by Section 12.7 hereof, failure by Lessee to pay any Rental Payment or other payment required to be paid under this Lease at the time specified herein and the continuation of said failure for a period of five days after written notice, telephonic notice or notice by facsimile transmission given by Lessor to Lessee that the payment referred to in such notice has not been received, provided that such telephonic notice or notice by facsimile transmission must be subsequently confirmed in writing.

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

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

(b) The provisions of this Section 12.1 and Section 12.2 are subject to the following limitation: if by reason of force majeure Lessee is unable in whole or in part to carry out its obligations under this Lease with respect to the Operating Facilities, other than its obligation to pay Rental Payments with respect thereto, which shall be paid when due notwithstanding the provisions of this paragraph, Lessee shall not be deemed in default during the continuance of such inability, provided that such inability does not continue for more than 180 days. Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing Lessee from carrying out its obligations under this Lease; provided that the settlement of strikes, lockouts and other labor disturbances shall be entirely within the discretion of Lessee and Lessee shall not be required to make settlement of strikes, lockouts and other labor disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Lessee unfavorable to Lessee.

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

(a) Lessor, with or without terminating this Lease, may declare all Rental Payments due or to become due during the Term of the Lease to be immediately due and payable by Lessee, whereupon such Rental Payments shall be immediately due and payable.

(b) Lessor, with or without terminating this Lease, may repossess the Operating Facilities or any portion thereof by giving Lessee written notice to vacate the Operating Facilities, whereupon Lessee shall do so in the manner provided in Section 12.3. In the event Lessee fails to do so within ten days after receipt of such notice, Lessor may enter upon the Operating Facilities and take possession of the Operating Facilities and charge Lessee for costs incurred in repossessing such portion of the Operating Facilities, including reasonable attorneys' fees. Lessee expressly waives any damages occasioned by such repossession.

(c) If Lessor terminates this Lease and takes possession of the Operating Facilities or any portion thereof, Lessor shall have the right to lease Lessor's interests in the Operating Facilities or any portion thereof, subject to the City's fee simple title interest therein, in a commercially reasonable manner at public or private sale in accordance with applicable State laws, and Lessee agrees to use its best efforts to assist Lessor in so doing. Lessor shall apply the proceeds of such sale to pay the following

items in the following order (i) all costs incurred in securing possession of the Operating Facilities; (ii) all expenses incurred in completing the sale; and (iii) the balance of any accrued Rental Payments owed by Lessee.

(d) Lessor may, subject to the notice requirements of this Lease, require Interest to be paid at the Default Rate.

(e) Lessor may take any other remedy available at law or in equity to require Lessee to perform any of its obligations hereunder.

In no event, however, shall Lessee be liable under this Article XII or any other provisions of this Lease for Rental Payments (or the equivalent thereof) in excess of the monies appropriated by it on a yearly basis (other than for any additional Rental Payments due if Lessee occupies the Operating Facilities after termination of the Lease).

Section 12.3 Return of Operating Facilities. Upon the termination of this Lease prior to the payment of all Rental Payments, Lessee shall vacate the Operating Facilities in the condition, repair, appearance and working order required in Section 7.2, reasonable wear and tear, damage by the elements and insured damage excepted, in the following manner as may be specified by Lessor:

(a) by executing such documents as Lessor reasonably deems necessary to transfer all of Lessee's right, title and interest under this Lease in and to the Operating Facilities to Lessor, and

(b) by paying all reasonable costs and expenses, whether incurred by Lessor or Lessee (including attorneys' fees), with respect to such transfer of the Operating Facilities; provided that nothing herein shall limit the rights of the City as fee owner of the Land subject to the rights of Lessor under the Primary Lease.

If Lessee refuses to return the Operating Facilities in the manner designated, Lessor may repossess the Operating Facilities and charge to Lessee the costs of such repossession or pursue any remedy described in Section 12.2.

Section 12.4 No Remedy Exclusive. No remedy conferred upon or reserved to Lessor by this Article 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. 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 by any such right and power may be exercised from time to time as often as may be deemed expedient by Lessor or its assignee.

Section 12.5 Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease should default under any of the provisions hereof and the nondefaulting party should employ attorneys and/or incur other expenses for the collection of monies or for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and/or such other reasonable expenses so incurred by the nondefaulting party. In the event that legal proceedings relating to

this Lease (but not including an action by a defaulting party against a nondefaulting party) are commenced in any court or before any other tribunal of competent jurisdiction, the reasonable legal fees and other reasonable costs and expenses of the prevailing party shall be paid by the nonprevailing party on demand of the prevailing party.

Section 12.6 Late Charges. Whenever any event of default referred to in Section 12.1(a), clause (i) hereof shall have happened and be continuing with respect to the Operating Facilities, Lessor shall have the right, at its option and without any further demand or notice, to require a late payment charge for each 30-day period or part thereof during which such event of default occurs, equal to 5% of the delinquent amount, and Lessee shall be obligated to pay the same immediately upon receipt of Lessor's written invoice thereof; provided, however, that this Section 12.6 shall not be applicable if or to the extent that the application thereof would affect the validity of this Lease.

Section 12.7 Non-Appropriation of Funds.

(a) Notwithstanding any provision in the Lease to the contrary, in the event that no funds or insufficient funds are appropriated by Lessee's governing body for the next Fiscal Year for the deposits required under Section 5.2(a) or Rental Payments, this Lease shall terminate the end of such Fiscal Year on the last day of the Fiscal Year for which appropriations were received and Lessee shall surrender the Operating Facilities to Lessor, and cancel this Lease by a notice to such effect served not less than 30 days prior to the end of the Lessee's Fiscal Year.

