

**AGENDA
SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
WEDNESDAY, AUGUST 20, 2025
2:30 P.M. – CITY HALL**

1. CALL TO ORDER
2. NATIONAL LOON CENTER – (Council Action-Motion)
 - a. Ground Lease
 - b. Lease and Use Agreement
 - c. 2024 General Fund Grant Agreement – Construction Grant
3. INTERVIEW FOR PLANNING & ZONING DIRECTOR (3:00 P.M.)
 - a. Council Discussion
4. Park Dedication Recommendation for River Trail Rd Subdivision (Council Action-Motion)
5. 2025 ROAD IMPROVEMENT PROJECTS (Council Action-Motion)
 - a. Memo dated August 18, 2025 from Char Nelson Re: Letter from Thomas & Janessa Casper Re: Harbor Lane
 - b. Memo dated August 18, 2025 from Char Nelson Re: Proposed Assessments for Golf View Town Homes
 - c. Resolution for Hearing on Proposed Assessment for the Road Improvement Plan – Year 2 (2025) Improvements
6. Present 2026 Budget Draft – Council Interaction
7. INTERVIEW FOR PLANNING & ZONING DIRECTOR (4:30 P.M.)
 - a. Council Discussion
8. ADJOURN

2-a.

GROUND LEASE
for
National Loon Center
by and between
The National Loon Center Foundation, Inc.
and
City of Crosslake

GROUND LEASE

This Ground Lease (this "**Lease**") is made and entered into as of the _____ day of _____, 2025, by and between **THE NATIONAL LOON CENTER FOUNDATION, INC.**, a Minnesota nonprofit corporation ("**Loon Center**") and the **CITY OF CROSSLAKE**, a municipal corporation under the laws of the State of Minnesota ("**City**").

RECITALS

WHEREAS, Loon Center is the owner of certain real property located in the City of Crosslake, County of Crow Wing, State of Minnesota, legally described on the attached **Exhibit A** (the "**Premises**").

WHEREAS, City desires to lease the Premises from Loon Center.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, Loon Center and City hereby agree as follows:

1. Definitions.

The following terms shall have the meanings set forth below:

Commissioner. The Commissioner of Minnesota Management and Budget.

Commencement Date. As defined in Section 2.2.

Declaration. As defined in Section 2.1.

Event of Default. As defined in Section 11.1.

Grant Agreement. The General Fund Bond Proceeds Grant Agreement – Construction Grant for the National Loon Center Project, dated _____, 2025 relating to a \$2,500,000 grant from the State of Minnesota to the City for site preparation and predesign, design, construction, furnishing and equipment costs of the Project.

Improvements. All buildings, structures, landscaping, sidewalks, driveways, parking areas, and other improvements that are constructed, placed or located on the Premises during the Term, as the same may from time to time exist.

Loon Center Event of Default. As defined in Section 11.4.

Lease/Use Agreement. As defined in Section 2.1.

Notice. As defined in Article 18.

Permitted Encumbrances. The liens and encumbrances set forth on **Exhibit D** attached hereto.

Premises. That certain parcel of real property legally described on **Exhibit A** attached hereto, together with all improvements constructed and to be constructed thereon, all located in the City of Crosslake, Crow Wing County, Minnesota, as amended from time to time.

Project or National Loon Center Project to be constructed on the Premises.

Sale. As defined in Section 13.1.

State. Minnesota Department of Employment and Economic Development.

State Grant Proceeds. A state grant in the amount of \$2,500,000 made to City pursuant to the terms of the Grant Agreement.

Taxes. As defined in Article 5.

Term. The term of this Lease shall be for 40 years, as provided in Section 2.2.

Title. As defined in Section 2.4.3.

Use Agreement Tenant. The National Loon Center Foundation, Inc., a Minnesota nonprofit corporation, d/b/a National Loon Center, or its successors or assigns, approved by the City under the Lease/Use Agreement.

2. Demise, Term, Title and Conditions Precedent.

2.1 Demise. Loon Center hereby demises and leases unto City, and City hereby leases from Loon Center, for the consideration and upon the terms and conditions hereinafter set forth, the Premises.

Loon Center and City acknowledge that City intends to enter into that certain Lease and Use Agreement – National Loon Center, dated of even date herewith (the “**Lease/Use Agreement**”) for the Premises, for an initial term of 40 years. Use Agreement Tenant will utilize the Premises for the construction of the National Loon Center Project and for operation of the Governmental Program, as defined in the Lease/Use Agreement.

Loon Center and City acknowledge that City’s interest in the Premises under this Lease will be subject to the Grant Agreement and to the Declaration, dated of even date herewith, by City in favor of the State (the “**Declaration**”).

2.2 Term. To have and to hold the Premises for a term (the "Term") commencing on the date hereof (the "Commencement Date") and continuing for 40 years from the date of either completion or substantial completion, as defined in and required by the Grant Agreement. Loon Center and City hereby agree, for the benefit of the State, that this Lease shall not be sooner terminated, modified or amended, except with the prior written consent of the State and the Commissioner.

2.3 Covenant of Quiet Possession. Loon Center represents, warrants and covenants that, subject to Loon Center's remedies under Article 11, due to breach of this Lease by City, City shall have and enjoy quiet and undisturbed possession of the Premises during the Term.

2.4 Conditions Precedent. This Lease shall not be valid or of any effect until the occurrence of each and every one of the following conditions precedent:

2.4.1 Construction Grant Agreement. The mutual execution and delivery of the Grant Agreement between the State and the City.

2.4.2 Lease/Use Agreement. The mutual execution and delivery of the Lease/Use Agreement between the City and Use Agreement Tenant.

3. Rent. The City shall pay to Loon Center total rent for the Term in the amount of \$1.00, which total rental amount shall be payable in full upon the Commencement Date.

4. Permitted Use. City may authorize use of the Premises solely for the National Loon Center Project as described as the Governmental Program in the Lease/Use Agreement. This limitation shall terminate upon the sale of the City's interest under Section 13.1 of this Lease in the Premises, at which time the permitted uses of the Premises shall be for any lawful business purpose.

5. Taxes; Other Charges. "**Taxes**" shall mean and include all ad valorem taxes and special assessments or other governmentally imposed charges with respect to the Premises and the Improvements. Loon Center acknowledges that under the Lease/Use Agreement, Loon Center is required to pay all Taxes with respect to the Premises and the Improvements.

6. Insurance; Indemnity; Limitation on Liability.

6.1 Fire and Casualty Insurance. Loon Center acknowledges that under the Lease/Use Agreement, it is required to maintain, in full force, the insurance required under Section 26 of the Lease/Use Agreement.

6.2 Limitation on Liability. Notwithstanding anything to the contrary in this Lease, it is specifically understood and agreed by Loon Center and City, such agreement being a primary consideration for the execution of this Lease by City, that no covenant, provision or agreement of City herein, or any obligation herein or therein

imposed upon City or breach thereof, shall give rise to a pecuniary liability of City, its officers, employees, or agents, or a charge against City's general credit or taxing powers, or, except as otherwise provided in Sections 11.3, 13 and 14 herein, shall obligate City, its officers, employees or agents, financially in any way. No failure of City to comply with any term, condition, covenant, or agreement therein shall subject City, its officers, employees, or agents, to liability for any claim for damages, costs, or other financial or pecuniary charges except to the extent that the same can be paid or recovered from this Lease or revenues therefrom. No execution on any claim, demand, cause of action, or judgment shall be levied upon or collected from the general credit, general funds, or taxing powers of City. In making the agreements, provisions, and covenants set forth herein, City has not obligated itself except with respect to the application of revenues under the Lease/Use Agreement as therein provided, including the obligation to request the State Grant Proceeds from the State and provide the State Grant Proceeds to Use Agreement Tenant for the construction of certain of the Improvements. If, notwithstanding the provisions of this Section, City, its officers, employees, or agents, incur any expense, or suffer any losses, claims, or damages, or incur any liabilities, Loon Center will indemnify and hold harmless City, its officers, employees, or agents, from the same and will reimburse City, its officers, employees, or agents, for any legal or other expenses incurred by City, its officers, employees, or agents, in relation thereto, and this covenant to indemnify, hold harmless, and reimburse City, its officers, employees, or agents, shall survive the termination of this Lease.

7. Assignment and Subletting.

7.1 General. Except as provided in Article 13, City may not transfer or assign this Lease or any interest in this Lease or sublet the Premises or any portion thereof without the prior written consent of the Commissioner, Loon Center, and Loon Center's mortgagee (if any and if required). Notwithstanding the foregoing, Loon Center consents to the Lease/Use Agreement, the Grant Agreement, and the Declaration; provided, however, that only Loon Center's interest in this Lease is subject to the Grant Agreement, and the Declaration, and Loon Center's fee simple interest in the Premises is not subject to the Grant Agreement and the Declaration.

7.2 Loon Center's Right to Encumber. Loon Center may not mortgage or otherwise encumber its estate and interest in this Lease and in the Premises without the prior written consent of the Commissioner, State, and the City. Any such mortgage or other encumbrance shall be, and shall expressly provide, that it is subject to and subordinate to (i) this Lease and all rights hereunder, as this Lease may be amended, modified, or supplemented from time to time (with mortgagee's consent if required by such mortgagee), and (ii) the Declaration. Upon the recordation of such a mortgage or encumbrance, Loon Center shall notify City of same, including the address of Loon Center's mortgagee.

8. Loon Center's Warranties. Loon Center represents and warrants to, and covenants with, City that:

8.1 Authority. Loon Center has full right and authority to enter into this Lease and perform Loon Center's obligations under this Lease as of the Commencement Date and, except for the Permitted Encumbrances, has good, marketable and insurable title to the Premises in fee simple, free and clear of all restrictions, leases, tenancies, and easements.

8.2 Subdivision. Loon Center shall at all times comply with all applicable laws, ordinances, rules, and regulations governing the division or platting of real property for purposes of lease, sale, or financing, so that this Lease shall constitute a lawful conveyance to City of a leasehold estate in the Premises.

8.3 Condemnation; Dedication. Loon Center has not received any notice, nor is it aware of any pending action to take by condemnation all or any portion of the Premises, nor has Loon Center agreed or committed to dedicate any part of the Premises.

8.4 Violations. To the best of Loon Center's knowledge, the Premises is not in material violation of any local governmental rule, ordinance, regulation, or building code, nor is there a pending or threatened investigation regarding a possible violation of any of the foregoing, except for violations that will be remedied as part of the construction of the Improvements.

8.5 Breach of Other Agreements. The execution and delivery of this Lease by Loon Center will not cause or constitute a violation of any provisions of its Articles of Incorporation, Operating Agreement or Bylaws, or of the laws of the State of Minnesota, and there are no actions, suits, or proceedings pending, or to the actual knowledge of the undersigned officers of Loon Center, threatened, before or by any judicial body or governmental authority against or affecting it relating to the Premises, and it is not in default with respect to any order, writ, injunction, decree, or demand of any court or any governmental authority which would impair its ability to enter into this Lease or to perform any of the terms, covenants, and conditions to be performed by Loon Center under this Lease.

9. City's Warranties. City represents and warrants to, and covenants with, Loon Center that:

9.1 Authority. City has full right and authority to enter into this Lease and perform City's obligations under this Lease as of the Commencement Date.

9.2 Breach of Other Agreements. The execution and delivery of this Lease by City will not cause or constitute a violation of any laws of the State of Minnesota, and there are no actions, suits, or proceedings pending before or by any judicial body or governmental authority against or affecting it relating to the Premises, and it is not in

default with respect to any order, writ, injunction, decree, or demand of any court or any governmental authority which would impair its ability to enter into this Lease or to perform any of the terms, covenants and conditions to be performed by City under this Lease.

10. Surrender. Upon the expiration or earlier termination of this Lease, City shall surrender the Premises to Loon Center and leave the Improvements (to the extent then existing) in their then "as-is, where-is" condition. The Improvements and any equipment, trade fixtures, and personal property remaining upon the Premises after surrender thereof, to the extent not already the property of Loon Center, shall automatically become the property of Loon Center from and after the expiration or termination of the Term.

11. Default.

11.1 Default. It shall be an "**Event of Default**" for purposes of this Article if City shall fail to perform any of the terms, covenants or conditions of this Lease to be performed by City and such failure shall continue for ten (10) days following receipt of written notice from Loon Center to City, specifying such failure, or, with respect to those failures which cannot with due diligence be cured within ten (10) days, then if City fails to proceed within such ten (10) days to commence to cure the same and thereafter continues to prosecute the curing of such default with all due diligence (it being intended that in connection with a default not susceptible of being cured with reasonable diligence within ten (10) days that the time of City within which to cure the same shall be extended for such period as may be necessary to complete the same with reasonable diligence).

11.2 Remedy. If an Event of Default has occurred, Loon Center's sole remedies shall be to institute an action in equity to compel specific performance and an Event of Default or City's failure to comply with any order for specific performance shall not be grounds for termination or modification of this Lease.

11.3 Loon Center Cure Rights, City's Default. In addition to all other rights and remedies of Loon Center under this Lease, Loon Center may at Loon Center's sole cost (but shall not be obligated to) cure an uncured Event of Default on behalf of City. Loon Center and City acknowledge that City is requiring that certain of its obligations under this Lease be performed by Use Agreement Tenant. If City's default is caused solely by the failure of Use Agreement Tenant to perform those certain obligations required under this Lease and the Lease/Use Agreement, City shall promptly and diligently use reasonable efforts to enforce the obligations of the Use Agreement Tenant so as to cure any Event of Default hereunder, but City will not be obligated to pay money to Loon Center unless it collects same from Use Agreement Tenant. Notwithstanding any of the foregoing, any cure by Loon Center of a City default will be at City's sole cost if Loon Center or an affiliate of Loon Center is not the Use Agreement Tenant at the time of the default.

11.4 Loon Center's Default. In the event that (i) Loon Center fails to observe, perform or comply with any provision, term, condition, covenant, agreement or warranty

required to be observed, performed or complied with by Loon Center under this Lease and (ii) Loon Center fails to cure such default within ten (10) days of written notice of default from City, then a Loon Center Event of Default shall exist under this Lease. Upon the occurrence and during the continuance of a Loon Center Event of Default, City may commence an action in equity to compel specific performance by Loon Center of those actions or inactions which serve as the basis of a Loon Center Event of Default or take such other actions and seek such other remedies as may be available to City in law or equity, provided, however, that City's damages shall be limited to actual damages incurred by City and shall not include any consequential or punitive damages, and further provided, that such actual damages shall be limited to Loon Center's interest in the Premises.

11.5 Delay; Waiver. No delay or omission by either party to exercise any right or power accruing upon any noncompliance or default by the other party with respect to any of the terms of this Lease shall impair any such right or power to be construed to be a waiver thereof, except as otherwise herein provided. A waiver by either of the parties hereto of any of the covenants, conditions or agreements hereof to be performed by the other shall not be construed to be a waiver of any succeeding breach thereof or of any other covenant, condition, or agreement herein contained.

12. Ownership of Improvements. Subject to City's rights under this Lease, title to all Improvements shall be owned by Loon Center regardless of who placed such Improvements thereon, together with any and all fixtures related thereto and located on the Premises, subject, however, to the provisions of Sections 23 and 36 of the Lease/Use Agreement with respect to the application of insurance proceeds and condemnation awards. Without in any way limiting the foregoing sentence, provided that any ownership of the Improvements is determined to reside with the City or the Use Agreement Tenant, then, upon the expiration or earlier termination of this Lease, Loon Center shall become the absolute owner of any and all Improvements and any fixtures related thereto and located on the Premises.

13. Early Termination of Lease/Use Agreement.

13.1 Sale. In the event that the City determines by City Council action that the Premises are no longer usable or needed to carry out the Governmental Program (as defined in the Lease/Use Agreement), then, the City may sell the City's interest in the Premises. Upon the sale by the City of its interest in the Premises, the Ground Lease shall remain in full force and effect, and the entity that purchases such interest shall replace the City as the City hereunder and may enforce all of the terms and conditions contained herein as if they were the original City hereunder, except for the right of purchase of the Premises under Section 14. Any sale shall be on the conditions that such sale must be (i) for fair market value and (ii) upon such other terms authorized by law and approved by the Commissioner, in the Commissioner's reasonable discretion. For purposes of this Lease, "fair market value" shall mean (A) the price that would be paid by a willing and qualified buyer to a willing and qualified seller as determined by an appraisal,

in accordance with Section 13.3, which assumes that any and all mortgage liens or encumbrances on the property being sold, which negatively affect the value of the Premises, will be released, or (B) the price bid by a purchaser under a public bid procedure after reasonable public notice with the proviso that any and all mortgage liens or encumbrances on the Premises, which negatively affect the value of the Premises, will be released at the time of acquisition by such purchaser.

Provided, the City shall not sell its interest in the Premises or offer it for sale at competitive bids, until it has first offered to sell its interest in the Premises for fair market value to Loon Center, as hereinafter provided, and Loon Center has elected in writing to not purchase the City's interest in the Premises.

The City hereby grants to Loon Center a right of first option to purchase the City's interest in the Premises, at fair market value, as defined in the first paragraph of this section. Said option shall be exercised by written notice to the City within thirty (30) days after receipt of written notice by the City to Loon Center of the City's intent to sell its interest in the Premises. Loon Center shall have 365 days after the exercise of the option to purchase to make its purchase price payment to the City.

In the event of a sale of the City's interest in the Premises (a "**Sale**") to Loon Center or a third party, after deducting the City's reasonable and customary costs incurred in such Sale, the net proceeds of such Sale must be applied, in accordance with Section 3.03 of the Grant Agreement. The allocation of Sale proceeds shall be allocated between the City and the Use Agreement Tenant under Section 3.03.C. of the Grant Agreement. The parties agree that **Exhibit C** to this Lease reflects the amounts contributed initially by the City and Use Agreement Tenant to the acquisition and betterment of the Premises. **Exhibit C** will be amended from time to time to reflect final amounts expended and subsequent contributions. If there are insufficient funds to fully reimburse the City and Use Agreement Tenant the amounts set forth in **Exhibit C**, as amended from time to time, the available funds will be allocated in accordance with the then applicable percentages under **Exhibit C**. If there are funds in excess of the amounts necessary to reimburse the City and Use Agreement Tenant, the excess funds will be allocated to the parties in accordance with the percentages in **Exhibit B** to this Lease, as amended from time to time to reflect the amounts actually expended and subsequent contributions to the acquisitions and betterment of the Premises.

Nothing in this or any other agreement shall be construed as requiring the City to sell its interest in the Premises.

The proceeds of the sale will be shared by Use Agreement Tenant and the City in accordance with the percentages set forth on **Exhibit C**.

13.2 Intentionally Omitted.

13.3 Payment Based on Appraisal. Fair market value as determined by appraisal shall be established in accordance with the following procedure. Loon Center and the City will each select an MAI or comparable certified appraiser. Each of the two (2) appraisers will perform and complete appraisals within sixty (60) days of being retained for their services. The two appraisers will each determine fair market value for the purposes of Sections 13.1 of this Lease. Fair market value will be the average of the two appraisals. The cost of any appraisals under this subsection will be paid by Loon Center.

13.4 Sale Costs. In the event of a sale of the City's interest in the Premises pursuant to Section 13.1, Loon Center shall pay for the reasonable and customary costs incurred by the City in such Sale that are not allowed by the State to be deducted first from the gross proceeds from such Sale (by way of example to the extent not allowed by the State, the City's costs for interim property management, relocation, appraisal, marketing, staff administration, legal fees, survey, and title work).

14. Purchase Option by City. In the event that all of the following conditions are met: (a) the Lease/Use Agreement is not renewed by Loon Center pursuant to Section 4 of the Lease/Use Agreement on the first renewal date, (b) the Premises continue to be subject to the Grant Agreement and the Declaration, and (c) the City has determined to continue to carry out the Governmental Program (as defined in the Lease/Use Agreement) in the Premises, the City may elect to purchase the interest of the Loon Center in the Premises. The election shall be by Notice given within thirty (30) days of the non-renewal of the Lease/Use Agreement by City to Loon Center. The price to be paid to Loon Center shall be the fair market value of the interest of Loon Center in the land valued at its "highest and best use," determined without regard to the existence of this Ground Lease, or any limitation or enhancement due to the value of the Improvements. Land value shall be determined by appraisal, as set forth in Section 13.3 hereof, provided the City shall pay the cost of both appraisers. All such sums shall be due and payable at a closing to be held ninety (90) days after the Notice of the City's election to purchase the interest of the Loon Center in the Premises. Any operating costs or taxes shall be prorated between the parties as of the date of closing. Upon an election to purchase the Loon Center's interest in the Premises and payment of sums required hereunder, Loon Center agrees it will convey its fee estate in the Premises and its interest in this Lease to the City, subject only to the Permitted Encumbrances. Loon Center shall pay any mortgages permitted under Section 7.2. Upon the closing, this Lease shall remain in full force and effect, but National Loon Center shall have no further obligations under this Lease.

15. Condemnation.

15.1 Total Taking. In the event of a condemnation of all or substantially all of the Premises, this Lease shall terminate as of the date of such taking, and all proceeds shall be payable in the same manner as if the Premises were sold pursuant to Article 13 hereof.

15.2 Termination on Partial Taking. In the event of a condemnation of less than all of the Premises and the Lease/Use Agreement is terminated and treated as a Sale in accordance with Section 36 thereof, then this Lease shall also be terminated, and such partial condemnation shall be treated as a Sale, in which event the proceeds of the condemnation shall be applied pursuant to Section 13.1 hereof.

15.3 Partial Taking. In the event of a condemnation of a part of the Premises for which the Lease/Use Agreement is not terminated in accordance with its provisions, this Lease shall continue in full force as to the part of the Premises not thus taken, and the condemnation award for the Premises will be applied by Loon Center in accordance with the provisions of Section 36 of the Lease/Use Agreement, or if excess proceeds are available, Section 17 of the Lease/Use Agreement.

15.4 Conflict with Grant Agreement. Whenever there shall exist a conflict between Section 15 of this Lease and Section 5.02 of the Grant Agreement, the provisions of the Grant Agreement shall prevail.

16. Ground Lease for Site of State Bond Financed Property. The City is leasing the Premises to be improved with state bond proceeds. The parties acknowledge that this Lease is for a Term equal to at least 125 percent of the useful life of the Improvements. The expiration of this Lease upon the end of the Term does not require that the State be repaid the State Grant Proceeds or that the Premises be sold. Upon the expiration of the Term, the Premises will no longer be the site of state bond financed property and no longer subject to the Grant Agreement and the Declaration. The City shall promptly request the State, pursuant to the Grant Agreement, to release the Premises from the Declaration.

17. Alterations; Maintenance of Improvements; Restoration. City shall not make, nor shall City permit Use Agreement Tenant to make, any alterations, improvements, and changes to any building or improvement which may from time to time be on the Premises without the prior written consent of Loon Center, which consent shall not be unreasonably withheld. City shall, throughout the Term of this Lease, or shall cause Use Agreement Tenant to, at Use Agreement Tenant's sole cost, and without any expense to Loon Center, keep and maintain the Premises, including all buildings and improvements of every kind which may be a part thereof, and all appurtenances thereto, including public and private sidewalks located thereon and adjacent thereto, in good, sanitary, lawful, and neat order, condition, and repair and shall restore and rehabilitate any improvements of any kind which may be destroyed or damaged by fire, casualty, or any other cause whatsoever, including any modification required due to any partial condemnation as provided under Section 36 of the Lease/Use Agreement. The buildings or improvements shall be restored unless the restoration is not covered by insurance and the Use Agreement Tenant is not prepared to pay any costs not covered by the insurance. In the event the costs of restoration are not fully covered by insurance, the parties shall consult regarding the restoration, and both parties shall agree on a restoration plan, or, if the parties cannot agree, the Loon Center shall have the final determination on restoration

in its sole discretion, unless the City is prepared to pay any costs not paid by the insurance and Use Agreement Tenant, in which case the City shall have the final determination in its sole discretion. Loon Center shall not be obligated to make any repairs, replacements, or renewals of any kind, nature, or description whatsoever to the Premises, unless Loon Center is Use Agreement Tenant. Loon Center and City acknowledge that City intends to enter into the Lease/Use Agreement with Use Agreement Tenant, and so long as the Lease/Use Agreement is in effect, City shall require that Use Agreement Tenant shall be responsible for fulfilling all obligations under this Article 17.

18. Notice. All notices, demands and requests ("**Notice**") required or permitted to be given under this Lease must be in writing and shall be deemed to have been properly given or served either on the date of hand delivery or two (2) days after the date such Notice is deposited with the United States Mail, addressed to Loon Center or City, as the case may be, prepaid and registered or certified mail or delivery charges prepaid, return receipt requested, at the following addresses:

To Loon Center: National Loon Center
 14303 Gould Street
 PO Box 642
 Crosslake, Minnesota 56442
 Attention: Executive Director

And a copy to: Larkin Hoffman Daly & Lindgren Ltd.
 8300 Norman Center Drive, Suite 1000
 Minneapolis, MN 55437
 Attention: Brandi S. Kerber

To City: City of Crosslake
 City Hall
 13888 Daggett Bay Road
 Crosslake, MN 56442
 Attention: City Administrator

And a copy to: Crosslake City Attorney
 Joseph J. Langel
 Ratwik, Roszak & Maloney, P.A.
 444 Cedar Street, Suite 2100
 St. Paul, MN 55101

Rejection or refusal to accept or the inability to deliver because of changed address of which no Notice was given shall be deemed to be receipt of the Notice, or other communication, demand or request. Any party may change its address by giving Notice in writing, stating its new address, to any other party as provided in the foregoing manner: Commencing on the tenth (10th) day after the giving of such Notice, such newly designated address shall be such party's address for the purposes of all communications,

demands, request or Notices, permitted or required to be given or served under this Lease.

19. Amendment, Modification and Waiver. No amendment, modification, or waiver of any condition, provision, or term of this Lease shall be valid or of any effect unless made in writing, signed by the party or parties to be bound or its duly authorized representative, and approved in writing by the State and the Commissioner, and specifying with particularity the extent and nature of such amendment, modification, or waiver. Any waiver by any party of any default of another party shall not affect or impair any right arising from any subsequent default.

20. Short-Form Recordable Lease. The parties will at any time, at the request of either one, promptly execute duplicate originals of an instrument, in recordable form, which will constitute a short form of this Lease, setting forth a description of the Premises, the Term of this Lease and any other portions hereof, excepting the rent provisions, as either party may request.

21. Estoppel Certificates. In addition to any other information which may be reasonably requested, either party shall without charge, from time to time hereafter, but not more often than once every twelve (12) months, within thirty (30) days after written request, certify by written instrument duly executed and acknowledged to any person, firm, or corporation specified in such request:

a. Whether this Lease has been supplemented or amended, and if so, the substance and manner of such supplement or amendment;

b. Whether the responding party has actual knowledge (without obligation to make inquiry) of any Event of Default under the Lease

c. Whether the responding party has actual knowledge (without obligation to make inquiry) of any offsets, counterclaim or defenses to the terms and obligations under the Lease.

Any such certificate may be relied on by the party who requested it and any other person, firm, or corporation to whom it may be exhibited or delivered, and the contents of such certificate shall be binding on the party executing it. For any request more frequent than every twelve (12) months, the responding party may require payment of its reasonable costs in preparation of the estoppel response.

22. Grant Agreement Prevails. Whenever there shall exist a conflict between the provisions of this Lease and the Grant Agreement, the Grant Agreement shall prevail. Unless required by law, City shall not amend or otherwise modify the Grant Agreement without the prior written consent of Loon Center.

23. Miscellaneous. This Lease shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto.

Time is declared to be of the essence of this Lease. Except as expressly set forth herein, no third-party beneficiary rights are created by this Lease. The Article and Section headings contained in this Lease are for purposes of reference only and shall not limit or define the meaning of any of the terms of provisions hereof. All approvals required hereunder shall also be in writing. This Lease shall be governed by and construed in accordance with the laws of the State of Minnesota. Whenever, in this Lease, anything is to be done or performed by City or Loon Center, unless otherwise expressly provided to the contrary, it shall be done or performed at the sole cost and expense of City or Loon Center as the case may be. Any prevention, delay or stoppage due to strikes, labor disputes, acts of God, inability to obtain labor or materials, governmental restrictions, governmental controls, enemy or hostile government action, civil commotion, fire or other casualty, and other causes beyond the control of the party obligated to perform shall excuse the performance by such party for a period equal to any such prevention, delay or stoppage, except the obligations of either Loon Center or City with regard to the payment of monies. Except as otherwise expressly provided herein, any consent or approval required in this Lease may not be unreasonably withheld or delayed. Unless provision is made for a specific time period, consent or approval shall be given or withheld within fifteen (15) days, or, if City Council approval is required, within thirty (30) days of the request for such consent or approval.

*[The remainder of this page is intentionally left blank.
Signatures follow on the next page.]*

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.

Loon Center's address:

LOON CENTER:

National Loon Center
Attn: Executive Director
14303 Gould Street, PO Box 642
Crosslake, MN 56442

**The National Loon Center Foundation,
Inc.**

By _____
Name: Jon Mobeck

Its: Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

The foregoing instrument was acknowledged before me this ____ day of _____, 2024, by Jon Mobeck, the Executive Director, of The National Loon Center Foundation, Inc., a Minnesota nonprofit corporation, on behalf of the nonprofit corporation.

Notary Public

City's address:

City of Crosslake
Attn: City Administrator
13888 Daggett Bay Road
Crosslake, MN 56442

CITY:

CITY OF CROSSLAKE

By _____
Jackson Purfeerst, Its Mayor

By _____
Charlene Nelson, Its Clerk

STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

The foregoing instrument was acknowledged before me this _____ day of _____, 2025, by Jackson Purfeerst, the Mayor of the City of Crosslake, and Charlene Nelson, the City Clerk of the City of Crosslake, a municipal corporation under the laws of the State of Minnesota, on behalf of the City.

Notary Public

EXHIBIT A

Legal Description of Premises

Lot 1, Block 1, Pioneer Addition to Crosslake, Crow Wing County, Minnesota

AND

Lot 2, Block 1, Pioneer Addition to Crosslake, Crow Wing County, Minnesota

AND

Lot 4, Block 1, Pine Peaks, Crow Wing County, Minnesota

EXHIBIT B

National Loon Center

Contributions to Acquisition and Betterment by

City, State and Use Agreement Tenant

<u>SOURCES OF PROJECT FUNDS</u>	<u>AMOUNT</u>	<u>PERCENTAGE ALLOCATION</u>
State of Minnesota (General Funds)	\$ _____	_____ %
National Loon Center	\$ _____	_____ %
	\$ _____	100%

This amount shall also be reduced by the amount of any land purchase payment made to Loon Center under Section 14, and the percentages adjusted accordingly.

EXHIBIT C

National Loon Center

Contributions to Acquisition and Betterment by

City and Use Agreement Tenant

	<u>Amount</u>	<u>Percentage of Allocation</u>
City of Crosslake	\$ 0	0 %
National Loon Center	\$	<u>100%</u>
	\$	100%

This amount shall be reduced by the amount of any land purchase payment made to Loon Center under Section 14, and the percentages adjusted accordingly.

EXHIBIT D

Permitted Encumbrances

1. Real estate taxes and installments of special assessments not currently due and payable.
2. Easements, covenants, conditions, restrictions, and limitations, if any, that do not impair the use of the Premises.
3. Reservation of any minerals or mineral rights reserved to the State of Minnesota.
4. Building and zoning laws, ordinances, and state and federal regulations.
5. Any liens or other encumbrances created by City.
6. The provisions of Minnesota Statute Section 16A.695 regarding the interests of the State of Minnesota.
7. Easements, covenants, conditions and restrictions of record, if any.
8. Crow Wing County Right of Way Plat No. 3, dated April 16, 1985, filed of record April 18, 1995, as Document No. 352717.
9. City of Crosslake Planning Commission/Board of Adjustment Variance filed of record September 9, 2019, as Document No. A-922325.
10. Reversionary Clause as set out in Limited Warranty Deed dated December 26, 2023, filed of record February 1, 2024, as Document no. 993392.
11. Perpetual Highway and Utility Right of Way Easement in favor of the County of Crow Wing, recorded March 18, 2024, as Document No. 994604.
12. Plat of Pioneer Addition to Crosslake, recorded August 24, 2006, as Document No. 185992.
13. Order to Register Property recorded June 18, 2003, as Document No. 162487.
14. Perpetual Easement in favor of the City of Crosslake recorded August 16, 2006, as Document No. 185809.
15. Easement for roadway, parking, sidewalk, public use trail, utility, drainage and appurtenance in favor of the City of Crosslake contained in Quit Claim Deed recorded August 24, 2006, as Document No. 185993.
16. Easement for public use trail in favor of the City of Crosslake contained in Quit Claim Deed recorded August 24, 2006, as Document No. 185994.

17. Resolution vacating a part of drainage and utility easement recorded December 29, 2020, as Document No. 259660.
18. City of Crosslake Planning Commission/Board of Adjustment Variance filed of record April 14, 2025, as Document No. 1008325 and as Document No. 280894.
19. City of Crosslake Planning Commission/Board of Adjustment Conditional Use Permit filed of record April 14, 2025, as Document No. 1008326 and as Document No. 280895.
20. Mortgage dated October 25, 2024, executed by National Loon Center Foundation, Inc., a Minnesota corporation, in favor of First National Bank North, and filed for record February 3, 2025, as Document No. 1005094 and as Document No. 280104.

4878-0587-2850, v. 4

2.b.

LEASE AND USE AGREEMENT

By and between

City of Crosslake

and

The National Loon Center Foundation, Inc.

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LEASE AND USE AGREEMENT

NATIONAL LOON CENTER

THIS LEASE AND USE AGREEMENT is entered into this _____ day of _____, 2025, between the CITY OF CROSSLAKE, a municipal corporation under the laws of the State of Minnesota ("City"), and THE NATIONAL LOON CENTER FOUNDATION, INC., a Minnesota nonprofit corporation ("Loon Center").

1. PURPOSE.

a. City believes that it serves the public interest of the City of Crosslake to promote and provide for facilities for environmental stewardship, educational seminars, exhibits, presentations, programs, and activities in the City. City and Loon Center believe that the National Loon Center and the National Loon Center Project furthers that public purpose, and that National Loon Center will foster commitment to restoring and protecting loon breeding habitats, enhancing responsible recreation, and advancing loon and freshwater research and education and is vital and in the best interest of the City and the health, safety, morals and welfare of its residents.

b. The governmental program is authorized by Minnesota Statutes §§ 471.15-471.191; Minnesota Session Laws of 2023, Chapter 72, Article 2, § 3, Subd. 4.; and established by official action of the City by Resolution _____, in which the City agreed to act as the legal sponsor for the governmental program described herein. The program is intended to foster a commitment to environmental stewardship and to educate and transform visitors into champions for loon preservation and freshwater conservation (the "Governmental Program") to be conducted in a facility located at _____, Crosslake, Minnesota (the "National Loon Center Project"), which shall achieve City's goal of supporting and improving the environmental fabric of the State and region and promoting economic development and tourism. City and Loon Center acknowledge and agree the success of National Loon Center Project requires that Loon Center continue to have broad and unfettered freedom in selection of all programs in the operation of the National Loon Center and it is the intent of the parties hereto that Loon Center shall have such discretion and control.

c. This Lease is being entered into in accordance with the provisions of Minnesota Session Laws of 2023, Chapter 72, Article 2, § 3, Subd. 4., Minn. Stat. §§ 471.15-471.191, Minn. Stat. §§ 410.07, 412.211 and 412.221, and Minn. Stat. § 16A.695, and rules, regulations, and orders issued pursuant thereto in order to carry out this public purpose.

2. DEMISE AND DESCRIPTION OF PREMISES. In consideration of the rents, mutual promises, and covenants contained herein, City hereby leases to Loon

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Center, and Loon Center hereby leases from City, those certain parcels of real property legally described on Exhibit A attached hereto, together with all existing improvements and improvements to be constructed thereon (together the real property and improvements, the "**Premises**"), all located in the City of Crosslake, Minnesota. The Premises are leased to Loon Center on an AS-IS basis and Loon Center acknowledges that City has made no representations or warranties as to the condition, quality, buildability, or suitability for development of the Premises.

Loon Center acknowledges that City's interest in the Premises is pursuant to that certain 40 year Ground Lease entered into by and between the City and The National Loon Center Foundation, Inc. (the "**Ground Landlord**"), of even date herewith (the "**Ground Lease**"), and further will be subject to the Grant Agreement and Declaration described in Section 3 hereof. Loon Center acknowledges that its rights in the Premises are subject to the Ground Lease and the Grant Agreement (defined below) and Declaration (defined below).

3. **GRANT AGREEMENT.** City and Loon Center acknowledge that the costs of design and construction of the Premises of the Improvements (as defined more fully in Section 21 of this Lease and generally described on the attached Exhibit B, variously referred to herein as the "**Improvements**") will be funded, in part, through the proceeds of a state grant in the aggregate amount of \$2,500,000 ("**State Grant Proceeds**") from the State of Minnesota acting by and through its Department of Employment and Economic Development (the "**State**"). The State Grant Proceeds have been provided to City pursuant to the terms of a General Fund Bond Proceeds Grant Agreement – Construction Grant for the National Loon Center Project (the "**Grant Agreement**"), a copy of which is attached hereto as Exhibit C, and the National Loon Center Project is "state bond financed property" as such term is defined therein and is subject to the General Fund Bond Financed Declaration attached thereto and recorded in the Office of the Crow Wing County Recorder on _____, 20____ as Document No. _____ (the "**Declaration**"). All capitalized terms that are not otherwise defined in this Lease shall have the meaning ascribed to those terms in the Grant Agreement.

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This Lease requires Loon Center to comply with the Grant Agreement and to fulfill certain obligations therein, which are set out more fully herein.

4. **TERM AND OPTIONS TO RENEW.** The initial term of this Lease shall be for 20 years, commencing on the date of this Agreement, unless sooner terminated as hereinafter provided. This term is acknowledged to be substantially less than the useful life of National Loon Center Project (which the parties agree is thirty (30) years from the date of this Agreement). As used herein the expression "**Term**" refers to the initial Term and to any renewal thereof as hereinafter provided.

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Subject to the conditions set forth below, Loon Center shall renew this Lease for one period, which shall be for 20 years. Each renewal shall be upon the identical terms and conditions contained herein, unless the parties otherwise agree in writing, including but not limited to, the condition that Loon Center is operating the Governmental Program. Each renewal shall be confirmed by Loon Center by giving a written notice of renewal to

City six (6) months prior to the renewal year. As a condition precedent to such renewal, the City shall have determined by action of the City Council of the City of Crosslake ("City Council"), such action to be taken within three (3) months of receipt of said notice from Loon Center, that Loon Center has demonstrated that such renewal continues to carry out the Governmental Program and that the City Council desires to have Loon Center continue operating the Governmental Program. In no event shall Loon Center be entitled to renew the Term hereof even though such confirmation notice is timely given, if (a) the Lease has been terminated, or (b) an Event of Default has occurred and is continuing as of the date of the expiration of the initial term hereof or the renewal term. The City may allow the second renewal term if this lease has been extended by the previous renewal term and the City determines the second renewal term is in the best interest of the Governmental Program. Notwithstanding anything to the contrary contained herein, City is not required to renew this Lease with Loon Center, and may at the expiration of the lease term or any renewal term, in its sole option and discretion (i) decide to self-operate the Governmental Program in the Premises, (ii) contract with some other entity to operate the Governmental Program in the Premises, or (iii) determine that the Premises is no longer needed or useful for the operation of the Governmental Program and sell its interest in the Premises.

5. STATUTORY TERMINATION. Notwithstanding any other provisions of this Lease to the contrary, if the Governmental Program is terminated or changed in response to changes in state law in such a manner as to (a) cause this Lease and the operation of the Premises to be inconsistent with the changed Governmental Program or (b) remove the statutory authority for the City to operate the Governmental Program, then this Lease may be terminated by 485 days written notice to Loon Center (the "**Termination Date**"), provided however that City agrees that it will not terminate or change the Governmental Program during the Term unless required to do so by applicable State law. Any termination must be approved by the City Council, and provided further that any termination pursuant to this Section 5 will be deemed automatically rescinded and of no force or effect if within said 485 day period (i) the State law requiring the Governmental Program to be terminated or changed or precluding the City's operation of the Governmental Program is repealed or modified in such a manner as to permit the Governmental Program to continue in a form that does not cause this Lease and operation of the National Loon Center on the Premises to be inconsistent therewith, or (ii) Loon Center conforms its operation to the changed Governmental Program. Loon Center's failure to cease operation of the Governmental Program on the Termination Date shall be a default under this Lease.

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6. RENT. No rent is required to be paid to City by Loon Center for the initial Term and the renewal Terms provided, however, that anything else contained herein or elsewhere notwithstanding, it is the intention of the parties that this Lease is a complete "net" Lease and that all costs and expenses, of any nature or kind whatsoever, attributable to the Premises or Loon Center's use thereof during the Term hereof, or the renewal Terms, including but not limited to the operation and maintenance of the Premises and the operation of the Governmental Program, shall be the sole responsibility of Loon Center, and City shall not have any liability therefore, provided that damage to persons or property shall be governed by Section 25 hereof.

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7. PAYMENT OF ASSESSMENTS.

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a. Taxes as Additional Rental. As "Additional Rent" hereunder, Loon Center shall pay and discharge as they become due, promptly and before delinquency, all real estate taxes, personal property taxes, assessments, rates, charges, license fees, municipal liens, levies, excises, or imposts, whether general or special or ordinary or extraordinary, of every name, nature, and kind whatsoever, including all governmental charges of whatsoever name, nature, and kind which shall be levied, assessed, charged, or imposed or which may become a lien or charge on or against the Premises or any part thereof, the leasehold of Loon Center herein, any Improvements now or hereafter thereon, or on or against Loon Center's estate hereby created, which may be a subject of taxation, during the entire Term hereof, including the renewal Terms, excepting only those taxes hereinafter specifically excepted in subsection (c).

b. Assessments Affecting Improvements. Specifically, but without any way limiting the generality of the requirements of subsection (a), Loon Center shall pay all special assessments and levies or charges made by any municipal or political subdivision for local improvements and may pay them in cash as they shall fall due and before they shall become delinquent, or in installments each year as assessed by any such municipal or political subdivision. If, by making any such election to pay in installments, any such installments shall be payable after the termination of this Lease or any extended Term thereof, such unpaid installments shall be prorated as of the date of termination, and amounts payable after such date shall be paid by City. All of the taxes and charges under this Section shall be prorated at the commencement and expiration of the Term hereof.

c. Contesting Taxes. If Loon Center shall in good faith desire to contest the validity or amount of any tax, assessment, levy, or other governmental charge herein agreed to be paid by Loon Center, Loon Center shall be permitted to do so and to defer payment of such tax or charge, the validity or amount of which Loon Center is so contesting, until final determination of the contest, on giving to City written notice thereof prior to the commencement of any such contest, provided, however, that Loon Center shall be absolutely obligated to pay such tax or charge no later than thirty (30) days before such unpaid tax or charge will result in a forfeiture of the Premises or any part thereof. If Loon Center does undertake any such contest it shall diligently pursue such contest to completion.

d. Disposition of Rebates. All rebates on account of any such taxes, rates, levies, charges, or assessments required to be paid and paid by Loon Center under the provisions hereof shall belong to Loon Center, and City will on the request of Loon Center execute any receipts, assignments, or other acquaintances that may be necessary on the Premises in order to secure rebates that may be received by City. All rebates on account of any such taxes, rates, levies, charges, or assessments paid by City shall belong to City, provided Loon Center has not reimbursed City for such payments and Loon Center shall have no obligation to reimburse City to the extent of such rebates received and retained by City.

e. City's Right to Pay Taxes on Behalf of Loon Center. In the event Loon Center shall fail to comply with the preceding terms of this Section, City may, but shall not be obligated to, pay any such taxes or assessments and charge it, plus interest on such amount at a rate of 2% over the prime rate established by U.S. Bank National Association, or its successor, from the date paid by City, as Rent immediately due and payable, subject, however, to subsection (d) above.

f. Receipts. Loon Center shall at the request of City obtain and deliver to City receipts or duplicate receipts for all taxes, assessments, and other items required hereunder to be paid by Loon Center, promptly on payment thereof.

g. Acknowledgement. Loon Center acknowledges that City has made no representations or warranties of any kind with respect to the amount of any real estate taxes, special assessments, or other charges which may be levied against the Premises throughout the initial Term, or the renewal Terms, of this Lease. The parties believe that the Premises will be exempt from Real or Personal Property Taxes at all times during the Term or any Renewal Term of this Agreement, and shall reasonably cooperate with each other to maintain such exemption. In the event the Premises becomes subject to any real or personal property taxes as a result of the use of the Premises authorized in this Agreement, the Loon Center will pay such real or personal property taxes subject to the Loon Center's right to contest, at its expense, any assessment of real or personal property taxes, and the City shall, at the Loon Center's expense, reasonably support such contest by the Loon Center.