(b) Lessee and Lessor acknowledge and agree that the Rental Payments shall constitute currently budgeted expenditures of Lessee from its general fund. Lessee's obligations under this Lease shall be subject to Lessee's annual right to terminate this Lease, and shall not constitute a mandatory charge or requirement in any ensuing Fiscal Year beyond the then current Fiscal Year. No provision of this Lease shall be construed or interpreted as creating a general obligation or other indebtedness of Lessee within the meaning of any constitutional or statutory debt limitation. This Lease shall not directly or indirectly obligate Lessee to make any payments beyond those budgeted and appropriated from its general fund for Lessee's then current Fiscal Year. Lessee shall be under no obligation whatsoever to exercise its option to purchase the Operating Facilities. No provision of this Lease shall be construed to pledge or create a lien on any class or source of Lessee moneys or revenues.

Section 12.8 Non-Substitution. Notwithstanding the foregoing, Lessee agrees that during the Lease Term and in the event of the termination of this Lease as the result of nonappropriation of funds pursuant to Section 12.7, to the extent permitted by law and to the extent it would not obviate Lessee's right to terminate this Lease, Lessee shall not expend any monies or agree to do so in order to obtain by lease or purchase facilities functionally similar to the Operating Facilities, or to obtain the right to the use of such functionally similar facilities owned and operated by any other person, if the purpose of Lessee in doing so is the achievement of cost reductions or avoidance of Rental Payments; provided, however, that such agreement on the part of the Lessee shall not be construed or applied in a manner that would result in Lessee's being prohibited from obtaining such use of facilities or services as it requires in order to fulfill duties and public functions imposed on it by law.

ARTICLE XIII – ADMINISTRATIVE PROVISIONS

Section 13.1 Notices. Notwithstanding any provision in this Lease to the contrary, all notices, certificates, legal opinions or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail in registered form with postage fully prepaid to the addresses specified below; provided, that Lessor and Lessee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates, legal opinion or other communication will be sent.

Lessor: Vergas State Bank
Attn: President
106 East Main Street
P.O. Box 67
Vergas, Minnesota 56587

Lessee: City of Vergas
Attention: Clerk-Treasurer
111 Main Street
P.O. Box 32
Vergas, Minnesota 56587-0032

Section 13.2 Binding Effect. This Lease shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

Section 13.3 Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.4 Amendments, Changes and Modification. This Lease may be amended or any of its terms modified only by written document duly authorized, executed and delivered by Lessor and Lessee.

Section 13.5 Captions. The captions or headings in this Lease are for convenience only and in no way defend, limit or describe the scope or intent of any provisions, articles, sections or clauses of this lease.

Section 13.6 Further Assurances and Corrective Instruments. Lessor and Lessee agree that they will, from time to time, 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 Operating Facilities leased or intended so to be and for carrying out the expressed intention of this Lease, including revisions to Exhibit B hereto, in the event Lessee makes a partial prepayment of Principal.

Section 13.7 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 13.8 Applicable Law. This lease shall be governed by and construed in accordance with the laws of the State.

Section 13.9 Anti-Discrimination. Lessor agrees not to discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex, age, sexual orientation or physical defect or disability with regard to but not limited to employment, upgrading, promotion or transfer, recruitment or recruitment advertising, layoffs or termination or selection for training. It is further understood that any Lessor in violation of this clause shall be barred forthwith from receiving awards of any purchase order from the Lessee unless a satisfactory showing is made that the discriminatory practices have been terminated and that a recurrence of such acts is unlikely.

Section 13.10 No Merger. There shall be no merger of this Lease or of the leasehold estate hereby created with the fee estate in the Land by reason of the fact that the same person acquires or holds, directly or indirectly, this Lease or the leasehold estate hereby created or any interest herein or in such leasehold estate as well as either or both (a) the leasehold estate thereby created or any interest in such leasehold estate or (b) the fee estate and the Land or any interest in such fee estate.

Section 13.11 The Lessor and the Lessee Representatives. Whenever under the provisions of this Lease the approval of the Lessor or the Lessee is required, or the Lessor or the Lessee is required to take some action at the request of the other, such approval of such request shall be given for the Lessor by one of its officers, for the Lessee by one of its officers and any party hereto shall be authorized to rely upon any such approval or request.

(remainder of page intentionally left blank)

CITY OF VERGAS, MINNESOTA

By _____
Mayor

By _____
Clerk-Treasurer

STATE OF MINNESOTA)
) ss.
COUNTY OF OTTER TAIL)

This instrument was acknowledged before me on _____, 2023, by Julie Bruhn and Julie Lammers, the Mayor and Clerk-Treasurer, respectively, of the City of Vergas, on behalf of the City.

Notary Public

(Signature page to Lease-Purchase Agreement between Vergas State Bank, as Lessor, and the City of Vergas, as Lessee)

EXHIBIT A
DESCRIPTION OF THE LAND

[INSERT LEGAL DESCRIPTION OF PROPERTY]

EXHIBIT B
RENTAL PAYMENTS

The Rental Payments shown in the following table are subject to adjustment based on any prepayment of Principal: Annually, on the anniversary date of this Lease, if the Lessee has made any prepayments in the preceding 12-month period, the Rental Payments will be adjusted to amortize the Principal amount then outstanding over the remaining term of the foregoing Lease, and this Exhibit B will be revised and replaced as provided in Section 5.3 thereof.