8. PAYMENT OF UTILITIES. As Additional Rent, Loon Center shall fully and promptly pay for all water, gas, heat, light, power, telecommunications, and all other utilities of every kind furnished to the Premises throughout the term hereof, and City shall have no responsibility of any kind for any payment thereof.

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9. REPORTING AND PROGRAM OVERSIGHT.

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a. After completion of the National Loon Center Project Improvements, Loon Center shall promptly submit to the City, upon written request, such documentation, information and reports as are needed by the City to fulfill its reporting requirements under the Grant Agreement.

b. (1) On or before each July 1, commencing on the July 1 first following the Completion Date, Loon Center shall submit to the City of Crosslake the following information (hereinafter, the "Annual Report"):

A) A report of major activities at the National Loon Center Project for the fiscal year ending the day before the report is due (June 30) of Loon Center, and a description of how the major activities meet the Governmental Program requirements.

B) Loon Center's annual budget for the next fiscal year, including revenues and expenses (and including all capitalized expenditures for Improvements), which shall demonstrate that forecast revenues (from all sources) will be equal to or exceed forecast program expenses. The budget shall also show in some way that the Loon Center is using the Premises for the Governmental Program.

(2) No later than forty-five (45) days after submittal to the City by Loon Center, the City shall approve the budget of Loon Center upon the City's findings that Loon Center is carrying out the Governmental Program and the revenues (from all sources) equal or exceed the program expenses and forward its approval to the Commissioners of Minnesota Management and Budget and the Minnesota Department of Employment and Economic Development. If the City does not approve the budget, the City shall submit its report and findings and all written materials that the City received from Loon Center along with a written description of the actions that the City intends on taking in order to comply with the requirements imposed by Section 2.03 of the Grant Agreement, if any, to the City Council and the Commissioners of Minnesota Management and Budget and the Minnesota Department of Employment and Economic Development.

10. LOON CENTER REPRESENTATIONS, WARRANTIES AND COVENANTS. Loon Center covenants with and warrants and represents to City as follows:

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a. The Loon Center is organized as a nonprofit corporation, active and in good standing under the laws of Minnesota, and is registered with the Minnesota Secretary of State, and has the power and legal authority to enter into, execute, and deliver this Lease, and that it has taken all corporate and other actions necessary and incident to its execution and delivery of such documents.

b. The Loon Center shall maintain its status as a nonprofit corporation, active and in good standing under the laws of the State of Minnesota, and remain registered with the Minnesota Secretary of State, at all times after the Effective Date of this Agreement and while the Term or any Renewal Term are in effect.

c. It will comply with all of the terms, conditions, covenants, requirements, and/or warranties in this Lease, at all times during the term hereof.

d. It will comply with the terms, conditions, covenants, requirements and/or warranties in the Grant Agreement.

e. It will construct the Improvements and operate National Loon Center Project in compliance with the Grant Agreement.

f. It has made no material false statement, or material misstatement of fact, in connection with its receipt of this Lease, and all of the information previously

submitted to City, the State, or the Commissioner of Minnesota Management and Budget (the "**Commissioner**"), or to be submitted to City, the State, or the Commissioner of the Minnesota Office of Management and Budget in the future, relating to this Lease or the Grant given to City or the disbursement of any of the proceeds of the Lease or Grant, is and will be true, complete and correct by Loon Center in all material respects.

g. The execution and delivery of this Lease by Loon Center will not cause or constitute a violation of any provisions of Loon Center's Articles of Incorporation, or Bylaws, or of the laws of the State of Minnesota, and there are no actions, suits, or proceedings pending, or to the actual knowledge of the undersigned officers of Loon Center, threatened, before or by any judicial body or governmental authority against or affecting it relating to the Premises, and it is not in default with respect to any order, writ, injunction, decree, or demand of any court or any governmental authority which would impair its ability to enter into this Lease, or to perform any of the acts required of it in this Lease.

h. Neither the execution or delivery of this Lease, nor compliance with any of the terms, conditions, requirements, or provisions contained herein, is prevented by, is a breach of, or will result in a breach of any term, condition, or provision of any agreement or document to which it is now a party, or by which it, or any of its properties, is bound.

i. Subject to Unavoidable Delays (as defined in the Section 21), by no later than the Completion Date, the Improvements will be substantially completed in such a manner as will allow the National Loon Center to commence the Governmental Program as specified in Section 1 of this Lease.

j. As of the date hereof, the Premises and the contemplated use thereof will not violate in any material respect any applicable zoning or use statute, ordinance, building code, rule or regulation, or any covenant or agreement of record, relating to the Premises, except violations that will be corrected as part of the construction of the Improvements.

k. The construction of the Improvements will be performed in material compliance with all applicable laws, statutes, rules, ordinances, and regulations, including but not limited to building code, disability, access, zoning, air quality, pollution control, recyclable materials, and prevailing wage requirements as issued by any federal, state, or local political subdivisions having jurisdiction over the Premises.

l. All applicable licenses, permits, and bonds required for the construction of the Improvements have been or shall be obtained.

m. It shall furnish satisfactory evidence regarding the representations, warranties and covenants contained herein as may be required by City or the State and requested in writing from time-to-time.

n. It shall not take any actions inconsistent with this Lease.

o. The Loon Center will cooperate with the City with respect to any litigation commenced with respect to the Property, so long as the Loon Center is not an adverse party to such litigation.

p. Whenever an Event of Default occurs and if the City shall employ attorneys to incur other expenses for the collection of payments due or to become due or for the enforcement of performance or observation of any obligation or agreement on the part of the Loon Center under this Agreement, and the City prevails in such action, the Loon Center agrees that it shall, within 30 business days of written demand by the City, pay to the City the reasonable fees of such attorneys and such other expenses incurred by the City.

q. Unless permitted by the terms of this Agreement, the Loon Center shall not create any lien, encumbrance, easement, license, right-of-way, covenant, condition or restriction that would encumber the title to the Premises, without the prior written approval of the City, which approval shall not be unreasonably withheld.

11. CITY REPRESENTATIONS, WARRANTIES AND COVENANTS. City covenants with and warrants and represents to Loon Center as follows:

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a. It is a statutory city under the laws of the State. The City has authority to enter into this Agreement and to perform the obligations referenced therein, under the provisions contained in Minn. Stat. §§ 410.07, 412.211 and 412.221.

b. It will comply with all of the terms, conditions, covenants, requirements, and/or warranties in this Lease applicable to City at all times during the term hereof.

c. It will comply with all of the terms, conditions, covenants, requirements and/or warranties in the Grant Agreement, subject to Loon Center's compliance with all terms and conditions of this Lease.

d. The execution and delivery of this Lease by City will not cause or constitute a violation of the laws of the State of Minnesota, and there are no actions, suits, or proceedings pending, or to the actual knowledge of the undersigned officers of City, threatened, before or by any judicial body or governmental authority against or affecting it relating to the Premises, and it is not in default with respect to any order, writ, injunction, decree, or demand of any court or any governmental authority which would impair its ability to enter into this Lease, or to perform any of the acts required of it in this Lease.

e. Neither the execution or delivery of this Lease, nor compliance with any of the terms, conditions, requirements, or provisions contained herein, is prevented by, is a breach of, or will result in a breach of any term, condition, or

provision of any agreement or document to which it is now a party, or by which it, or any of its properties, is bound.

12. WARRANTIES OF TITLE AND QUIET POSSESSION. City covenants that City is seized of the Premises as ground tenant pursuant to the Ground Lease and, assuming Loon Center fully performs as required by this Lease, Loon Center shall have quiet and peaceable possession of the Premises during the Term, in accordance with this Lease.

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13. USE OF PREMISES. Subject to the other terms and provisions contained herein, Loon Center shall be permitted to use the National Loon Center Project only for the construction of the Improvements, construction of additional buildings and improvements pursuant to Section 22 herein, maintenance and repair of the Premises and operation of the National Loon Center in order to achieve the Governmental Program as set forth in Section 1.b. above.

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No use shall be made or shall be permitted to be made of the Premises nor shall any acts be done which will cause a cancellation of any insurance policy covering the Improvements on the Premises, or any part thereof. Loon Center shall, at its sole cost, comply with all requirements necessary for the maintenance of insurance of any insurance organization or company, as herein provided, covering any building and appurtenances located on the Premises.

Furthermore, during the term of this Lease, Loon Center shall comply with all applicable laws affecting the Premises if either: (a) the breach of such laws might result in any penalty on City or the forfeiture of City's title to the Premises; or (b) the breach of which would have an adverse effect on public health or safety. Loon Center shall not commit or allow to be committed any waste of or nuisance on the Premises. Throughout the Term of this Lease, the operation of the Governmental Program on the Premises shall be subject to Unavoidable Delays, as defined in Section 21 herein.

14. ABANDONMENT OF PREMISES. If Loon Center shall abandon, vacate, or surrender the Premises or shall be dispossessed by process of law, or otherwise, any personal property belonging to Loon Center and left on the Premises shall be deemed to be abandoned, at the option of City.

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15. CITY'S RIGHT OF ENTRY. Loon Center shall permit City and the agents and employees of City to enter into and on the Premises at all reasonable times during business hours and with at least five (5) days written notice for the purpose of inspecting them or for the purpose of posting notices of non-responsibility for alterations, additions, or repairs, without any charge to City and without any liability to City for any loss of occupation or quiet enjoyment of the Premises thereby occasioned.

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16. ENCUMBRANCE OF LOON CENTER'S LEASEHOLD INTEREST. With the prior approval of City and the Commissioner, Loon Center may encumber by mortgage or other proper instrument its leasehold interest in the Premises including all Improvements placed by Loon Center thereon, as security for any indebtedness of Loon

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Center incurred to finance or refinance Improvements on the Premises as provided in the Grant Agreement, provided such mortgage contains an acknowledgement that the mortgagee's rights are subject to the rights of City under this Lease and the Ground Lease and the rights of the State under the Grant Agreement and the Declaration. Any such mortgage or other instrument shall provide that Loon Center shall have access to insurance and condemnation proceeds so as to allow Loon Center the right to rebuild or restore any portions of the Premises destroyed or condemned in the event that City permits such rebuilding or restoration under the terms of this Lease. No such mortgage or encumbrance, or any foreclosure, conveyance, or exercise of right by any secured lender shall relieve Loon Center from its liabilities hereunder, nor prevent City from exercising its rights to terminate the Lease.

If Loon Center so encumbers its leasehold interest and if Loon Center or the holder of the indebtedness secured by such encumbrance gives notice to City of the existence thereof and the address of such holder, then City will mail or deliver to such holder at that address a duplicate copy of all notices in writing which City may, from time-to-time, give to or serve on Loon Center under and pursuant to the terms and provisions hereof. Such copies shall be mailed or delivered to such holder at or as near as possible to the same time such notices are given to or served on Loon Center.

Such holder may, at its option, at any time before the rights of Loon Center are terminated as provided herein, pay any of the rent due hereunder or pay any taxes and assessments or do any other act or thing required of Loon Center by the terms hereof or do any act or thing that may be necessary and proper to be done in the observance of the covenants and conditions hereof or to prevent the termination hereof. All payments so made, and all things so done and performed by such holder, if done prior to the rights of Loon Center having been terminated, shall be as effective to prevent a termination of the rights of Loon Center hereunder as they would have been if done and performed by Loon Center.

Upon such holder succeeding to the interest of Loon Center hereunder, such holder shall be bound by all terms and conditions of this Lease, and shall be deemed to have assumed all of Loon Center's obligations hereunder from and after such time as it succeeds to the interest of Loon Center.

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19. SUBLETTING AND ASSIGNMENTS. Loon Center shall not assign any of its rights hereunder, or sublet all or any portion of the Premises, without City's prior written consent which consent may not be unreasonably delayed or withheld; provided, however, that Loon Center may sublet or license from time-to-time without City's consent such space as appropriate for educational and environmental activities that further the Governmental Program or for other permitted ancillary uses, subject to the limitations in Section 13. All subtenants and licensees shall operate the licensed or subleased

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premises for the purpose and in a manner so as to be related and ancillary to the Governmental Program.

Further notwithstanding the foregoing, Loon Center shall be permitted to mortgage its interest hereunder to any mortgagee, provided such mortgage is in connection with Loon Center's financing or refinancing of the development or improvement of the Premises as contemplated herein subject to the requirements of Section 16 hereof. On the foreclosure of any such mortgage, the mortgagee may thereafter assign or transfer its interest in the leasehold to any other assignee or transferee, subject to the provisions of Minn. Stat. §16A.695 and the Grant Agreement, provided that any assignee thereof shall agree to be bound by the terms and conditions of this Lease. Thereafter, there shall be no other assignments or transfers of the leasehold interest without the prior written consent of City, which consent may be given or withheld in City's sole discretion, and City's consent to one assignment or transfer shall not be deemed to be consent to any subsequent assignment or transfer. Any other transfer or assignment without City's consent shall be void and shall at the option of City constitute an Event of Default hereunder.

20. **NOTICES.** All communications, demands, notices, or objections permitted or required to be given or served under this Lease (a "Notice") shall be in writing and shall be deemed to have been duly given or served when delivered in person to the other party or its authorized agent or two (2) days after being deposited in the United States mail, postage prepaid, for mailing by certified or registered mail, return receipt requested, and addressed to the other party to this Lease, to the address set forth next to such party's signature at the end of this Lease, or if to a person not a party to this Lease, at the following addresses:

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To Loon Center: National Loon Center
14303 Gould Street
Crosslake, MN 56442
Attention: Executive Director

And a copy to: Larkin Hoffman Daly & Lindgren Ltd.
8300 Norman Center Drive, Suite 1000
Minneapolis, MN 55437
Attention: Brandi S. Kerber

To City: City of Crosslake
City Hall
13888 Daggett Bay Road
Crosslake, MN 56442
Attention: City Administrator

And a copy to: Crosslake City Attorney

Joseph J. Langel
Ratwik, Roszak & Maloney, P.A.
444 Cedar Street, Suite 2100
St. Paul, MN 55101

Any party may change its address by giving Notice in writing, stating its new address, to any other party as provided in the foregoing manner. Commencing on the tenth (10th) day after the giving of such notice, such newly designated address shall be such party's address for the purposes of all communications, demands, notices, or objections permitted or required to be given or served under this Lease

21. CONSTRUCTION OF IMPROVEMENTS. Loon Center shall construct the Improvements, described on Exhibit B, attached hereto and incorporated herein, at its own expense and subject to and in accordance with all terms and conditions of this Lease and the Grant Agreement, and in material compliance with all applicable federal, state and local laws, rules and regulations, and in material compliance with the terms and conditions of all applicable licenses and permits and City shall authorize the disbursement of the State Grant Proceeds to Loon Center to be used to construct the Improvements as provided herein and in accordance with the Grant Agreement. The State is the final arbiter of whether and when State Grant Proceeds are disbursed. The Improvements shall be substantially completed no later than **July 1, 2028** (the "**Completion Date**"), subject to delays in the performance obligations for construction of the Improvements due to the causes beyond the control of Loon Center and without the fault or negligence of either party, including but not limited to adverse or severe weather conditions, acts of God, acts of the public enemy, strikes and other similar labor troubles, fire, floods, epidemics, quarantines, unavailability of power, unavailability of materials, delays due to damage or destruction of the Premises or the equipment used to construct the same, discovery of hazardous materials or other concealed site conditions including

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environmental issues, or delays of contractors due to such discovery, and litigation commenced by third parties which by injunction or other similar judicial action directly results in delays and other casualty to the Premises, or affect the validity of this Lease ("Unavoidable Delays"). All of such Improvements, including any fixtures related to the operation of any buildings located on the Premises, shall immediately become the property of the Ground Landlord, and City and Loon Center shall have only a leasehold interest therein, subject to the terms and provisions contained herein and in the Ground Lease. Upon request of the Ground Landlord, Loon Center will execute and deliver to the Ground Landlord bills of sale from time-to-time transferring to the Ground Landlord title to personal property which becomes a fixture and property of the Ground Landlord under the preceding sentence. Loon Center is hereby authorized by City to provide for the construction and equipping of the Improvements in accordance with Minnesota Statutes §§ 471.15-471.191 and the Minnesota Municipal Contracting Law, Minnesota Statutes 471.345-471.462. Loon Center is responsible for letting contracts for construction and equipment in accordance with Minnesota Municipal Contracting Law and shall indemnify, save, and hold harmless the City of Crosslake for any legally significant errors or omissions in any contracts for construction or materials, or defects in the bidding process.

22. CONSTRUCTION OF ADDITIONAL BUILDINGS AND IMPROVEMENTS.

Loon Center, but only with the prior written approval of City and State, which approval shall not be unreasonably delayed or withheld, shall have the right to make such alterations, improvements, and changes to any building or improvement which may from time-to-time be on the Premises as Loon Center may deem necessary or to replace any such building or improvement with a new one. Notwithstanding the preceding sentence, City agrees that changes to the National Loon Center Project that do not constitute capital improvements that Loon Center in its judgment determines do not reduce the value of the National Loon Center Project as a whole or reduce the ability of Loon Center to operate the Governmental Program, do not require the consent of City. For purposes of the previous sentence, "capital improvements" shall mean any material alterations or substantial improvements made to the Premises, and any non-recurring improvements to extend the useful life of the Premises. Capital Improvements shall not include ordinary maintenance, emergency repairs or repairs completed to restore the Premises to its preexisting condition without extending the useful life of the Premises. City and Loon Center acknowledge that during such additional construction, the Governmental Program may be interrupted as is reasonably necessary for orderly and safe construction to occur, provided that the Governmental Program shall resume immediately upon completion of construction. Any new building constructed by Loon Center on the Premises, and any changes to the National Loon Center Project or to new buildings, shall be constructed in material compliance with all applicable federal, state and local laws, rules and regulations; and in compliance with the terms and conditions of all applicable licenses and permits; and, together with any fixtures related to the operation of any buildings located on the Premises, shall immediately become the property of the Ground Landlord, and City and Loon Center shall have only a leasehold interest therein, subject to the terms and provisions contained herein and in the Ground Lease.

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23. REPAIRS AND DESTRUCTION OF IMPROVEMENTS.

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a. Maintenance of Improvements. Loon Center shall, throughout the Term of this Lease, at its own cost and without any expense to City, keep and maintain the Premises, including all buildings and improvements of every kind which may be a part thereof, and all appurtenances thereto, including public and private sidewalks located thereon and adjacent thereto, in good, sanitary, lawful, and neat order, condition, and repair and, except as specifically provided herein, shall restore and rehabilitate any improvements of any kind which may be destroyed or damaged by fire, casualty, or any other cause whatsoever. City shall not be obligated to make any repairs, replacements, or renewals of any kind, nature, or description whatsoever to the Premises or any buildings or improvements thereon.

b. Damage to and Destruction of Buildings or Improvements. The damage or destruction or partial destruction of any building or other improvement which is a part of the Premises shall not release Loon Center from any obligation hereunder, except as hereinafter expressly provided.

In case of damage to or destruction of such building or improvement which is not substantial, Loon Center shall at its own expense promptly repair and restore the same to a condition as good or better than that which existed prior to such damage or destruction, and Loon Center shall have the right to any insurance proceeds the premium for which has been paid by Loon Center, to be used by Loon Center to pay the cost of such repair and restoration.

In the case of damage to or destruction of such building or improvement which is substantial, Loon Center shall at its own expense promptly repair and restore the same to a condition as good or better than that which existed prior to such change or destruction, provided that the cost of the restoration is covered by insurance plus any deductible under such policy. If a damage or destruction is not so covered, and the damage is substantial, the parties shall consult as to whether to proceed with renovation, and how to pay the uninsured costs thereof. If the parties determine that it is inappropriate to rebuild the building or improvements on the Premises this Lease and Loon Center's interest in the Premises shall be terminated and shall have the same effect as if a sale shall have occurred (subject to City's determination that the Premises are no longer usable or needed by City to carry out the Governmental Program), and the insurance proceeds shall be paid in accordance with the provisions of Section 13.1 of the Ground Lease. No settlement with the insurance company shall be agreed to by Loon Center without the prior written consent of City, the Ground Landlord, and the Commissioner.

Except as otherwise provided in this Section, and without limiting such obligations of Loon Center, if Loon Center elects to rebuild, and any mortgagee consents to rebuilding, if necessary, it is agreed that the proceeds of any insurance covering such damage or destruction shall be paid to City and Loon Center, to be held in escrow for such repair or replacement with an escrow agent acceptable to

City, Loon Center, and any mortgagee, to be disbursed in accordance with standard commercial construction lending conditions customarily required by institutional lenders. The Loon Center shall not be obligated to operate the Governmental Program on the Premises from the date of damage or destruction of the buildings or improvements until repair or reconstruction of the buildings or improvements on the Premises is complete.

24. MECHANICS' LIENS. Loon Center shall promptly pay for all alterations and improvements that are requested by the Loon Center and approved by the City under this Agreement, and shall promptly pay all laborers employed and all subcontractors furnishing material or services to the Loon Center for such alterations and improvements. Loon Center hereby covenants and agrees that Loon Center will not permit or allow any mechanics' or material supplier's liens to be placed on City's interest in the Premises during the Term hereof. Notwithstanding the previous sentence, however, in the event any such lien shall be so filed against City's interest, Loon Center shall take all steps necessary to remove it within 120 days of its being filed; provided, however, that Loon Center may contest any such lien provided pursuant to Minn. Stat. § 514.01, *et seq.* Prior to Loon Center contesting any such lien, Loon Center must first posts a surety bond or letter of credit or cash with the applicable court in an amount equal to 125% of the amount of such lien, or otherwise protect City from foreclosure of the Premises.

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25. INDEMNIFICATION OF CITY.

a. Loon Center shall indemnify, protect, save, hold harmless and insure City, and its respective officers, employees and members and agents, from and against any and all claims and demands for, or litigation with respect to, all damages which may arise out of or be caused by Loon Center or its agents, employees, contractors or subcontractors with respect to Loon Center's performance of its obligations under this Agreement or its presence on or use of the Premises, or that of Loon Center's employees, members, board, officers, agents, volunteers, clients and invitees. Loon Center Shall also indemnify, protect, save hold harmless and insure the City for any loss of grant funds under the City's Grant Agreement with the State of Minnesota caused by or resulting from the acts or omissions of the Loon Center, its officers, employees, members and agents. Loon Center shall defend City against the foregoing, or litigation in connection with the foregoing, at Loon Center's expense, with counsel reasonably acceptable to City. City, at its expense, shall have the right to participate in the defense of any claims or litigation and shall have the right to approve any settlement, which approval shall not be unreasonably withheld. The City shall have the right to separately employ counsel at City's expense, or may do so at Loon Center's expense with the consent of Loon Center or if a conflict of interest exists due to additional parties, other than City and Loon Center, being named in the same action. The indemnification provision of this Section shall not apply to damages or other losses proximately caused by or resulting from the negligence or willful misconduct of City. All indemnification obligations shall survive termination, expiration or cancellation of this Agreement.

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b. Loon Center knows, understands and acknowledges the risks and hazards associated with using the Premises for the purposes stated herein and hereby assumes any and all risks and hazards associated therewith. Loon Center hereby irrevocably waives any and all claims against the City or any of its officials, employees or agents for any bodily injury (including death), loss or property damage incurred by Loon Center as a result of Loon Center's use of the Premises, and hereby irrevocably releases and discharges the City and any of its officials, employees or agents from any and all claims of liability.

c. Notwithstanding the provisions of clauses (a) and (b) above, the provisions of clause (a) and (b) above of this Section 25 shall not apply to claims, costs, liabilities, losses, or damages which are caused by the willful or intentional misconduct of the City, or City's respective officers, employees, members and agents. No person or entity other than City shall have any benefit whatsoever from the agreements contained in clause (a) and (b) above, other than any indirect benefit accruing to taxpayers or residents of the City of Crosslake by reason of the benefit to City of such agreements, and shall not be deemed to be a third party beneficiary of the agreements of Loon Center contained in clauses (a) and (b) above.

d. Nothing in this Section 25 shall be construed to, and shall not, expand City's maximum liability over the limits set forth in Minnesota Statutes, Chapter 466, as amended from time-to-time, or any other or successor law which has the effect of limiting City's liability.

e. Promptly after receipt by the Loon Center of notice of the commencement of any action for which Loon Center has indemnified the City hereunder, the City will notify Loon Center in writing of the commencement thereof, and, subject to the provisions hereinafter stated, Loon Center shall assume, at its expense, the defense of such action (including the employment of counsel, who shall be counsel reasonably satisfactory to the Loon Center) insofar as such action shall relate to any alleged liability for which Loon Center has indemnified the City hereunder.

26. INSURANCE.

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a. Loon Center's Required Insurance. Loon Center shall maintain, at Loon Center's expense, insurance on Loon Center's property located in and upon the Premises, and shall assume the risk of loss to such property on the Premises. Loon Center shall further maintain, at Loon Center's expense, the following insurance policies in the listed amounts:

Worker's Compensation	Statutory Limits
Employer's Liability	\$500,000 each accident

	\$500,000 disease policy limit \$500,000 disease each employee
Comprehensive General Liability	\$2,000,000 property damage and bodily injury per occurrence \$3,000,000 general aggregate \$3,000,000 Products – Completed Operations Aggregate \$100,000 fire legal liability each occurrence \$5,000 medical expense
Comprehensive Automobile Liability	\$1,000,000 combined single limit each accident (shall include coverage for all owned, hired and non-owned vehicles)
Umbrella or Excess Liability	\$1,000,000
Builder's Risk	Estimated Improvement Costs related to the Premises

All policies listed above shall be written on an "occurrence" form ("claims made" and "modified occurrence" forms are not acceptable) and shall apply on a "per project" basis.

With the exception of the Worker's Compensation policies, all policies listed above shall insure the defense and indemnity obligations assumed by Loon Center under this Agreement, and shall name City as an additional insured under the policy.

All policies listed above shall contain a provision that coverages afforded thereunder shall not be canceled or non-renewed, nor shall coverage limits be reduced by endorsement, without 30 days prior written notice to City.

d. Insurance Certificates. True, accurate and current certificates of insurance, showing evidence of the required insurance coverages, shall be provided to City by Loon Center prior to the Commencement Date of this Agreement and will be attached hereto as Exhibit E.

e. Additional Required Insurance. The limits cited under each insurance requirement above establish minimums; and it is the sole responsibility of Loon Center to purchase and maintain additional insurance that Loon Center may determine to be necessary in relation to this Lease or its operation of the Premises.

f. Non-waiver of Statutory Limits. Nothing in this contract shall constitute a waiver by City of any statutory limits or exceptions on liability.

g. Placement of Insurance. Loon Center shall place the insurance with responsible insurance companies authorized and licensed to do business in the State of Minnesota having an A.M. Best Company rating of at least A:VIII, and shall deliver endorsements and certificates in the form required above evidencing such coverage to City on the date of Loon Center's execution of this Lease and from time-to-time thereafter as reasonably required by City.

h. City's Right to Pay Premiums on Behalf of Loon Center. If Loon Center fails to provide the specified insurance or to require the specified insurance from subcontractors, as applicable, then Loon Center will defend, indemnify and hold harmless City and City's officials, agents and employees from any loss, claim, liability and expense (including reasonable attorney's fees and expenses of litigation) to the extent necessary to afford the same protection as would have been provided by the specified insurance. The stated indemnity continues until all applicable statutes of limitation have run.

If a claim arises within the scope of the stated indemnity, City may require Loon Center to:

- a. Furnish and pay for a surety bond, satisfactory to City, guaranteeing performance of the indemnity obligation; or
- b. Furnish a written acceptance of tender of defense and indemnity from Loon Center's insurance company.

Loon Center will take the action required by City within 15 days of receiving notice from City.

Notwithstanding the foregoing, the City reserves the right to terminate this Agreement pursuant to Article Thirty in the event that insurance requirements are not maintained or required as provided herein during the term of this Agreement.

i. Increase in Coverage. The insurance and the size of any applicable deductible required to be maintained pursuant to this Lease shall be subject to review as to its adequacy by an Independent Insurance Consultant, as defined below, once every three years beginning in the year 2025. The Independent Insurance Consultant shall not be an employee or officer of City. Loon Center shall cause such review to be conducted and shall cause such Consultant to prepare a written report regarding such review containing such Consultant's recommendations, if any, for changes in such insurance. Loon Center shall cause copies of such report to be delivered promptly to City and agrees to follow the

recommendations of such Independent Insurance Consultant to the extent practicable. For purposes of this subsection, the term "Independent Insurance Consultant" means any person who is not an employee or officer of Loon Center, appointed by Loon Center, qualified to survey risks and to recommend insurance coverage for organizations engaged in like operations to those of Loon Center and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom Loon Center transacts business, and reasonably acceptable to City. Notwithstanding any provision to the contrary, the Loon Center must always carry all classes of insurance described in Minnesota Statute Section 466.04, in amounts equal to the maximum municipal tort liability limits described in that statute.

j. Blanket Insurance Policies. Notwithstanding anything to the contrary contained in this Section, Loon Center's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Loon Center; provided, however, that the coverage afforded City will be at least as broad in all material respects as that afforded by the underlying primary policy.

27. PROHIBITION OF INVOLUNTARY ASSIGNMENT.

Neither this Lease nor the leasehold estate of Loon Center nor any interest of Loon Center hereunder in the Premises or in any buildings or improvements thereon shall be subject to involuntary assignment, transfer, or sale, by operation of law or otherwise, and any such attempt at involuntary assignment, transfer, or sale shall be void and of no effect. For purposes of this Section, the merger or consolidation of Loon Center with any other entity or entities shall be deemed to be a transfer and prohibited by this Section unless either: (i) such merger is with another entity and Loon Center is the survivor and remains exempt from income tax under § 501(c)(3) of the Internal Revenue Code of 1986 as amended (the "Code"); or (ii) such merger is with another entity which is exempt from income tax under § 501(c)(3) of the Code, Loon Center is not the surviving entity, said surviving entity expressly assumes all obligations of Loon Center hereunder, said surviving entity remains exempt from income tax under § 501(c)(3) of the Code, and said surviving entity has comparable or higher "net worth" (or its equivalent under accounting principles applicable to Section 501(1)(3) organizations) as Loon Center has on the date hereof.

The occurrence of any involuntary assignment prohibited by the provisions of this Section 27 shall be deemed to constitute a Default under Section 28 hereof, and upon the expiration of the applicable cure period contained in Section 29 hereof, City shall be entitled to exercise all remedies set forth in this Lease, subject, however, to the provisions of Section 32 hereof.

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28. EVENTS OF DEFAULT. Any of the following events shall constitute a "Default" under this Lease:

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a. Subject to Unavoidable Delays, if construction of the Improvements has not been commenced or completed by the dates required by Section 21 and have not been completed substantially in accordance with the plans and specifications as amended from time-to-time in accordance with the provisions contained in Section 21 and the Grant Agreement; or

b. Subject to any payments being contested in good faith, if Loon Center fails to fully and completely pay all sums lawfully owing for the completion of the Improvements in accordance with the plans and specifications; or

c. If, without the written consent of City and the Commissioner, any part of the Premises ceases to be used as a Loon Center to foster a commitment to environmental stewardship and to educate and transfer visitors into champions for loon preservation and freshwater conservation and related and ancillary activities to achieve the Governmental Program; or

d. If a default under Section 27 hereof occurs; or

e. If, without the written consent of City, the State, and the Commissioner, and except for the permitted encumbrances identified on Exhibit D attached hereto, and except as allowed under Sections 16, 17 or 19 hereof, Loon Center sells, transfers, leases, encumbers, or otherwise conveys, in any way or manner, whether voluntary or involuntary, or by action of law, all or any part of its interest in the Premises, or amends or modifies any agreement relating to such sale which had previously been so consented to and approved by City and the Commissioner; or

f. If, without the written waiver of City, Loon Center fails to annually certify that the Premises is being used as a Loon Center to foster a commitment to environmental stewardship and to educate and transfer visitors into champions for loon preservation and freshwater conservation and related and ancillary activities to achieve the Governmental Program as required in Section 1 of this Lease; or

g. If, without the written waiver of City, Loon Center fails to provide the Annual Report to City; or

h. If Loon Center fails to continuously maintain the insurance required by Section 26 of this Lease; or

i. If Loon Center, upon request, refuses to allow City, the Commissioner, or any auditor for the State of Minnesota or for the Minnesota Legislature, to inspect audit, copy, or abstract any and all of Loon Center's financial records (books, records, papers) or other documents relevant to this Lease, the Grant Agreement, or the Premises; or

j. If Loon Center, upon request, refuses to allow City, the Commissioner, or any authorized representative of the State of Minnesota, to inspect the Premises; or

k. If Loon Center fails to cooperate fully with City in complying with any of the provisions of the Grant Agreement or Loon Center fails to comply with the Grant Agreement, and such failure results in a default notice from the State Entity, as defined therein; or

l. If any representation or warranty made by Loon Center hereunder prove to have been untrue or incorrect in any material respect, as of the time such representation or warranty was made; or,

m. If, without the written consent or waiver of City, Loon Center fails to fully comply with any other material provision, term, condition, covenant, or warranty contained in this Lease, or fails to fully comply with any provisions of the Declaration; or

n. If, under any material document, instrument or agreement relating to the acquisition, construction, financing, or refinancing, of the improvements to the Premises, there occurs an event which constitutes an event of default by Loon Center thereunder, after applicable grace and cure periods, and the other party thereto gives notice to Loon Center of the default, if notice is required before the exercise of remedies.

29. NOTICE OF DEFAULT.

a. Upon the occurrence of a Default, an Event of Default shall not be deemed to have occurred under this Lease unless City has given Loon Center written notice of the Default and Loon Center has failed to cure such Default within the time period specified in subsection (b) below or, if applicable, in subsection (c) below.

b. For those Defaults described in Section 27 and subsections 28 (i) and (j) the notice and cure period shall be ten (10) days; for those Defaults described in subsection 28 (h) the notice and cure period shall be thirty (30) days (provided said insurance does not expire); and for all other Defaults the notice and cure period shall be sixty (60) days.

c. Notwithstanding the provisions of this Section set forth above, in no event shall any cure period, including any extension of a cure period, be greater than the cure period available under the Grant Agreement if the Default by Loon Center hereunder also causes a default or event of default by City under the Grant Agreement.

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30. DEFAULT AND TERMINATION. (a) Prior to the Completion Date, upon the occurrence and during the continuance of an Event of Default under this Lease, City, in addition to the other rights or remedies it may have, including damages, shall have the

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immediate right to terminate this Lease by delivery of written notice of termination; (b) after the Completion Date, upon the occurrence and during the continuance of an Event of Default under this Lease, subject to Section 32 hereof, City, in addition to the other rights or remedies it may have, including damages, shall have the immediate right to terminate this Lease by delivery of written notice of termination, and reenter the Premises and remove all persons and property otherwise from the Premises.

31. ADDITIONAL REMEDIES. Notwithstanding anything in this Lease or any other agreement to the contrary, upon the occurrence, and during the continuance, of a Default, in addition to the remedies in Section 30 and this Section, City may immediately refrain from making any payments from the Grant Agreement. In addition, during the continuance of an Event of Default under this Lease, and after giving Loon Center any notice required by Section 29 hereof and the running of any applicable time period without Loon Center having cured, City may (a) in addition to the remedies in Section 30 and this Section, exert any remedies it may have in law or equity and, (b) if the State issues a demand, commences an action, actually receives payment from City, or exercises any other remedies against City, then City may also similarly demand, commence an action, or exercise any other remedies against, and be immediately entitled to receive from Loon Center, or do to Loon Center that which the State does to City on the condition that such demand, action, payment, or other action by the State against City is caused by a Default by Loon Center under this Lease.

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32. SPECIAL TERMINATION PROCEDURE. After the Completion Date for the Improvements, if Loon Center is in default under subsection 28(c), City agrees that it will not exercise the remedy of termination of the Lease provided in Section 30 hereof on the condition that Loon Center does each of the following:

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a. Within ninety (90) days of the occurrence of a Default, Loon Center shall retain, at its sole expense, an independent consultant qualified to analyze Loon Center's operation at the Premises and reasonably acceptable to City, (hereinafter the "**Consultant**"). The Consultant shall be approved by the City, and such approval shall not be unreasonably withheld;

b. Within sixty (60) days of the retention of the Consultant, Loon Center shall have delivered to City a written report of the Consultant analyzing its operations at the Leased Premises (the "**Consultant's Report**");

c. Within fifteen (15) days of the delivery of the Consultant's Report, Loon Center shall have met with City to discuss the findings and recommendations of the Consultant;

provided, however, that in the event that Loon Center has not retained the Consultant, delivered the Consultant's Report, or met with City, within the required time period, then City shall have the right to proceed to exercise the remedy of termination of this Lease without regard to the succeeding provisions of this Section 32. City agrees that if after any time during the process set forth in subsections (a), (b) or (c) above, the Default has

been cured, Loon Center shall not be required to proceed with the remaining portion of the process set forth in subsections (a), (b) and (c) above.

In the event that Loon Center has retained the Consultant, delivered the Consultant's Report, and met with City as required hereinabove, City further agrees that it will not exercise the remedy of termination of this Lease unless and until (i) the governing body of City has considered a resolution at which meeting representatives of Loon Center shall have the right to be heard; (ii) City's governing body shall adopt a resolution authorizing the termination of this Lease, and (iii) Loon Center shall have failed to cure the Event of Default within thirty (30) days of the adoption of such resolution.

Loon Center acknowledges and agrees that: a) City is not required to accept or adopt all or any portion of the Consultant's Report; and b) in the event that City determines, in its sole discretion, to accept any of the recommendations of the Consultant's Report, the acceptance of which requires an amendment to this Lease, or a waiver of the Default or Event of Default, City shall have the right, as a condition to agreeing to any such amendment or waiver, to impose any conditions City deems appropriate, in its reasonable discretion.

33. CITY'S RIGHT TO PERFORM. In addition to any other provision contained herein, in the event that an Event of Default by Loon Center shall have occurred and be continuing, City may, at City's option but without any obligation, take any action to perform the obligations of Loon Center which gave rise to the Event of Default or with respect to which Loon Center is otherwise in Default under this Lease, and City shall not be liable, or be held liable or in any way responsible for any loss, inconvenience, annoyance, or damage resulting to Loon Center on account thereof, other than for City's willful or intentional misconduct. Loon Center shall repay to City on demand the entire expense of City's performance together with interest at the rate of two percent (2%) in excess of the prime rate of US Bank National Association, accruing from the date of any disbursement.

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City shall be permitted to enter the Premises while exercising any right given to it by the terms of this Section. Any act or thing done by City pursuant to the provisions of this Section shall not be or be construed to be a waiver of any such Default or Event of Default by Loon Center, or as a waiver of any covenant, term, or condition herein contained or the performance thereof, or of any other right or remedy of City, hereunder or otherwise.

34. CITY DEFAULTS AND LOON CENTER REMEDIES.

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- a. In the event that (i) City (a) fails to observe, perform or comply with any provision, term, condition, covenant, agreement or warranty required to be observed, performed or complied with by City under this Lease, or (b) fails to observe, perform or comply with any obligation, provision, term, covenant, condition or agreement to be observed, performed or complied with by City under the Grant Agreement, unless City's failure is the result of a Default by Loon Center under this Lease, and (ii) City fails to cure such Default within thirty (30) days of written notice of default from Loon Center, then a City

Event of Default shall exist under this Lease. Upon the occurrence and during the continuance of a City Event of Default, Loon Center may exercise any of the following remedies:

1. subject to Sections 65 and 67 hereof, commence an action at law to recover the damages incurred by Loon Center and caused by City Event of Default, which damages shall be limited to the cost of curing City's Default;
2. commence an action in equity to compel the performance by City of those actions or inactions which serve as the basis of a City Event of Default; or
3. in addition to any other provision contained herein, in the event that an Event of Default by City shall have occurred and be continuing, Loon Center may, at Loon Center's option but without any obligation, take any action to perform the obligations of City, which gave rise to the Event of Default or with respect to which City is otherwise in Default under this Lease, and Loon Center shall not be liable, or be held liable or in any way responsible for any loss, inconvenience, annoyance, or damage resulting to City on account thereof, other than for Loon Center's willful or intentional misconduct. City shall repay to Loon Center on demand the entire expense of Loon Center's performance together with interest at the rate of two percent (2%) in excess of the prime rate of US Bank National Association, accruing from the date of any disbursement.

City agrees to comply with all terms and conditions of the Grant Agreement (unless City's failure to comply is the result of Loon Center's failure to comply with the terms and conditions of this Lease) and Loon Center agrees to cooperate fully with City in so complying. City and Loon Center further agree that in the event that City fails to comply with any provision in the Grant Agreement then, if City fails to cure such failure within sixty (60) days of City's receipt of Loon Center's written demand or the State's notice of default, Loon Center shall have the right to take such action.

35. **NO REMEDY EXCLUSIVE.** No remedy herein conferred upon or reserved to City is intended to be exclusive of any other available remedy or remedies, but each 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 or by statute. 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.

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36. EFFECT OF EMINENT DOMAIN.

a. Effect of Total Condemnation. In the event that the entire Premises shall be appropriated or taken under the power of eminent domain by any public or quasi-public authority, this Lease shall be terminated and all proceeds shall be payable in the same manner as if the Premises were sold pursuant to Section 17(c) above

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b. Effect of Partial Condemnation. In the event that a portion of the Premises shall be so appropriated or taken to an extent that Loon Center can no longer operate the Governmental Program, then Loon Center shall have the right to give City written notice of the right to treat the partial condemnation as a sale pursuant to Section 17(c) above within one hundred twenty (120) days after such portion of the Premises has been so appropriated or taken. Provided the City agrees in such determination, in that event, this Lease shall be terminated and the proceeds of the condemnation shall be applied as if the condemned portion of the Premises were sold in accordance with Section 17(c) above. In the event the City does not concur, Loon Center shall either continue the program on the residual property, or shall have the right to terminate this Lease.

In the event of partial taking in which Loon Center elects to continue this Lease in the Premises, this Lease shall continue in full force as to the part not taken, and the condemnation award for the Premises shall be applied first to restore the remaining portion of the Premises to a configuration and condition so that the Premises can be used for the purposes set forth in Section 1 hereof (with the condemnation proceeds to be held by a mutually agreeable escrow agent in escrow for such restoration to be disbursed in accordance with standard commercial construction conditions customarily required by institutional lenders), and, to the extent of any remaining proceeds, as if the condemned portion of the Premises were sold in accordance with Section 17(c) above.

None of the foregoing provisions shall preclude Loon Center from making a separate claim against the condemning authority for the value of any trade fixtures, furniture, and equipment taken by said condemning authority and its relocation expenses provided such claim does not diminish or impair the award with respect to the Premises.

37. SURRENDER OF LEASE: EFFECT ON SUBLEASES. The voluntary or other surrender of this Lease by Loon Center, or a mutual cancellation thereof, shall not work a merger and shall operate as an assignment to City of any or all such subleases, subtenancies, or license agreements.

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38. OWNERSHIP OF IMPROVEMENTS. The parties acknowledge that Ground Landlord is the absolute owner of any and all buildings or improvements of any nature or kind on the Premises, regardless of who placed such buildings or improvements thereon, together with any and all fixtures related to any of the buildings located on the Premises, and, except as provided in Section 17, upon the termination or expiration of

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the Term of this Lease the City shall not have any interest whatsoever therein. Prior to expiration of the Term or any termination of this Lease, the Loon Center shall have the right under Sections 23 and 36 hereof, to share in the insurance and condemnation proceeds.

39. AMENDMENT, MODIFICATION, AND WAIVER. No amendment, modification, or waiver of any condition, provision, or term of this Lease shall be valid or of any effect unless made in writing, signed by the party or parties to be bound or its duly authorized representative, and approved in writing by the State and the Commissioner, and specifying with particularity the extent and nature of such amendment, modification, or waiver. Any waiver by any party of any default of another party shall not affect or impair any right arising from any subsequent default.

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40. APPROVAL BY STATE OF MINNESOTA. This Lease shall not be valid or of any effect until signed by both parties and consent in writing has been given by the Commissioner.

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41. EFFECT OF LOON CENTER'S HOLDING OVER. Any holding over after the expiration of the Term of this Lease, with consent of City, shall be construed to be a tenancy from month to month, at the same Rent as required to be paid by Loon Center for the period immediately prior to the expiration of the Term hereof, and shall otherwise be on the terms and conditions herein specified, so far as they are applicable.

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42. PARTIES BOUND. This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective assigns, executors, heirs, and successors.

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43. TIME OF ESSENCE. Time is of the essence in this Lease, and of each and every covenant, term, condition, and provision hereof.

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44. CAPTIONS. All captions, headings, or titles in the subsections or Sections of this Lease are inserted for convenience of reference only and shall not constitute a part of this Lease as a limitation of the scope of the particular subsections or Sections to which they apply.

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45. NO PARTNERSHIP, JOINT VENTURE, OR FIDUCIARY RELATIONSHIP CREATED HEREBY. Nothing contained in this Lease shall be interpreted as creating a partnership, joint venture, or relationship of principal and agent between City and Loon Center, it being understood that the sole relationship created hereby is one of landlord and tenant. All laws and statutes of the State of Minnesota relative to landlord and tenant relationships shall be applicable to the parties hereto.

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46. CUMULATIVE RIGHTS. Except as otherwise expressly stated herein, no right or remedy herein conferred on or reserved to Loon Center or City is intended to be exclusive of any other right or remedy hereof provided by law, but each shall be cumulative in, and in addition to, every other right or remedy given herein or not or hereafter existing at law, in equity, or by statute.

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47. SEVERABLE PROVISIONS. Each provision, section, sentence, clause, phrase, and word of this Lease is intended to be severable. If any provision, sentence, clause, phrase, and word hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the remainder of the Lease

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48. ENTIRE AGREEMENT. This Lease and the Ground Lease (and the other agreements contemplated in those agreements) contain the entire understanding of the parties hereto with respect to the transactions contemplated hereby and supersede all prior agreements and understandings between the parties with respect to such subject matter. No representations, warranties, undertakings, or promises, whether oral, implied, written, or otherwise, have been made by either party hereto to the other unless expressly stated in this Lease or unless mutually agreed to in writing between the parties hereto after the date hereof, and neither party has relied on any verbal representations, agreements, or understandings not expressly set forth herein. The facsimile, email or other electronically delivered signatures of the parties shall be deemed to constitute original signatures, and facsimile or electronic copies hereof shall be deemed to constitute duplicate originals.

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49. REFERENCE TO GENDER. Where appropriate, the feminine gender may be read as the masculine gender or the neuter gender; the masculine gender may be read as the feminine gender or the neuter gender; and the neuter gender may be read as the masculine or the feminine gender.

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50. MINNESOTA LAW. This Lease shall be construed and enforced in accordance with the laws of the State of Minnesota.

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51. FURTHER ASSURANCES. In addition to any other information which may be reasonably requested, either party shall without charge, from time-to-time hereafter, but not more often than once every twelve (12) months, within thirty (30) days after written request, certify by written instrument duly executed and acknowledged to any person, firm, or corporation specified in such request:

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a. whether this Lease has been supplemented or amended, and if so, the substance and manner of such supplement or amendment;

b. whether the responding party has actual knowledge (without obligation to make inquiry) of any Event of Default under the Lease and;

c. whether the responding party has actual knowledge (without obligation to make inquiry) of any offsets, counterclaims, or defenses to the terms and obligations under the Lease.

Any such certificate may be relied on by the party who requested it and any other person, firm, or corporation to whom it may be exhibited or delivered, and the contents of such certificate shall be binding on the party executing it. For any request more frequent than every twelve (12) months, the responding party may require payment of its reasonable costs in preparation of the estoppel response.

52. SHORT-FORM RECORDABLE LEASE. The parties will at any time, at the request of either one, promptly execute duplicate originals of an instrument, in recordable form, which will constitute a short form of this Lease, setting forth a description of the Premises, the term of this Lease, and options to renew, and any other portions hereof, excepting the rent provisions, as either party may request.

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53. FEDERAL INCOME TAX DEDUCTIONS. Only Loon Center shall have the right to take deductions on its tax returns with respect to such buildings, structures, improvements, changes, alterations, repairs, additions, and installations and the depreciation or amortization thereof; provided, however, that City makes no representations or warranties as to the amount of any taxes or deductions or the treatment of any particular tax item.

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54. BROKERAGE FEES. Each party hereto warrants that it has not incurred any real estate brokerage fees, finders' fees, loan brokerage fees, or any other fees to any third party in connection with this Lease, and in the event that any third party institutes legal action in an effort to recover such fees, the parties shall jointly defend such action. If a judgment is obtained against the parties jointly, the party responsible for breach of this warranty shall reimburse the other for the latter's attorneys' fees, court costs, expenses, and share of the judgment.

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56. LISTING OF JOBS. Loon Center shall list any vacant or new positions it may have with state workforce centers, as required by Minn. Stat. § 116L.66, Subd. 1, as such may subsequently be amended, modified or replaced.

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57. RECORD KEEPING AND REPORTING. Loon Center shall maintain books, records, documents, and other evidence pertaining to the costs or expenses associated with the construction of the Improvements, the operation of the Governmental Program, and compliance with the requirements contained in this Lease and the Grant Agreement, and shall, upon ten (10) day's prior written request, allow City, State, and either the Legislative Auditor or State Auditor for the State of Minnesota, whichever is applicable, to inspect, audit, copy, or abstract, any and all of its books, records, papers, or other documents relevant to this Lease or the Grant Agreement. Loon Center shall use generally accepted accounting principles in the maintenance of such books and records, and shall retain all of such books, records, documents and other evidence (i) relating to the construction of the Improvements, for a period of six (6) years from the date that the Improvements have been initially constructed and put into operation, and (ii) relating to the operation of the Governmental Program, for a period of six (6) years from the date such books, records, documents and other evidence are created.

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City agrees to protect such information as non-public or trade secret information to the extent such protection is available under Minnesota Statutes, Chapter 13. Nothing herein shall be construed to require City to incur any costs or expenses in complying with this provision unless Loon Center agrees in advance to pay or reimburse City for any costs and expenses incurred by City in complying with this agreement.

58. NON-DISCRIMINATION. Loon Center agrees not to engage in unlawful discriminatory practices with respect to the Premises or the operation or management of the National Loon Center Project, and it shall, with respect thereto, fully comply with all applicable provisions in Minn. Stat. Chapters 363A and 181, as such may be amended, modified or replaced.

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59. WORKER'S COMPENSATION. Loon Center agrees to fully comply with all applicable provisions relating to worker's compensation contained in Minn. Stat. §§ 176.181 Subd. 2, and 176.182, as such may be amended, modified or replaced, with respect to the Premises.

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60. PREVAILING WAGE. Loon Center agrees to comply with all applicable provisions of Minn. Stat., Chapter 177, including, but not limited to §§ 177.41 - 177.435 as amended from time-to-time.

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62. REVIEW OF PLANS AND COST ESTIMATES. Loon Center agrees that Loon Center shall comply with all the applicable provisions and requirements contained in Minn. Stat. §16B.335, as such may be amended, modified or replaced, for the Improvements.

63. HAZARDOUS WASTE POLLUTION AND CONTAMINANTS.

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a. For purposes of this Section 63, the following defined terms shall have the following meanings:

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(1) Hazardous Substance means asbestos, urea formaldehyde, polychlorinated biphenyls ("PCBs"), nuclear fuel or material, chemical waste, radioactive material, explosives, known carcinogens, petroleum products and by-products and other dangerous, toxic or hazardous pollutants, contaminants, chemicals, materials or substances listed or identified in, or regulated by, any Environmental Law;

(2) Environmental Laws means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq., the Hazardous Materials Transportation Act, §1802 et seq., the Federal Water Pollution Control Act, 33 U.S.C. §1251 et seq., the Clean Air Act, 33 U.S.C. §1321 et seq., the Clean Air Act, 42 U.S.C. §7401 et seq., the Minnesota Environmental Response and Liability Act, Minn. Stat. Ch. 115B, the Minnesota Petroleum Tank Release and Cleanup Act, Minn. Stat. Ch. 115C, and any other federal, state, county, municipal, local or other statute, law relating to Hazardous Substances;

b. The Loon Center shall not permit on the Properties and will take precautions against the presence of Hazardous Materials as the result of its use and occupancy of the Properties, except to the extent specifically authorized by

the relevant governmental authorities, any required environmental permit, or pursuant to Environmental Laws from and after the Commencement Date. Loon Center agrees to comply with all Environmental Laws applicable to the Premises. Loon Center shall bear all costs and expenses arising from compliance with all Environmental Laws. If Loon Center fails to comply with any Environmental Laws, City shall have the right, but not the obligation, to undertake such compliance and charge Loon Center the costs of compliance plus interest at the rate of ten percent per annum accruing from the date of disbursement and also with reasonable attorney fees.

c. Loon Center agrees to defend, indemnify and hold harmless City, its officers, employees and agents (hereinafter collectively referred to as the "Indemnitees") from and against and shall reimburse each such Indemnitee for any and all loss, claim, liability, damage, judgment, penalty, injunctive relief, injury to person, property or natural resources, cost, expense, action or cause of action arising in connection with or as the result of the existence, use, handling, storage, transportation, manufacture, release or disposal of any Hazardous Substance in, on or under the Premises, whether foreseeable or unforeseeable, regardless of the source, the time of occurrence or the time of discovery (hereinafter collectively referred to as "Loss"). The foregoing indemnification against Loss includes, without limitation, indemnification against all costs in law or in equity of removal, response, investigation, or remediation of any kind, and disposal of such Hazardous Substances, all costs of determining whether the Premises are in compliance with, and of causing the Premises 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 consultants' fees, court costs and expenses incurred in connection with any thereof.

d. The obligations of Loon Center to indemnify the Indemnitees shall survive expiration or termination of this Lease. The rights of the Indemnitees hereunder shall be in addition to any other rights or remedies which the Indemnitees may have against Loon Center under this Lease or any other document, or at law or in equity.

64. WAIVER OF SUBROGATION. Loon Center, on behalf of itself and its insurer, hereby waives all claims and rights of recovery against City which it would, but for this Section, have to City for losses occurring to the Premises and to the improvements, betterments, trade fixtures, equipment, personal property and other property located therein or thereupon:

a. to the extent actually covered by insurance required to be carried by the party waiving; or

b. to the extent actually covered by any other insurance being carried by the party waiving at the time of such occurrence.

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65. WAIVER OF CERTAIN DAMAGES. IN CONSIDERATION OF ENTERING INTO THIS LEASE, CITY AND LOON CENTER HEREBY WAIVE AND FOREVER GIVE UP ANY RIGHT TO CLAIM OR RECOVER DAMAGES FOR LOST INCOME OR PROFITS AS A RESULT OF ANY BREACH OF THIS LEASE OR ANY DOCUMENTS OR AGREEMENTS REFERRED TO HEREIN. THE AGREEMENTS AND WAIVERS SET FORTH HEREIN SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS LEASE.

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66. COMPLIANCE WITH LAWS. Loon Center agrees that it will comply with all present and future laws, ordinances, and regulations, as amended and in effect from time-to-time, applicable to its use, occupancy, alteration or improvement of the Premises.

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67. LIMITATION ON LIABILITY. Notwithstanding anything to the contrary in this Lease (except as otherwise provided in Sections 17 and 34 herein), the Ground Lease, and the Grant Agreement, it is understood and agreed by City and Loon Center that no covenant, provision or agreement of City herein or in the Ground Lease or the Grant Agreement or in any other document executed by City in connection with the Governmental Program, or any obligation herein or therein imposed upon City or breach thereof, shall give rise to a pecuniary liability of City, its officers, employees, or agents, or a charge against City's general credit or taxing powers or shall obligate City, its officers, employees, or agents, financially in any way. No failure of City to comply with any term, condition, covenant, or agreement therein shall subject City, its officers, employees, or agents, to liability for any claim for damages, costs, or other financial or pecuniary charges except to the extent that the same can be paid or recovered from this Lease or revenues therefrom. No execution on any claim, demand, cause of action or judgment shall be levied upon or collected from the general credit, general funds or taxing powers of City. In making the agreements, provisions, and covenants set forth herein, City has not obligated itself except with respect to the application of revenues hereunder as hereinabove provided and the obligation to request the State Grant Proceeds from the State and provide the State Grant Proceeds to Loon Center for the construction of the Improvements. If, notwithstanding the provisions of this Section, City, its officers, employees, or agents, incur any expense, or suffer any losses, claims, or damages or incur any liabilities, Loon Center will indemnify and hold harmless City, its officers, employees, or agents, from the same and will reimburse City, its officers, employees, or agents, for any legal or other expenses incurred by City, its officers, employees, or agents, in relation thereto, and this covenant to indemnify, hold harmless and reimburse City, its officers, employees, or agents shall survive the termination of this Lease.

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68. GRANT AGREEMENT PREVAILS. Whenever there shall exist a conflict between the provisions of this Lease and the Grant Agreement, the Grant Agreement shall prevail. City shall not amend or otherwise modify the Grant Agreement without the prior written consent of Loon Center.

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69. DATA PRACTICES. The Parties acknowledge that this Agreement is subject to the requirements of Minnesota's Government Data Practices Act, Minnesota Statutes, Section 13.01 *et seq.*

IN WITNESS WHEREOF, the parties hereto have executed this Lease
the day and year first above written.

[Signature pages follow.]

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*Signature Page to Lease/Use Agreement by and between City of Crosslake and
The National Loon Center Foundation, Inc.*

Loon Center's Address:

14303 Gould Street, PO Box 642
Crosslake, MN 56442

LOON CENTER:

The National Loon Center Foundation, Inc.

By _____
Name: Jon Mobeck

Its: Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

The foregoing instrument was acknowledged before me this ____ day of _____, 2024, by Jon Mobeck, the Executive Director, of The National Loon Center Foundation, Inc., a Minnesota nonprofit corporation, on behalf of the nonprofit corporation.

Notary Public

*Signature Page to Lease/Use Agreement by and between City of Crosslake and
The National Loon Center Foundation, Inc.*

City's address:

City of Crosslake
City Hall
13888 Daggett Bay Road
Crosslake, MN 56442

CITY:

CITY OF CROSSLAKE

By _____
Its City Clerk

Department head Responsible for
Monitoring Contract:

Approved as to form:

City Attorney

STATE OF MINNESOTA)
)
COUNTY OF CROW WING)

ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 2024, by _____, the _____ of the City of Crosslake a home rule charter city under the laws of the State of Minnesota, on behalf of the City.

Notary Public

EXHIBIT A

Legal Description of Properties

Lot 1, Block 1, Pioneer Addition to Crosslake, Crow Wing County, Minnesota

AND

Lot 2, Block 1, Pioneer Addition to Crosslake, Crow Wing County, Minnesota

AND

Lot 4, Block 1, Pine Peaks, Crow Wing County, Minnesota

EXHIBIT B

Improvements

The National Loon Center Project ("Project") consists of site preparation and predesign, design, construction, furnishing, and equipment of a new building and adjacent outdoor public space improvements, including surface lot parking areas, in the City of Crosslake to house a national loon center, to provide visitor education, and exhibit facilities for the general public.

EXHIBIT C

Grant Agreement

EXHIBIT D

Permitted Encumbrances

1. Real estate taxes and installments of special assessments not currently due and payable.
2. Easements, covenants, conditions, restrictions, and limitations, if any, that do not impair the use of the Premises.
3. Reservation of any minerals or mineral rights reserved to the State of Minnesota.
4. Building and zoning laws, ordinances, and state and federal regulations.
5. Any liens or other encumbrances created by Loon Center in accordance with this Lease.
6. The provisions of Minnesota Statute Section 16A.695 regarding the interests of the State of Minnesota.
7. Easements, covenants, conditions and restrictions of record, if any.
8. Crow Wing County Right of Way Plat No. 3, dated April 16, 1985, filed of record April 18, 1995, as Document No. 352717.
9. City of Crosslake Planning Commission/Board of Adjustment Variance filed of record September 9, 2019, as Document No. A-922325.
10. Reversionary Clause as set out in Limited Warranty Deed dated December 26, 2023, filed of record February 1, 2024, as Document no. 993392.
11. Perpetual Highway and Utility Right of Way Easement in favor of the County of Crow Wing, recorded March 18, 2024, as Document No. 994604.
12. Plat of Pioneer Addition to Crosslake, recorded August 24, 2006, as Document No. 185992.
13. Order to Register Property recorded June 18, 2003, as Document No. 162487.
14. Perpetual Easement in favor of the City of Crosslake recorded August 16, 2006, as Document No. 185809.
15. Easement for roadway, parking, sidewalk, public use trail, utility, drainage and appurtenance in favor of the City of Crosslake contained in Quit Claim Deed recorded August 24, 2006, as Document No. 185993.
16. Easement for public use trail in favor of the City of Crosslake contained in Quit Claim Deed recorded August 24, 2006, as Document No. 185994.

17. Resolution vacating a part of drainage and utility easement recorded December 29, 2020, as Document No. 259660.
18. City of Crosslake Planning Commission/Board of Adjustment Variance filed of record April 14, 2025, as Document No. 1008325 and as Document No. 280894.
19. City of Crosslake Planning Commission/Board of Adjustment Conditional Use Permit filed of record April 14, 2025, as Document No. 1008326 and as Document No. 280895.
20. Mortgage dated October 25, 2024, executed by National Loon Center Foundation, Inc., a Minnesota corporation, in favor of First National Bank North, and filed for record February 3, 2025, as Document No. 1005094 and as Document No. 280104.

EXHIBIT E
Insurance Certificates

2.C.

2024 General Fund (CASH)
Grant Agreement – Construction Grant
for the
City of Crosslake
ORP24-005 NATIONAL LOON CENTER

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General Fund
Grant Agreement - Construction Grant
for the
ORP24-005
Project

THIS AGREEMENT shall be effective as of July 2, 2023, and is between the City of Crosslake, a Minnesota municipal corporation (the "Grant Recipient"), and the Minnesota Department of Natural Resources (the "State Entity").

RECITALS

A. Under the provisions contained in MN Laws 2023 Legislation Ch. 72, Art. 2, Sec. 3, Subd. 4; and MN Laws 2024 Ch 88, Art 1, Sec. 37, Subd. 4, the State of Minnesota has allocated \$2,500,000.00, which is to be given to the Grant Recipient as a grant to assist it in the acquire property for and to predesign and design a new building and adjacent outdoor public space improvements, including surface lot parking areas, in the city of Crosslake to house a national loon center, to provide visitor, education, and exhibit facilities for the general public. Amounts remaining after completion of property acquisition, predesign, and design may be applied to site preparation and construction for the same project; and

B. The monies allocated to fund the grant to the Grant Recipient are appropriated money from the State of Minnesota's general fund; and

C. The Grant Recipient and the State Entity desire to set forth herein the provisions relating to the granting of such monies and the disbursement thereof to the Grant Recipient.

IN CONSIDERATION of the grant described and other provisions in this Agreement, the parties to this Agreement agree as follows.

Article I - Definitions

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set out respectively after each such term (the meanings to be equally applicable to both the singular and plural forms of the terms defined), unless the context specifically indicates otherwise:

"Advance(s)" – means an advance made or to be made by the State Entity to the Grant Recipient and disbursed in accordance with the provisions contained in Article IV hereof.

"Agreement" - means this General Funds Grant Agreement Construction Grant for the ORP24-005 Project.

"Architect", if any – means National Loon Center, which will administer the Construction Contract Documents on behalf of the Grant Recipient.

"Commissioner of Management and Budget" - means the State of Minnesota acting through its Commissioner of Management and Budget, and any designated representatives thereof.

"Completion Date" – means July 1, 2028 the date of projected completion of the Project as specified in the Construction Contract Documents.

"Contractor" - means any person engaged to work on or to furnish materials and supplies for the Project including, if applicable, a general contractor.

"Construction Contract Documents" - means the document or documents, in form and substance acceptable to the State Entity, including but not limited to any construction plans and specifications and any exhibits, amendments, change orders or supplements thereto, which collectively form the contract between the Grant Recipient and the Contractor or Contractors concerning the Project and which provide for the completion of the Project on or before the Completion Date for either a fixed price or a guaranteed maximum price.

"Declaration" - means a declaration, or declarations, in the form as **Attachment I** and all amendments thereto, indicating that the Grant Recipient's interest in the Real Property and, if applicable, the Facility is subject to the provisions of this Agreement.

"Draw Requisition" - means a draw requisition that the Grant Recipient, or its designee, will submit to the State Entity when an Advance is requested, and which is referred to in Section 4.02.

"Event of Default" - means those events delineated in Section 2.05.

"Facility", if applicable, - means National Loon Center, which is located, or will be constructed and located, on the Real Property.

"Fair Market Value" – means either (i) the price that would be paid by a willing and qualified buyer to a willing and qualified seller as determined by an appraisal which assumes that all mortgage liens or encumbrances on the property being sold, which negatively affect the value of such property, will be released, or (ii) the price bid by a purchaser under a public bid procedure after reasonable public notice, with the proviso that all mortgage liens or encumbrances on the property being sold, which negatively affect the value of such property, will be released at the time of acquisition by the purchaser.

"Grant" - means a grant of monies from the State Entity to the Grant Recipient in an amount of \$2,500,000.00.

"Grant Recipient" – means Crosslake, a Statutory City.

"Inspecting Engineer", if any - means the State Entity's construction inspector, or its designated consulting engineer.

"Project" - means the acquisition of an interest in the Real Property and, if applicable, the Facility, along with the performance of those activities indicated in Section 2.03.

“Real Property” - means the real property located in the County of Crow Wing, State of Minnesota, legally described in **Attachment II**.

“State Entity” - means the Minnesota Department of Natural Resources.

“Use Contract” - means a lease, management contract or other similar contract between Grant Recipient and any other entity, and which involves or relates to the Real Property and, if applicable, the Facility.

“Use” - means any entity with which the Grant Recipient contracts under a Use Contract.

“Useful Life of the Real Property and, if applicable, the Facility” – means the term set forth in **Section 2.04.T** of this Agreement.

Article II - GRANT

Section 2.01 Grant of Monies. The State Entity shall issue the Grant to the Grant Recipient and disburse the proceeds in accordance with the provisions of this Agreement. The Grant is not intended to be a loan.

Section 2.02 Use of Grant Proceeds. The Grant Recipient shall use the Grant solely to reimburse itself for expenditures it has already made, or will make, in the performance of the following activities:

(Check all appropriate boxes.)

- ☒ Acquisition of fee simple title to the Real Property;
- ☐ Acquisition of a leasehold interest in the Real Property;
- ☐ Acquisition of an easement on the Real Property;
- ☐ Improvement of the Real Property;
- ☐ Acquisition of the Facility;
- ☒ Improvement of the Facility;
- ☐ Renovation or rehabilitation of the Facility;
- ☐ Construction of the Facility; or
- ☐

Section 2.03 Operation of the Real Property and Facility. The Grant Recipient shall operate the Real Property and, if applicable, the Facility, or cause it to be operated, as a Loon Center and associated facilities available to the general public, or for such other use as the Minnesota legislature may from time to time designate, and may enter into Use Contracts with Users to so operate the Real Property and, if applicable, the Facility; provided that such Use Contracts must fully comply with all of the provisions

contained in Section 3.01. The Grant Recipient shall also annually determine that the Real Property and, if applicable, the Facility are being so used, and shall annually supply a statement, sworn to before a notary public, to such effect to the State Entity.

Section 2.04 Grant Recipient Representations and Warranties. The Grant Recipient further covenants with, and represents and warrants to the State Entity as follows:

A. It has legal authority to enter into, execute, and deliver this Agreement, the Declaration, and all documents referred to herein, and it has taken all actions necessary to its execution and delivery of such documents.

B. This Agreement, the Declaration, and all other documents referred to herein are the legal, valid and binding obligations of the Grant Recipient enforceable against the Grant Recipient in accordance with their respective terms.

C. It will comply with all of the terms, conditions, provisions, covenants, requirements, and warranties in this Agreement, the Declaration, and all other documents referred to herein.

D. It has made no material false statement or misstatement of fact in connection with its receipt of the Grant, and all of the information it previously submitted to the State Entity or which it will submit to the State Entity in the future relating to the Grant or the disbursement of any of the Grant is and will be true and correct.

E. It is not in violation of any provisions of its charter or of the laws of the State of Minnesota, and there are no actions, suits, or proceedings pending, or to its knowledge threatened, before any judicial body or governmental authority against or affecting it relating to the Real Property and, if applicable, the Facility, and it is not in default with respect to any order, writ, injunction, decree, or demand of any court or any governmental authority which would impair its ability to enter into this Agreement, the Declaration, or any document referred to herein, or to perform any of the acts required of it in such documents.

F. Neither the execution and delivery of this Agreement, the Declaration, or any document referred to herein, nor compliance with any of the terms, conditions, requirements, or provisions contained in any of such documents is prevented by, is a breach of, or will result in a breach of, any term, condition, or provision of any agreement or document to which it is now a party or by which it is bound.

G. The contemplated use of the Real Property and, if applicable, the Facility will not violate any applicable zoning or use statute, ordinance, building code, rule or regulation, or any covenant or agreement of record relating thereto.

H. The Project was, or will be, completed in full compliance with all applicable laws, statutes, rules, ordinances, and regulations issued by any federal, state, or local political subdivisions having jurisdiction over the Project.

I. All applicable licenses, permits and bonds required for the performance and completion of the Project have been, or will be, obtained.

J. All applicable licenses, permits and bonds required for the operation of the Real Property and, if applicable, the Facility in the manner specified in Section 2.03 have been, or will be, obtained.

K. It will operate, maintain, and manage the Real Property and, if applicable, the Facility in compliance with all applicable laws, statutes, rules, ordinances, and regulations issued by any federal, state, or local political subdivisions having jurisdiction over the Real Property and, if applicable, the Facility.

L. It has, or will acquire, the following interest in the Real Property and, if applicable, the Facility, and, in addition, will possess all easements necessary for the operation, maintenance and management of the Real Property and, if applicable, the Facility in the manner specified in Section 2.03:

(Check the appropriate box for the Real Property and, if applicable, for the Facility.)

Ownership Interest in the Real Property:

☐ Fee simple ownership of the Real Property.

☒ A Real Property/Facility Lease for the Real Property, in form and substance acceptable to the State Entity, for a term of at least 125% of the Useful Life of the Real Property and, if applicable, Facility, which cannot be prematurely cancelled or terminated without the prior written consent of the State Entity.

(If the term of the Real Property/Facility Lease is for a term authorized by a Minnesota statute, rule or session law, then insert the citation: Minnesota Statutes § 16A.695, subd. 7.)

☐ An easement for the Real Property, in form and substance acceptable to the State Entity, for a term of at least 125% of the Useful Life of the Real Property and, if applicable, Facility, which cannot be prematurely cancelled or terminated without the prior written consent of the State Entity.

(If the term of the easement is for a term authorized by a Minnesota statute, rule or session law, then insert the citation: _____.)

Ownership Interest in, if applicable, the Facility:

☐ Fee simple ownership of the Real Property.

☒ A Real Property/Facility Lease for the Real Property, in form and substance acceptable to the State Entity, for a term of at least 125% of the Useful Life of the Real Property and, if applicable, Facility, which cannot be prematurely cancelled or terminated without the prior written consent of the State Entity.

(If the term of the Real Property/Facility Lease is for a term authorized by a Minnesota statute, rule or session law, then insert the citation: Minnesota Statutes § 16A.695, subd. 7.)

☐ Not applicable because there is no Facility.

and such interests are or will be subject only to those easements, covenants, conditions and restrictions that will not materially interfere with the completion of the Project and the intended operation and use of the Real Property and, if applicable, the Facility, or those easements, covenants, conditions and restrictions which are specifically consented to, in writing, by the State Entity.

M. It will fully enforce the terms and conditions contained in any Use Contract.

N. It has complied with the matching funds requirement, if any, contained in Section 5.23.

O. It will supply, or cause to be supplied, whatever funds are needed above and beyond the amount of the Grant to complete and fully pay for the Project.

P. The Project will be completed substantially in accordance with the Construction Contract Documents by the Completion Date, and will be situated entirely on the Real Property.

Q. It will require the Contractor or Contractors to comply with all rules, regulations, ordinances, and laws bearing on its conduct of work on the Project.

R. It will not allow any lien or encumbrance that is prior and superior to the Declaration to be created on or imposed upon the Real Property, whether such lien or encumbrance is voluntary or involuntary and including but not limited to a mechanic's lien or a mortgage lien, without the prior written consent of the State Entity.

S. It will furnish to the State Entity as soon as possible and in any event within 7 calendar days after the Grant Recipient has obtained knowledge of the occurrence of each Event of Default, or each event which with the giving of notice or lapse of time or both would constitute an Event of Default, a statement setting forth details of each Event of Default, or event which with the giving of notice or upon the lapse of time or both would constitute an Event of Default, and the action which the Grant Recipient proposes to take with respect thereto.

T. The Useful Life of the Real Property and, if applicable, Facility is 30 years.

U. It shall furnish such satisfactory evidence regarding the representations and warranties described herein as may be required and requested in writing by either the State Entity or the Commissioner of Management and Budget.

Section 2.05 Event(s) of Default. The following events shall, unless waived in writing by the State Entity, constitute an Event of Default under this Agreement upon the State Entity giving the Grant Recipient 30 days written notice of such event, and the Grant Recipient's failure to cure such event during such 30 day time period for those Events of Default that can be cured within 30 days or within whatever time period is needed to cure those Events of Default that cannot be cured within 30 days as long as the Grant Recipient is using its best efforts to cure and is making reasonable progress in curing such Events of Default, however, in no event shall the time period to cure any Event of Default exceed 6 months. Notwithstanding the foregoing, any of the following events that cannot be cured shall, unless waived in

writing by the State Entity, constitute an Event of Default under this Agreement immediately upon the State Entity giving the Grant Recipient written notice of such event.

A. If any representation, covenant, or warranty made by the Grant Recipient herein, in any Draw Requisition, or in any other document furnished pursuant to this Agreement, or in order to induce the State Entity to make any Advance, shall prove to have been untrue or incorrect in any material respect or materially misleading as of the time such representation, covenant, or warranty was made.

B. If the Grant Recipient fails to fully comply with any provision, term, condition, covenant, or warranty contained in this Agreement, the Declaration, or any other document referred to herein.

Section 2.06 Remedies. Upon the occurrence of an Event of Default and at any time thereafter until such Event of Default is cured to the satisfaction of the State Entity, the State Entity or the Commissioner of Management and Budget may enforce any or all of the following remedies.

A. The State Entity may refrain from disbursing the Grant; provided, however, the State Entity may make Advances after the occurrence of an Event of Default without thereby waiving its rights and remedies hereunder.

B. The Commissioner of Management and Budget, as a third party beneficiary of this Agreement, may demand that the portion of the Grant already disbursed to the Grant Recipient be returned to it, and upon such demand the Grant Recipient shall return such portion to the Commissioner of Management and Budget.

C. Either the State Entity or the Commissioner of Management and Budget, as a third party beneficiary of this Agreement, may enforce any additional remedies they may have in law or equity.

The rights and remedies herein specified are cumulative and not exclusive of any rights or remedies that the State Entity or the Commissioner of Management and Budget would otherwise possess.

If the Grant Recipient does not repay any portion of the amount specified in Section 2.06.B within 30 days of demand by either the State Entity or the Commissioner of Management and Budget, then such amount may, unless precluded by law, be taken from or off-set against any aids or other monies that the Grant Recipient is entitled to receive from the State of Minnesota.

Section 2.07 Notification of Event of Default. The Grant Recipient shall furnish to both the State Entity and the Commissioner of Management and Budget, as soon as possible and in any event within 7 calendar days after it has obtained knowledge of the occurrence of each Event of Default or each event which with the giving of notice or lapse of time or both would constitute an Event of Default, a statement setting forth details of each Event of Default or event which with the giving of notice or upon the lapse of time or both would constitute an Event of Default and the action which the Grant Recipient proposes to take with respect thereto.

Section 2.08 Term of Grant Agreement. This Agreement shall, unless earlier terminated in accordance with any of the provisions contained herein, remain in full force and effect for the time period starting on the effective date hereof and ending on the date that corresponds to the date established by adding a time period equal to 125% of Useful Life of the Real Property and, if applicable, Facility to the

date on which the Real Property and, if applicable, Facility is first used for the purpose set forth in Section 2.03 after such effective date. If there are no uncured Events of Default as of such date this Agreement shall terminate and no longer be of any force or effect, and the State Entity shall execute whatever documents are needed to release the Real Property and, if applicable, Facility from the effect of this Agreement and the Declaration.

Section 2.09 Modification and/or Early Termination of Grant. If the Project is not started on or before December 27, 2026, or such later date to which the Grant Recipient and the State Entity may agree in writing, then, the State Entity's obligation to fund the Grant shall terminate, and, in such event, (i) if none of the Grant has been disbursed by such date then the State Entity's obligation to fund any portion of the Grant shall terminate and this Agreement shall also terminate and no longer be of any force or effect, and (ii) if some but not all of the Grant has been disbursed by such date then the State shall have no further obligation to provide any additional funding for the Grant and this Agreement shall remain in full force and effect but shall be modified and amended to reflect the amount of the Grant that was actually disbursed as of such date.

In addition, if all of the Grant has not been disbursed on or before the date that is 5 years from the effective date of this Agreement, then the State Entity's obligation to continue to fund the Grant shall terminate, and, in such event, (y) if none of the Grant has been disbursed by such date then the State Entity's obligation to fund any portion of the Grant shall terminate and this Agreement shall also terminate and no longer be of any force or effect, and (z) if some but not all of the Grant has been disbursed by such date then the State Entity shall have no further obligation to provide any additional funding under the Grant and this Agreement shall remain in full force and effect but shall be modified and amended to reflect the amount of the Grant that was actually disbursed as of such date.

This Agreement shall also terminate and no longer be of any force or effect upon (a) the termination of the Grant Recipient's leasehold or easement interest in the Real Property in accordance with the terms of such lease or easement, or (b) the sale of the Grant Recipient's interest in the Real Property and, if applicable, the Facility in accordance with the provisions contained in Section 3.02 and transmittal of all or a portion of the proceeds of such sale to the Commissioner of Management and Budget in compliance with the provisions contained in Section 3.03. Upon such termination the State Entity shall execute and deliver to the Grant Recipient such documents as are required to release the Real Property and, if applicable, the Facility, from the effect of the Declaration.

In the event that the legislation that authorized the Grant is amended to increase or reduce the amount of the Grant or in any other way, then this Agreement shall be deemed to have been automatically modified in accordance with such amendment and the amount of the Grant shall also be automatically modified in accordance with such amendment.

Section 2.10 Effect of Event of Default. If an Event of Default occurs and the Grant Recipient is required to and does return the amount specified in Section 2.06.B to the Commissioner of Management and Budget, then the following shall occur.

- A. This Agreement shall survive and remain in full force and effect.

B. The amount returned by the Grant Recipient shall be credited against any amount that shall be due to the Commissioner of Management and Budget under Section 3.03 and against any amount that becomes due and payable because of any other Event of Default.

Section 2.11 Excess Funds. If the full amount of the Grant and any matching funds referred to in Section 5.23 are not needed to complete the Project, then, unless language in the legislation that authorized the Grant indicates otherwise, the Grant shall be reduced by the amount not needed. N/A

Article III - USE AND SALE

Section 3.01 Use Contracts. Each and every Use Contract that the Grant Recipient enters into must comply with the following requirements:

A. The purpose for which the Use Contract was entered into must be a governmental purpose.

B. It must contain a provision setting forth the statutory authority under which the Grant Recipient is entering into the Use Contract, and must comply with the substantive and procedural provisions of such statute.

C. It must contain a provision stating that the Use Contract is being entered into in order to carry out the purpose for which the Grant was allocated, and must recite the purpose.

D. It must be for a term, including any renewals that are solely at the option of the Grant Recipient, that is, if applicable, substantially less than the useful life of the structures and improvements that make up the Facility, but may allow for renewals beyond the original term upon a determination by the Grant Recipient that the use continues to carry out the specific purpose for which the Grant was allocated. A term that is equal to or shorter than 50% of the useful life of the structures and improvements that make up the Facility will meet the requirement that it be for a time period that is substantially shorter than the useful life of such structures and improvements.

E. It must allow for termination by the Grant Recipient in the event of a default thereunder by the Usee, or in the event that the specific purpose for which the Grant was allocated is terminated or changed.

F. It must require the Usee to pay all costs of operation and maintenance of the Real Property and, if applicable, the Facility, unless the Grant Recipient is authorized by law to pay such costs and agrees to pay such costs.

G. If the amount of the Grant exceeds \$200,000.00, then it must contain a provision requiring the Usee to list any vacant or new positions it may have with state workforce centers as required by Minn. Stat. § 116L.66, Subd. 1, as it may be amended, modified or replaced from time to time, for the term of the Use Contract.

Section 3.02 Sale. The Grant Recipient shall not sell any part of its ownership interest in the Real Property or, if applicable, the Facility unless all of the following provisions have been complied with fully.

A. The Grant Recipient determines, by official action, that it is no longer usable or needed as a Loon Center and associated facilities available to the general public.

B. The sale is made as authorized by law.

C. The sale is for Fair Market Value.

D. Written notice of such proposed sale has been supplied to both the State Entity and the Commissioner of Management and Budget at least 30 days prior thereto.

The acquisition of the Grant Recipient's interest in the Real Property and, if applicable, the Facility at a foreclosure sale, by acceptance of a deed-in-lieu of foreclosure, or enforcement of a security interest in personal property used in the operation of thereof, by a lender that has provided monies for the acquisition of the Grant Recipient's interest in or betterment of the Real Property and, if applicable, the Facility shall not be considered a sale for the purposes of this Agreement if after such acquisition the lender operates such portion of the Real Property and, if applicable, the Facility in a manner which is not inconsistent with the program specified in Section 2.03 and the lender uses its best efforts to sell such acquired interest to a third party for Fair Market Value. The lender's ultimate sale or disposition of the acquired interest in the Real Property and, if applicable, the Facility shall be deemed to be a sale for the purposes of this Agreement, and the proceeds thereof shall be disbursed in accordance with the provisions contained in Section 3.03.

Section 3.03 Proceeds of a Sale. Upon the sale of the Grant Recipient's interest in the Real Property and, if applicable, the Facility the net proceeds thereof shall be disbursed in the following manner and order.

A. The first distribution shall be to the Commissioner of Management and Budget in an amount equal to the amount of the Grant actually disbursed, and if the amount of such net proceeds shall be less than the amount of the Grant actually disbursed then all of such net proceeds shall be distributed to the Commissioner of Management and Budget.

B. The remaining portion, after the distribution specified in Section 3.03.A, shall be distributed to pay in full any outstanding public or private debt incurred to acquire the Grant Recipient's interest in or for the betterment of the Real Property and, if applicable, the Facility in the order of priority of such debt.

C. Any remaining portion, after the distributions specified in Sections 3.03A and B, shall be divided and distributed in proportion to the shares contributed to the acquisition of the Grant Recipient's interest in or for the betterment of the Real Property and, if applicable, the Facilities by public and private entities, including the State Entity but not including any private entity that has been paid in full, that supplied funds in either real monies or like-kind contributions for such acquisition and betterment, and the State Entity's distribution shall be made to the Commissioner of Management and Budget. Such public and private entities may agree amongst themselves as to any redistribution of such distributed funds.

The Grant Recipient shall not be required to pay or reimburse the State Entity for any funds above and beyond the full net proceeds of such sale, even if such net proceeds are less than the amount of the Grant actually disbursed.

Article IV - DISBURSEMENT OF GRANT PROCEEDS

Section 4.01 The Advances. The State Entity agrees, on the terms and subject to the conditions set forth herein, to make Advances from the Grant to the Grant Recipient from time to time in an aggregate total amount equal to the amount of the Grant. Provided, however, in accordance with the provisions contained in Section 2.08, the State Entity's obligation to make Advances shall terminate as of the date which occurs 5 years from the effective date of this Agreement even if all of the Grant has not been disbursed by such date.

It is the intent of the parties hereto that the rate of disbursement of the Advances shall not exceed the rate of completion of the Project or the rate of disbursement of the matching funds required, if any, under Section 5.23. Therefore, the cumulative amount of all Advances disbursed by the State Entity at any point in time shall not exceed the portion of the Project that has been completed and the percentage of the matching funds required, if any, under Section 5.23 that have been disbursed as of such point in time. This requirement is expressed by way of the following two formulas:

Formula #1

Cumulative Advances \leq (Program Grant) \times (percentage of matching funds, if any, required under Section 5.23 that have been disbursed)

Formula #2

Cumulative Advances \leq (Program Grant) \times (percentage of Project completed)

Section 4.02 Draw Requisitions. Whenever the Grant Recipient desires a disbursement of a portion of the Grant, which shall be no more often than once each calendar month, the Grant Recipient shall submit to the State Entity a Draw Requisition duly executed on behalf of the Grant Recipient or its designee. Each Draw Requisition shall be submitted on or between the 1st day and the 15th day of the month in which an Advance is requested, and shall be submitted at least 7 calendar days before the date the Advance is desired. Each Draw Requisition with respect to construction items shall be limited to amounts equal to: (i) the total value of the classes of the work by percentage of completion as approved by the Grant Recipient and the State Entity, plus (ii) the value of materials and equipment not incorporated in the Project but delivered and suitably stored on or off the Project site in a manner acceptable to the State Entity, less (iii) any applicable retainage, and less (iv) all prior Advances.

Notwithstanding anything herein to the contrary, no Advances for materials stored on or off the Project site will be made by the State Entity unless the Grant Recipient shall advise the State Entity, in writing, of its intention to so store materials prior to their delivery and the State Entity has not objected thereto.

At the time of submission of each Draw Requisition, other than the final Draw Requisition, the Grant Recipient shall submit to the State Entity such supporting evidence as may be requested by the State Entity to substantiate all payments which are to be made out of the relevant Draw Requisition or to substantiate all payments then made with respect to the Project.

At the time of submission of the final Draw Requisition which shall not be submitted before substantial completion of the Project, including all landscape requirements and off-site utilities and streets needed for access to the Project and correction of material defects in workmanship or materials (other than the completion of punch list items) as provided in the Construction Contract Documents, the Grant

Recipient shall submit to the State Entity: (i) such supporting evidence as may be requested by the State Entity to substantiate all payments which are to be made out of the final Draw Requisition or to substantiate all payments then made with respect to the Project, and (ii) satisfactory evidence that all work requiring inspection by municipal or other governmental authorities having jurisdiction has been duly inspected and approved by such authorities, and that all requisite certificates of occupancy and other approvals have been issued.

If on the date an Advance is desired the Grant Recipient has complied with all requirements of this Agreement and the State Entity approves the relevant Draw Requisition and receives a current construction report from the Inspecting Engineer recommending payment, then the State Entity shall disburse the amount of the requested Advance to the Grant Recipient.

Section 4.03 Additional Funds from Grant Recipient. If the State Entity shall at any time in good faith determine that the sum of the undisbursed amount of the Grant plus the amount of all other funds committed to the completion of the Project is less than the amount required to pay all costs and expenses of any kind which reasonably may be anticipated in connection with the completion of the Project, then the State Entity may send written notice thereof to the Grant Recipient specifying the amount which must be supplied in order to provide sufficient funds to complete the Project. The Grant Recipient agrees that it will, within 10 calendar days of receipt of any such notice, supply or have some other entity supply the amount of funds specified in the State Entity's notice.

Section 4.04 Conditions Precedent to Any Advance. The obligation of the State Entity to make any Advance hereunder (including the initial Advance) shall be subject to the following conditions precedent:

A. The State Entity shall have received a Draw Requisition for such Advance specifying the amount of funds being requested, which such amount when added to all prior requests for an Advance shall not exceed the maximum amount of the Grant set forth in Section 1.01.

B. The State Entity shall have either received a duly executed Declaration that has been duly recorded in the appropriate governmental office, with all of the recording information displayed thereon, or evidence that such Declaration will promptly be recorded and delivered to the State Entity.

C. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that (i) the Grant Recipient has legal authority to and has taken all actions necessary to enter into this Agreement and the Declaration, and (ii) this Agreement and the Declaration are binding on and enforceable against the Grant Recipient.

D. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Grant Recipient has sufficient funds to fully and completely pay for the entire Project and all other expenses that may occur in conjunction therewith.

E. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Grant Recipient is in compliance with the matching funds requirements, if any, contained in Section 5.23.

F. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, showing that the Grant Recipient currently possesses or will use the Grant to acquire the ownership interest delineated in Section 2.04.L.

G. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Real Property and, if applicable, the Facility and the contemplated use thereof are permitted by and will comply with all applicable use or other restrictions and requirements imposed by applicable zoning ordinances or regulations, and have been duly approved by the applicable municipal or governmental authorities having jurisdiction.

H. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that all applicable and required building permits, other permits, bonds and licenses necessary for the completion of the Project have been paid for, issued, and obtained, other than those permits, bonds and licenses which may not lawfully be obtained until a future date or those permits, bonds and licenses which in the ordinary course of business would normally not be obtained until a later date.

I. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that all applicable and required permits, bonds and licenses necessary for the operation of the Real Property and, if applicable, the Facility in the manner specified in Section 2.03 have been paid for, issued, and obtained, other than those permits, bonds and licenses which may not lawfully be obtained until a future date or those permits, bonds and licenses which in the ordinary course of business would normally not be obtained until a later date.

J. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Project will be completed in a manner that will allow the Real Property and, if applicable, the Facility to be operated in the manner specified in Section 2.03.

K. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Grant Recipient has the ability and a plan to fund the program which will be operated on the Real Property and, if applicable, in the Facility.

L. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Construction Contract Documents are in place and are fully and completely enforceable.

M. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the Contractor will complete the Project substantially in conformance with the Construction Contract Documents and pay all amounts lawfully owing to all laborers and materialmen who worked on the Project or supplied materials therefor, other than amounts being contested in good faith. Such evidence may be in the form of payment and performance bonds in amounts equal to or greater than the amount of the fixed price or guaranteed maximum price contained in the Construction Contract Documents which name the State Entity and the Grant Recipient dual obligees thereunder, or such other evidence as may be acceptable to the Grant Recipient and the State Entity.

N. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, that the policies of insurance required under Section 5.01 are in full force and effect.

O. The State Entity shall have received evidence, in form and substance acceptable to the State Entity, of compliance with the provisions and requirements specified in Section 5.10 and all additional applicable provisions and requirements contained in Minn. Stat. § 16B.335 that exists as of the date of this Agreement and as such may subsequently be amended, modified or replaced from time to time. Such evidence shall include, but not be limited to, evidence that: (i) the predesign package referred to in Section 5.10.B has been reviewed by and received a favorable recommendation from the Commissioner of Administration for the State of Minnesota, (ii) the program plan and cost estimates referred to in Section 5.10.C have received a recommendation by the Chairs of the Minnesota State Senate Finance Committee and Minnesota House of Representatives Ways and Means Committee, and (iii) the Chair and Ranking Minority Member of the Minnesota House of Representatives Capital Investment Committee and the Chair and Ranking Minority Member of the Minnesota Senate Capital Investment Committee have been notified pursuant to Section 5.10.G.

P. No determination shall have been made by the State Entity that the amount of funds committed to the completion of the Project is less than the amount required to pay all costs and expenses of any kind which reasonably may be anticipated in connection with the completion of the Project, or if such a determination has been made and notice thereof sent to the Grant Recipient then the Grant Recipient has supplied or has caused some other entity to supply the necessary funds in accordance with Section 4.03, or to provide evidence acceptable to the State Entity that sufficient funds are available.

Q. No Event of Default under this Agreement or event which would constitute an Event of Default but for the requirement that notice be given or that a period of grace or time elapse shall have occurred and be continuing.

R. The Grant Recipient has supplied to the State Entity all other items that the State Entity may reasonably require.

Section 4.05 Construction Inspections. The Grant Recipient and the Architect, if any, shall be responsible for making their own inspections and observations of the Project, and shall determine to their own satisfaction that the work done or materials supplied by the Contractors to whom payment is to be made out of each Advance has been properly done or supplied in accordance with the applicable contracts with such Contractors. If any work done or materials supplied by a Contractor are not satisfactory to the Grant Recipient and the Architect, if any, or if a Contractor is not in material compliance with the Construction Contract Documents in any respect, then the Grant Recipient shall immediately notify the State Entity, in writing. The State Entity and the Inspecting Engineer may conduct such inspections of the Project as either may deem necessary for the protection of the State Entity's interest, and that any inspections which may be made of the Project by the State Entity or the Inspecting Engineer are made and all certificates issued by the Inspecting Engineer will be issued solely for the benefit and protection of the State Entity, and the Grant Recipient will not rely thereon.

Article V - MISCELLANEOUS

Section 5.01 Insurance. The Grant Recipient shall maintain or cause to be maintained builders risk insurance and fire and extended coverage insurance on the Facility, if such exists, in an amount equal to the full insurable value thereof, and shall name the State Entity as loss payee thereunder. If damages which are covered by such required insurance occurs to the Facility, if such exists, then the Grant Recipient shall, at its sole option and discretion, either: (i) use or cause the insurance proceeds to be used to fully or partially repair such damage and to provide or cause to be provided whatever additional funds that may be needed to fully or partially repair such damage, or (ii) sell its interest in the Real Property and the damaged Facility, if such exists, in accordance with the provisions contained in Section 3.02. If the Grant Recipient elects to only partially repair such damage, then the portion of the insurance proceeds which are not used for such repair shall be applied in accordance with the provisions contained in Section 3.03 as if the Grant Recipient's interest in the Real Property and Facility, if such exists, had been sold, and such amounts shall be credited against the amounts due and owing under Section 3.03 upon the ultimate sale of the Grant Recipient's interest in the Real Property and Facility, if such exists. If the Grant Recipient elects to sell its interest in the Real Property and the damaged Facility, if such exists, then such sale must occur within a reasonable time period from the date the damage occurred and the cumulative sum of the insurance proceeds plus the proceeds of such sale must be applied in accordance with the provisions contained in Section 3.03, with the insurance proceeds being so applied within a reasonable time period from the date they are received by the Grant Recipient.

As loss payee under the insurance required herein the State Entity agrees to and will assign or pay over to the Grant Recipient all insurance proceeds it receives so that the Grant Recipient can comply with the requirements that this Section 5.01 imposes upon the Grant Recipient as to the use of such insurance proceeds.

If the Grant Recipient elects to maintain general comprehensive liability insurance regarding the Real Property and Facility, if such exists, then the Grant Recipient shall have the State Entity named as an additional named insured therein.

At the written request of either the State Entity or the Commissioner of Management and Budget, the Grant Recipient shall promptly furnish thereto all written notices and all paid premium receipts received by the Grant Recipient regarding the required insurance, or certificates of insurance evidencing the existence of such required insurance.

Section 5.02 Condemnation. If all or any portion of the Real Property and, if applicable, the Facility is condemned to an extent that the Grant Recipient can no longer comply with the provisions contained in Section 2.03, then the Grant Recipient shall, at its sole option and discretion, either: (i) use or cause the condemnation proceeds to be used to acquire an interest in additional real property needed for the Grant Recipient to continue to comply with the provisions contained in Section 2.03 and, if applicable, to fully or partially restore the Facility and to provide or cause to be provided whatever additional funds that may be needed for such purposes, or (ii) sell the remaining portion of its interest in the Real Property and, if applicable, the Facility in accordance with the provisions contained in Section 3.02. Any condemnation proceeds which are not used to acquire an interest in additional real property or to restore, if applicable, the Facility shall be applied in accordance with the provisions contained in Section 3.03 as if the Grant Recipient's interest in the Real Property and, if applicable, the Facility had been sold, and such amounts shall be credited against the amounts due and owing under Section 3.03 upon the

ultimate sale of the Grant Recipient's interest in the Real Property and, if applicable, the Facility. If the Grant Recipient elects to sell its interest in the portion of the Real Property and, if applicable, the Facility that remains after the condemnation, then such sale must occur within a reasonable time period from the date the condemnation occurred and the cumulative sum of the condemnation proceeds plus the proceeds of such sale must be applied in accordance with the provisions contained in Section 3.03, with the condemnation proceeds being so applied within a reasonable time period from the date they are received by the Grant Recipient.

As recipient of any of condemnation awards or proceeds referred to herein, the State Entity agrees to and will disclaim, assign or pay over to the Grant Recipient all of such condemnation awards or proceeds it receives so that the Grant Recipient can comply with the requirements which this Section 5.02 imposes upon the Grant Recipient as to the use of such condemnation awards or proceeds.

Section 5.03. Use, Maintenance, Repair and Alterations. The Grant Recipient shall not, without the written consent of the State Entity, permit or suffer the use of any of the Real Property and, if applicable, the Facility, for any purpose other than the use for which the same is intended as of the effective date of this Agreement. In addition, the Grant Recipient: (i) shall keep the Real Property and, if applicable, the Facility, in good condition and repair, subject to reasonable and ordinary wear and tear, (ii) shall not, without the written consent of the State Entity, remove, demolish or substantially alter (except such alterations as may be required by laws, ordinances or regulations) any of the Facility, if applicable, (iii) shall not do any act or thing which would unduly impair or depreciate the value of the Real Property and, if applicable, the Facility, (iv) shall not abandon the Real Property and, if applicable, the Facility, (v) shall complete promptly and in good and workmanlike manner any building or other improvement which may be constructed on the Real Property and promptly restore in like manner any portion of the Facility, if applicable, which may be damaged or destroyed thereon and pay when due all claims for labor performed and materials furnished therefor, (vi) shall comply with all laws, ordinances, regulations, requirements, covenants, conditions and restrictions now or hereafter affecting the Real Property and, if applicable, the Facility, or any part thereof, or requiring any alterations or improvements thereto, (vii) shall not commit or permit any waste or deterioration of the Real Property and, if applicable, the Facility, (viii) shall keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair, (ix) shall comply with the provisions of any lease if the Grant Recipient's interest in the Real Property and, if applicable, the Facility, is a leasehold interest, (x) shall comply with the provisions of any condominium documents if the Real Property and, if applicable, the Facility, is part of a condominium regime, (xi) shall not remove any fixtures or personal property from the Real Property and, if applicable, the Facility, that was paid for with the proceeds of the Grant unless the same are immediately replaced with like property of at least equal value and utility, and (xii) shall not commit, suffer or permit any act to be done in or upon the Real Property and, if applicable, the Facility, in violation of any law, ordinance or regulation.

Section 5.04 Records Keeping and Reporting. The Grant Recipient shall maintain or cause to be maintained books, records, documents and other evidence pertaining to the costs or expenses associated with the completion of the Project and operation of the Real Property and, if applicable, the Facility, and compliance with the requirements contained in this Agreement, and upon request shall allow or cause the entity which is maintaining such items to allow the State Entity, auditors for the State Entity, the Legislative Auditor for the State of Minnesota, or the State Auditor for the State of Minnesota, to inspect, audit, copy, or abstract, all of its books, records, papers, or other documents relevant to the Grant. The Grant Recipient shall use or cause the entity which is maintaining such books and records to use generally

accepted accounting principles in the maintenance of such books and records, and shall retain or cause to be retained all of such books, records, documents and other evidence for a period of 6 years from the date that the Project is fully completed and placed into operation.

Section 5.05 Inspection of Facility After Completion. Upon reasonable request by the State Entity the Grant Recipient shall allow, and will require any entity to whom it leases, subleases, or enters into a Use Contract for any portion of the Real Property and, if applicable, the Facility to allow, the State Entity to inspect the Real Property and, if applicable, the Facility.

Section 5.06 Data Practices. The Grant Recipient agrees with respect to any data that it possesses regarding the Grant, the Project, or the Real Property and, if applicable, the Facility, to comply with all of the provisions and restrictions contained in the Minnesota Government Data Practices Act contained in Chapter 13 of the Minnesota Statutes that exists as of the date of this Agreement and as such may subsequently be amended, modified or replaced from time to time.

Section 5.07 Non-Discrimination. The Grant Recipient agrees to not engage in discriminatory employment practices in the completion of the Project, or operation or management of the Real Property and, if applicable, the Facility, and it shall, with respect to such activities, fully comply with all of the provisions contained in Minn. Stat. Chapters 363A and 181 that exists as of the date of this Agreement and as such may subsequently be amended, modified or replaced from time to time.

Section 5.08 Worker's Compensation. The Grant Recipient agrees to comply with all of the provisions relating to worker's compensation contained in Minn. Stat. §§ 176.181, Subd. 2 and 176.182 that exists as of the date of this Agreement and as such may subsequently be amended, modified or replaced from time to time, with respect to the completion of the Project, and the operation or management of the Real Property and, if applicable, the Facility.

Section 5.09 Antitrust Claims. The Grant Recipient hereby assigns to the State Entity and the Commissioner of Management and Budget all claims it may have for over charges as to goods or services provided in its completion of the Project, and operation or management of the Real Property and, if applicable, the Facility that arise under the antitrust laws of the State of Minnesota or of the United States of America.

Section 5.10 Review of Plans and Cost Estimates. The Grant Recipient agrees to comply with all applicable provisions and requirements contained in Minn. Stat. § 16B.335 that exists as of the date of this Agreement and as such may subsequently be amended, modified or replaced from time to time, for the Project, and in accordance therewith the Grant Recipient and the State Entity agree to comply with the following provisions and requirements if such provisions and requirements are applicable.

A. The Grant Recipient shall provide all information that the State Entity may request in order for the State Entity to determine that the Project will comply with the provisions and requirements contained in Minn. Stat. § 16B.335, as it may be amended, modified or replaced from time to time.

B. Prior to its proceeding with design activities for the Project the Grant Recipient shall prepare a predesign package and submit it to the Commissioner of Administration for the State of Minnesota for review and comment. The predesign package must be sufficient to define the purpose, scope, cost, and projected schedule for the Project, and must demonstrate that the Project has been

analyzed according to appropriate space and needs standards. Any substantial changes to such predesign package must be submitted to the Commissioner of Administration for the State of Minnesota for review and comment.

C. If the Project includes the construction of a new building, substantial addition to an existing building, a substantial change to the interior configuration of an existing building, or the acquisition of an interest in land, then the Grant Recipient shall not prepare final plans and specifications until it has prepared a program plan and cost estimates for all elements necessary to complete the Project and presented them to the Chairs of the Minnesota State Senate Finance Committee and Minnesota House of Representatives Ways and Means Committee and the chairs have made their recommendations, and it has notified the Chair and Ranking Minority Member of the Minnesota House of Representatives Capital Investment Committee and the Chair and Ranking Minority Member of the Minnesota State Senate Capital Investment Committee. The program plan and cost estimates must note any significant changes in the work to be performed on the Project, or in its costs, which have arisen since the appropriation from the legislature for the Project was enacted or which differ from any previous predesign submittal.

D. The Grant Recipient must notify the Chairs and Ranking Minority Members of the Minnesota State Senate Finance and Capital Investment Committees, and the Minnesota House of Representatives Capital Investment and Ways and Means Committees of any significant changes to the program plan and cost estimates referred to in Section 5.10.C.

E. The program plan and cost estimates referred to in Section 5.10.C must ensure that the Project will comply with all applicable energy conservation standards contained in law, including Minn. Stat. §§ 216C.19 to 216C.20, as they may be amended, modified or replaced from time to time, and all rules adopted thereunder.

F. If any of the Grant is to be used for the construction or remodeling of the Facility, then both the predesign package referred to in Section 5.10.B and the program plan and cost estimates referred to in Section 5.10.C must include provisions for cost-effective information technology investments that will enable the occupant of the Facility to reduce its need for office space, provide more of its services electronically, and decentralize its operations.

G. If the Project does not involve the construction of a new building, substantial addition to an existing building, substantial change to the interior configuration of an existing building, or the acquisition of an interest in land, then prior to beginning work on the Project the Grant Recipient shall just notify the Chairs and Ranking Minority Members of the Minnesota State Senate Finance and Capital Investment Committees, and the Minnesota House of Representatives Capital Investment and Ways and Means Committees that the work to be performed is ready to begin.

H. The Project must be: (i) completed in accordance with the program plan and cost estimates referred to in Section 5.10.C, (ii) completed in accordance with the time schedule contained in the program plan referred to in Section 5.10.C, and (iii) completed within the budgets contained in the cost estimates referred to in Section 5.10.C.

Provided, however, the provisions and requirements contained in this Section 5.10 only apply to public lands or buildings or other public improvements of a capital nature, and shall not apply to the

demolition or decommissioning of state assets, hazardous material projects, utility infrastructure projects, environmental testing, parking lots, parking structures, park and ride facilities, bus rapid transit stations, light rail lines, passenger rail projects, exterior lighting, fencing, highway rest areas, truck stations, storage facilities not consisting primarily of offices or heated work areas, roads, bridges, trails, pathways, campgrounds, athletic fields, dams, floodwater retention systems, water access sites, harbors, sewer separation projects, water and wastewater facilities, port development projects for which the Commissioner of Transportation for the State of Minnesota has entered into an assistance agreement under Minn. Stat. § 457A.04, as it may be amended, modified or replaced from time to time, ice centers, local government projects with a construction cost of less than \$1,500,000.00, or any other capital project with a construction cost of less than \$750,000.00.

Section 5.11 Prevailing Wages. The Grant Recipient agrees to comply with all of the applicable provisions contained in Chapter 177 of the Minnesota Statutes, and specifically those provisions contained in Minn. Stat. §§ 177.41 through 177.435, as they may be amended, modified or replaced from time to time with respect to the Project and the operation of the Real Property and, if applicable, Facility as intended by the Minnesota Legislature. By agreeing to this provision, the Grant Recipient is not acknowledging or agreeing that the cited provisions apply to the Project or to the operation of the Real Property and, if applicable, Facility.

Section 5.12 Liability. The Grant Recipient and the State Entity agree that they will, subject to any indemnifications provided herein, be responsible for their own acts and the results thereof to the extent authorized by law, and they shall not be responsible for the acts of the other party and the results thereof. The liability of both the State Entity and the Commissioner of Management and Budget is governed by the provisions contained in Minn. Stat. § 3.736, as it may be amended, modified or replaced from time to time. If the Grant Recipient is a "municipality" as such term is used in Chapter 466 of the Minnesota Statutes that exists as of the date of this Agreement and as such may subsequently be amended, modified or replaced from time to time, then the liability of the Grant Recipient, including but not limited to the indemnification provided under Section 5.13, is governed by the provisions contained in such Chapter 466.

Section 5.13 Indemnification by the Grant Recipient. The Grant Recipient shall bear all loss, expense (including attorneys' fees), and damage in connection with the completion of the Project or operation of the Real Property and, if applicable, the Facility, and agrees to indemnify and hold harmless the State Entity, the Commissioner of Management and Budget, and the State of Minnesota, their agents, servants and employees from all claims, demands and judgments made or recovered against the State Entity, the Commissioner of Management and Budget, and the State of Minnesota, their agents, servants and employees, because of bodily injuries, including death at any time resulting therefrom, or because of damages to property of the State Entity, the State of Minnesota, or others (including loss of use) from any cause whatsoever, arising out of, incidental to, or in connection with the completion of the Project or operation of the Real Property and, if applicable, the Facility, whether or not due to any act of omission or commission, including negligence of the Grant Recipient or any Contractor or his or their employees, servants or agents, and whether or not due to any act of omission or commission (excluding, however, negligence or breach of statutory duty) of the State Entity, the Commissioner of Management and Budget, and the State of Minnesota, their employees, servants or agents.

The Grant Recipient further agrees to indemnify, save, and hold the State Entity, the Commissioner of Management and Budget, and the State of Minnesota, their agents and employees, harmless from all

claims arising out of, resulting from, or in any manner attributable to any violation by the Grant Recipient, its officers, employees, or agents, or by any Usee, its officers, employees, or agents, of any provision of the Minnesota Government Data Practices Act, including legal fees and disbursements paid or incurred to enforce the provisions contained in Section 5.06.

The Grant Recipient's liability hereunder shall not be limited to the extent of insurance carried by or provided by the Grant Recipient, or subject to any exclusions from coverage in any insurance policy.

Section 5.14 Relationship of the Parties. Nothing contained in this Agreement is intended or should be construed in any manner as creating or establishing the relationship of co-partners or a joint venture between the Grant Recipient, the State Entity, or the Commissioner of Management and Budget, nor shall the Grant Recipient be considered or deemed to be an agent, representative, or employee of either the State Entity, the Commissioner of Management and Budget, or the State of Minnesota in the performance of this Agreement, the completion of the Project, or operation of the Real Property and, if applicable, the Facility.

The Grant Recipient represents that it has already or will secure or cause to be secured all personnel required for the performance of this Agreement and the completion of the Project and the operation and maintenance of the Real Property and, if applicable, the Facility. All personnel of the Grant Recipient or other persons while engaging in the performance of this Agreement, the completion of the Project, or the operation and maintenance of the Real Property and, if applicable, the Facility shall not have any contractual relationship with either the State Entity, the Commissioner of Management and Budget, or the State of Minnesota and shall not be considered employees of any of such entities. In addition, all claims that may arise on behalf of said personnel or other persons out of employment or alleged employment including, but not limited to, claims under the Workers' Compensation Act of the State of Minnesota, claims of discrimination against the Grant Recipient, its officers, agents, contractors, or employees shall in no way be the responsibility of either the State Entity, the Commissioner of Management and Budget, or the State of Minnesota. Such personnel or other persons shall not require nor be entitled to any compensation, rights or benefits of any kind whatsoever from either the State Entity, the Commissioner of Management and Budget, or the State of Minnesota including, but not limited to, tenure rights, medical and hospital care, sick and vacation leave, disability benefits, severance pay and retirement benefits.

Section 5.15 Notices. In addition to any notice required under applicable law to be given in another manner, any notices required hereunder must be in writing, and shall be sufficient if personally served or sent by prepaid, registered, or certified mail (return receipt requested), to the business address of the party to whom it is directed. Such business address shall be that address specified below or such different address as may hereafter be specified, by either party by written notice to the other:

To the Grant Recipient at:
City of Crosslake
14303 Gould St.
Crosslake, MN 56442
Attention: Lori Conway

To the State Entity at:
Department of Natural Resources
500 Lafayette Road

St. Paul, MN 55155
Attention: Sarah Wennerberg

To the Commissioner of Management and Budget at:

Minnesota Department of Management and Budget
400 Centennial Office Bldg.
658 Cedar St.
St. Paul, MN 55155
Attention: Commissioner of Management and Budget

Section 5.16 Binding Effect and Assignment or Modification. This Agreement and the Declaration shall be binding upon and inure to the benefit of the Grant Recipient and the State Entity, and their respective successors and assigns. Provided, however, that neither the Grant Recipient nor the State Entity may assign any of its rights or obligations under this Agreement or the Declaration without the prior written consent of the other party. No change or modification of the terms or provisions of this Agreement or the Declaration shall be binding on either the Grant Recipient or the State Entity unless such change or modification is in writing and signed by an authorized official of the party against which such change or modification is to be imposed.

Section 5.17 Waiver. Neither the failure by the Grant Recipient, the State Entity, or the Commissioner of Management and Budget, as a third party beneficiary of this Agreement, in any one or more instances, to insist upon the complete and total observance or performance of any term or provision hereof, nor the failure of the Grant Recipient, the State Entity, or the Commissioner of Management and Budget, as a third party beneficiary of this Agreement, to exercise any right, privilege, or remedy conferred hereunder or afforded by law shall be construed as waiving any breach of such term, provision, or the right to exercise such right, privilege, or remedy thereafter. In addition, no delay on the part of either the Grant Recipient, the State Entity, or the Commissioner of Management and Budget, as a third party beneficiary of this Agreement, in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy preclude other or further exercise thereof or the exercise of any other right or remedy.

Section 5.18 Entire Agreement. This Agreement, the Declaration, and the documents, if any, referred to and incorporated herein by reference embody the entire agreement between the Grant Recipient and the State Entity, and there are no other agreements, either oral or written, between the Grant Recipient and the State Entity on the subject matter hereof.

Section 5.19 Choice of Law and Venue. All matters relating to the validity, construction, performance, or enforcement of this Agreement or the Declaration shall be determined in accordance with the laws of the State of Minnesota. All legal actions initiated with respect to or arising from any provision contained in this Agreement shall be initiated, filed and venued in the State of Minnesota District Court located in the City of St. Paul, County of Ramsey, State of Minnesota.

Section 5.20 Severability. If any provision of this Agreement is finally judged by any court to be invalid, then the remaining provisions shall remain in full force and effect and they shall be interpreted, performed, and enforced as if the invalid provision did not appear herein.

Section 5.21 Time of Essence. Time is of the essence with respect to all of the matters contained in this Agreement.

Section 5.22 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute one and the same instrument.

Section 5.23 Matching Funds. The Grant Recipient must obtain and supply the following matching funds, if any, for the completion of the Project: NONE

(If there are no matching funds requirements then insert the word "NONE".)

Any matching funds which are intended to meet the above requirements must either be in the form of (i) cash monies, (ii) legally binding commitments for money, or (iii) equivalent funds or contributions, including equity, which have been or will be used to complete or pay for the Project. The Grant Recipient shall supply to the Commissioner of Management and Budget whatever documentation the Commissioner of Management and Budget may request to substantiate the availability and source of any matching funds, and the source and terms relating to all matching funds must be consented to, in writing, by the Commissioner of Management and Budget.

Section 5.24 Source and Use of Funds. The Grant Recipient represents to the State Entity and the Commissioner of Management and Budget that **Attachment III** is intended to be and is a source and use of funds statement showing the total cost of the Project and all of the funds that are available for the completion of the Project, and that the information contained in such **Attachment III** correctly and accurately delineates the following information.

A. The total cost of the Project detailing all of the major elements that make up such total cost and how much of such total cost is attributed to each such major element.

B. The source of all funds needed to complete the Project broken down among the following categories:

- (i) State funds including the Grant, identifying the source and amount of such funds.
- (ii) Matching funds, identifying the source and amount of such funds.
- (iii) Other funds supplied by the Grant Recipient, identifying the source and amount of such funds.
- (iv) Loans, identifying each such loan, the entity providing the loan, the amount of each such loan, the terms and conditions of each such loan, and all collateral pledged for repayment of each such loan.
- (v) Other funds, identifying the source and amount of such funds.

C. Such other financial information that is needed to correctly reflect the total funds available for the completion of the Project, the source of such funds and the expected use of such funds.

If any of the funds included under the source of funds have conditions precedent to the release of such funds, then the Grant Recipient must provide to the State Entity and the Commissioner of

Management and Budget a detailed description of such conditions and what is being done to satisfy such conditions.

The Grant Recipient shall also supply whatever other information and documentation that the State Entity or the Commissioner of Management and Budget may request to support or explain any of the information contained in **Attachment III**.

The value of the Grant Recipient's ownership interest in the Real Property and, if applicable, Facility should only be shown in **Attachment III** if such ownership interest is being acquired and paid for with funds shown in such **Attachment III**, and for all other circumstances such value should be shown in the definition for Ownership Value in Section 1.01 and not included in such **Attachment III**.

The funds shown in **Attachment III** and to be supplied for the Project may, subject to any limitations contained in the legislation that authorized the Grant, be provided by either the Grant Recipient or a Usee under a Use Contract.

Section 5.25 Project Completion Schedule. The Grant Recipient represents to the State Entity and the Commissioner of Management and Budget that **Attachment IV** correctly and accurately delineates the projected schedule for the completion of the Project.

Section 5.26 Third-Party Beneficiary. The public program to be operated in conjunction with the Real Property and, if applicable, the Facility will benefit the State of Minnesota and the provisions and requirements contained herein are for the benefit of both the State Entity and the State of Minnesota. Therefore, the State of Minnesota, by and through its Commissioner of Management and Budget, is and shall be a third-party beneficiary of this Agreement.

Section 5.27 Applicability to Real Property and Facility. This Agreement applies to the Grant Recipient's interest in the Real Property and if a Facility exists to the Facility. The term "if applicable" appearing before the term "Facility" is meant to indicate that this Agreement will apply to a Facility if one exists, and if no Facility exists then this Agreement will only apply to the Grant Recipient's interest in the Real Property.

Section 5.28 E-Verification. The Grant Recipient agrees and acknowledges that it is aware of Minn. Stat. § 16C.075 regarding e-verification of employment of all newly hired employees to confirm that such employees are legally entitled to work in the United States, and that it will, if and when applicable, fully comply with such statute and impose a similar requirement in any Use Contract to which it is a party.

Section 5.29 Additional Requirements. The Grant Recipient and the State Entity agree to comply with the following additional requirements.

(If there are no additional requirements then insert the word "NONE".)

American-Made Steel. Minnesota Laws 2014, Chapter 295, Section 21 (the "Act"), requires public entities receiving an appropriation of public money for a project in that Act to ensure those facilities are built with American-made steel, to the extent practicable. The Grant Recipient shall comply with this requirement, and shall furnish any documentation pursuant thereto reasonably requested by the State Entity.

Unique requirements outlined in legislation: Amounts remaining after completion of property acquisition, predesign, and design may be applied to site preparation and construction for the same project.

(THE REMAINING PORTION OF THIS PAGE WAS INTENTIONALLY LEFT BLANK)

IN TESTIMONY HEREOF, the Grant Recipient and the State Entity have executed this General Fund Grant Agreement – Construction Grant for the ORP24-005 Project on the day and date indicated immediately below their respective signatures.

GRANT RECIPIENT:

Crosslake,
a Statutory City

By: _____
Mayor Jackson Purfeerst

Its: Mayor

And: _____
Lori Conway

Its: City Administrator

Dated: _____, _____

STATE ENTITY:

Minnesota Department of Natural Resources,

By: Linda Erickson-Eastwood
Its: PAT Division & Fiscal Services Manager

Dated: _____, _____

**Attachment I -
DECLARATION**

The undersigned has the following interest in the real property legally described in Exhibit A attached hereto and all facilities situated thereon (the "Restricted Property"):

(Check the appropriate box.)

☐ a fee simple title

☒ a lease

☐ an easement,

and as owner of such fee title, lease or easement, does hereby declare that such interest in the Restricted Property is subject to those provisions, requirements, restrictions and encumbrances contained in the "General Fund Grant Agreement Construction Grant for the ORP24-005 Project" dated Month Day, 2025, between Crosslake, a Statutory City and the Minnesota Department of Natural Resources. The Restricted Property shall remain subject to such provisions, requirements, restrictions, and encumbrances for **125%** of the useful life of the Restricted Property or until the Restricted Property is sold pursuant to the terms of the Grant Agreement, at which time it shall be released therefrom by way of a written release in recordable form signed by the Commissioner of Management and Budget, and such written release is recorded in the real estate records relating to the Restricted Property.

(SIGNATURE BLOCK AND ACKNOWLEDGEMENT)

(Borrower name)

By: _____

Title: _____

Dated: _____

STATE OF MINNESOTA)
) ss.
COUNTY OF _____)

This forgoing instrument was acknowledged before me this ____ day of _____, 20____,
by _____ the _____ [insert name and title of first
signatory], and _____, the _____ [insert name and title of
second signatory], respectively, of the _____, a _____,
[insert name and description of the entity receiving the funds].

Notary Public

This Declaration was drafted by:
[insert name and address]

Exhibit A to Declaration
LEGAL DESCRIPTION OF RESTRICTED PROPERTY

DRAFT

**Attachment II -
LEGAL DESCRIPTION**

[legal description from city]

DRAFT

**Attachment III -
SOURCE AND USE OF FUNDS FOR THE PROJECT**

Source of Funds		Use of Funds	
Identify Source of Funds	Amount	Identify Items	Amount
State Funds		Ownership Acquisition and Other Items Paid for with Grant Funds	
Grant	\$	Purchase of Ownership Interest	\$
Other State Funds		Other Items of a Capital Nature:	
	\$		\$
	\$		\$
	\$		\$
Subtotal	\$	Subtotal	\$
Matching Funds		Items Paid for with Non-Grant Funds	
	\$		\$
	\$		\$
Subtotal	\$	Subtotal	\$
Other Grant Recipient Funds			\$
	\$		\$
	\$		\$
Subtotal		Subtotal	\$
Loans			
	\$		
	\$		
Subtotal	\$		
Other Funds			
	\$		
	\$		
Subtotal	\$		
Prepaid Project Expenses			
	\$		
	\$		
Subtotal	\$		
TOTAL FUNDS	\$	TOTAL PROJECT COSTS	\$

**Attachment IV -
PROJECT COMPLETION SCHEDULE**

Project completion date is July 1, 2028; actual timeline to be provided to City as construction commences and progresses.

4931-5524-0536, v. 1

DRAFT

TO: City Council
FROM: TJ Graumann
DATE: April 14, 2025
SUBJECT: Cunningham Subdivision

The Parks and Recreation Department recommends that cash in lieu of land be collected for the Cunningham Subdivision.

MEMO TO: City Council

FROM: Char Nelson, City Clerk

DATE: August 18, 2025

SUBJECT: Letter from Thomas & Janessa Casper Re: Harbor Lane

At its meeting on August 11, 2025 the City Council tabled action on a recommendation from the Public Works Commission to not make an exception to the City Policy regarding driveways on road construction projects. Mayor Purfeerst requested that staff research the claim from Thomas & Janessa Casper that the City took an acre of land from them in 2015 for future trail and utility easements.

Staff found that Potlatch subdivided the land in early 2015 and Potlatch gave the City an easement (not land) for future trail and utilities. The Caspers purchased the land after Potlatch finalized the subdivision and agreement with the City. Attached are the documents from 2015.

Staff, Public Works Commission, and engineering recommendation is to deny request from Caspers to add driveways to their properties on Harbor Lane.

5a.1.

City Clerk

From: Phil Martin <Phillip.Martin@bolton-menk.com>
Sent: Monday, August 18, 2025 11:22 AM
To: Patrick Wehner
Cc: City Clerk; Lori Conway
Subject: Ted Casper - Harbor Lane

Hi Pat

I know that Ted Casper has been making claims to try to get the City to put in driveway approaches for him. I reviewed the plat. It was completed by Potlach in 2019. It dedicated the south portion of the R/W shown to the public and even provided for a 10-ft pedestrian trail easement beyond that R/W.

If Ted claims he gave it to the City, it doesn't appear that he did but rather as part of the plat process, Potlatch did.

We also took pre-construction videos in early June 2025. There were no improved driveway approaches to the Casper or Isensee properties to the south of Harbor Lane.



Real People. Real Solutions.



Phil Martin, PE (MN)
Municipal Practice Leader | Principal
Bolton & Menk, Inc.

📍 7656 Design Road Suite 200, Baxter, Minnesota, 56425-8676

☎ (218) 297-8385

📠 (218) 821-7265

✉ phillip.martin@bolton-menk.com

🌐 www.Bolton-Menk.com

5a.2.

MEMO TO: City Council

FROM: Public Works Commission

DATE: August 6, 2025

SUBJECT: Thomas & Janessa Casper Letter

At its meeting on 8/4/25 the Public Works Commission held a discussion regarding the following from the draft minutes of the meeting along with the motions that were made for the Council's consideration:

Pat/Phil discussed the letter received by Thomas (Ted) and Janessa Casper 11790 Harbor Lane and mentioned that the city has a policy to put a driveway back to its original state. We do not create driveway approaches for personal properties but if there is a resident request they can work independently with the contractor in a personal agreement while the contractor is in the area. It is recommended that a letter be sent to the homeowners that we follow the city policies and the request can be done at their expense.

A MOTION WAS MADE BY DAVE SCHRUPP AND SECONDED BY GORDY WAGNER TO RECOMMEND TO THE CITY COUNCIL THAT WE FOLLOW THE CITY POLICY AND NOT GO AGAINST THE POLICIES FOR PRIVATE PROJECTS AND REQUEST THE CITY TO SEND NOTIFICATION TO THE REQUESTOR. A ROLL CALL VOTE CARRIED WITH ALL AYES.

5a.3

To Whom It May Concern:

We are the owners of 11790 Harbor Lane (since 2009) and own 19 acres adjacent to the sidewalk project on Harbor Lane. Our purchase in 2015 was originally set for 20 acres, but an acre was taken by the city for this project. We have two 9.5 acre lots with two separate entrances. With the addition of the sidewalk, our entrances to our land are currently blocked. We are writing today to ask if there is money in the budget to add driveways to our current entrances. We currently use those entrances frequently with ATVS and dirt bikes and we have future plans to develop some of that land for private use (i.e.; small guest cabins for our family use). We believe now is the time to install driveways so they are compatible with your current design and plans, and to avoid having to redo sections of your sidewalk at a later date. Also to avoid wear and tear to your sidewalks to access our land at this time without driveways. Thank you for your consideration in the matter concerning the city's current improvements and us having road access to our land.

Thomas (Ted) and Janessa Casper

5. a. 4.

From: Dave Reese [mailto:Dave.Reese@wsn.us.com]
Sent: Wednesday, March 25, 2015 3:24 PM
To: Chris Pence
Cc: publicwk@crosslake.net; City of Crosslake
Subject: City of Crosslake - Subdivision Application - Potlatch TRS Minnesota - Date of Hearing: March 27, 2015

Chris –

The Notice and application for the above subdivision were received. Relative to City Engineering, public roadway, and public safety, we have a comment pertaining to the application. The Public Works Commission, in 2014, received concerns from residents along this segment of roadway (Harbor Lane) related to the need for a public trail or other safe means of pedestrian travel along this corridor. Residents attending the Public Works Commission meeting cited vehicle speed, narrow local roadway surface, and no other viable option for pedestrians resulting in several near misses between cars, bicyclists, and pedestrians using Harbor Lane.

The City has, in the past, requested conveyance of easements for public trail purposes in similar land subdivision applications. Such easements have generally provided an additional 10 feet of width abutting the right-of-way line which has been used by the City to construct public trails separated from the roadway surface. Such easement would be within the public road right-of-way setback area, and does not increase the building setbacks for the properties. In this case, the 10 feet would coincide with the proposed drainage and utility easement as shown on the Preliminary Plat drawing.

We offer this input for the Planning and Zoning Commission's consideration. The Public Works Director may also have comments relative to this issue.

Regards,

Dave Reese, PE

Civil Engineer, VP
218-316-3629 | Direct
218-251-2770 | Cell

7804 Industrial Park Road | Baxter, MN 56425-2720

WidsethSmithNolting.com

Engineering | Architecture | Surveying | Environmental

5a.5.

March 27, 2015 Planning & Zoning Commission Meeting

**Potlatch TRS Minnesota, LLC
120183200000009**

Chad Conner from Widseth Smith Nolting represented the applicant. Kolstad read the request into the record. Chad Conner explained the subdivision survey, which listed the 33' dedication from the center of the southside of Harbor Lane and the 10' easement for proposed drainage and utility. Discussion concerning City's Civil Engineer, Dave Reese 3-25-15 email requesting a 10' easement for possible public trail. Chad responded to the request and will draw up the 10' easement overlapping the 10' drainage and utility easement.

March 27, 2015 Action:

Motion by Nevin; supported by Knippel to approve a recommendation to the city council for:

- 1. The preliminary and final plat of Potlatch Addition to Crosslake subdivision**

Per the findings of fact as discussed, the on-site conducted on 3-26-15 and as shown on the plats received at the Planning & Zoning dated 2-24-15 located on Harbor Lane in the northwest ¼ of the southwest 1/4, Sec 18, City of Crosslake

Conditions:

- 1. None**

Findings: See attached

All members voting "Aye", Motion carried.

5a.6.

Staff Report
Crosslake Parks, Recreation and Library

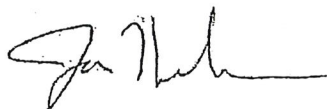
Date: March 2, 2015

To: Crosslake City Council/Crosslake Planning and Zoning Commission

From: Jon Henke, Director of Parks, Recreation and Library

Subject: Potlatch Park Dedication Recommendation

The Park/Library Commission recommended cash in lieu of land for the Potlatch Plat on February 25th, 2015. As part of the motion the Commission also recommended that the City gain a **Utility/Trail easement along Harbor Lane**. Motion passed unanimously.



APPOINTMENTS AND PROCEDURES POLICY. MOTION CARRIED WITH ALL AYES.

3. Mayor Roe reported that he has received two anonymous complaints. The City will not act on anonymous complaints. Mayor Roe reminded the public that a complainant must turn in a written and signed complaint. The name of the complainant is confidential.
4. MOTION 04R-04-15 WAS MADE BY STEVE ROE AND SECONDED BY MARK WESSELS TO APPOINT DAVE FISCHER AS ALTERNATE MEMBER TO THE UTILITY ADVISORY BOARD. MOTION CARRIED WITH ALL AYES.

Mayor Roe reported that the recent Town Hall Meeting and the Chautauqua Meeting were well attended. The consensus of most attendees was that people are in favor of making Crosslake a better place to live. The Mayor thanked Cindy Myogeto of the Chamber for the successful St. Patrick's Day celebration.

F. CITY ADMINISTRATOR'S REPORT

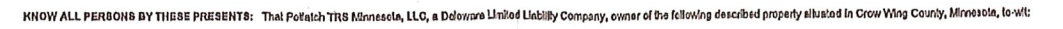
1. Dan Vogt presented the Council with two updated versions of the City's organizational chart. The difference in the two was whether the Crosslake Communications General Manager reported directly to the Council. The Council thought it was important to list the Planning and Zoning staff on the chart even though County employees run the department. MOTION 04R-05-15 WAS MADE BY STEVE ROE AND SECONDED BY GARY HEACOX TO APPROVE THE REVISED VERSION OF THE ORGANIZATIONAL CHART DATED 4/13/15 WHICH SHOWS THE GENERAL MANAGER REPORTING DIRECTLY TO THE CITY COUNCIL AND WITH THE ADDITION OF PLANNING AND ZONING STAFF ON THE CHART. MOTION CARRIED WITH ALL AYES.
2. MOTION 04R-06-15 WAS MADE BY DAVE SCHRUPP AND SECONDED BY GARY HEACOX TO DECLARE THE FOLLOWING VEHICLES SURPLUS EQUIPMENT AND APPROVE THE SALE OF THE ITEMS BY SEALED BID: 2002 FORD EXPLORER, 2006 FORD CROWN VICTORIA, AND 2000 FORD F250 WITH PLOW. MOTION CARRIED WITH ALL AYES.
3. Dan Vogt reported that staff has met with David Drown and Dave Reese to determine funding and road project priorities. David Drown is working on a preliminary numbers and options and Mr. Vogt hopes to bring a report to the Council at the May meeting. Mr. Vogt reported that State legislature is considering an omnibus transportation funding bill that provides dedicated funds for cities under 5,000 in population for street maintenance, construction and reconstruction.

G. COMMISSION REPORTS

1. PLANNING AND ZONING

- a. MOTION 04R-07-15 WAS MADE BY MARK WESSELS AND SECONDED BY GARY HEACOX TO APPROVE THE PRELIMINARY AND FINAL PLAT OF POTLATCH ADDITION TO CROSSLAKE SUBDIVISION OF PARCEL 120183200000009 AND TO ACCEPT CASH IN LIEU OF LAND FOR PARK DEDICATION IN THE AMOUNT OF \$4,500. MOTION CARRIED WITH ALL AYES.

5.
a. 8.



Northwest Quarter of the Southwest Quarter, Section 10, Township 137, Range 27, Crow Wing County, Minnesota.

IN WITNESS WHEREOF, said Polatch TRS Minnesota, LLC, a Delaware Limited Liability Company, has caused these presents to be signed by its proper officer this _____ day of _____, 2015.

Shawn K. Sunnarborg, Sr. Land Manager

State of _____

County of _____

This instrument was acknowledged before me this _____ day of _____, 20____, by Shawn K. Sunnarborg, Sr, Land Manager of Potlatch TRS Minnesota, LLC, a Delaware Limited Liability Company.

_____, Notary Public
 Exp. 1-2-2018

County, _____

My Commission Expires: _____

Dated this _____ day of _____, 20____

Chad M. Connor, Land Surveyor
Minnesota License Number 41643

State of Minnesota
County of Crow Wing

The foregoing Surveyor's Certificate was acknowledged before me this _____ day of _____, 20____, by Chad M. Corner, Minnesota License Number 41843.

 Lor Williamson, Notary Public
 Crow Wing County, Minnesota
 My Commission Expires: _____

City Council, City of Crosslake, Minnesota

This plat of POTLATCH ADDITION TO CROSSLAKE was approved and accepted by the City Council of the City of Crosslake, Minnesota at a regular meeting thereof held this _____ day of _____, 20____, and said plat is in compliance with the provisions of the Minnesota Statutes, Section 605.03, Subd. 2.

City Council, City of Crosslake, Minnesota

By: Steve Roe, Mayor

By: _____
Charlene Nelson, City Clerk

County Auditor/Treasurer, Crow Wing County, Minnesota

Pursuant to Minnesota Statutes, Chapter 272.12, that there are no delinquent taxes on the land hereinbefore described on this plat and transfer and pursuant to Chapter 605.021, Subd. 8, taxes payable for the year 20____ on the land hereinbefore described have been paid this ____ day of _____, 20____.

Crow Wing County Auditor/Treasurer

Deborah Erickson, Auditor/Treasurer
Crow Wing County, Minnesota

County Recorder, County of Crow Wing, State of Minnesota

I hereby certify that this plat of POTLATCH ADDITION TO CROSSLAKE was filed in the office of the County Recorder for public record on this _____ day of _____, 20____, at _____ o'clock _____ M and was duly filed in Book _____ of Plate.

Page _____, as Document Number _____

Crow Wing County Recorder

Mark Liedl, Recorder
Crow Wing County, Minnesota

FEB 24 2015



WIDSETH SMITH NOLTING
Engineering | Architecture | Surveying | Environmental

MEMO TO: City Council

FROM: Char Nelson, City Clerk

DATE: August 18, 2025

SUBJECT: Proposed Assessments for Golf View Town Homes

At its meeting on August 11, 2025 the City Council discussed at length whether the Golf View Town Homes on Swann Drive should receive a full assessment. Council Member Heales stated that these structures were unique and should be in a different category than a house because they have common walls. The appraisal report listed them with single family homes. The Carefree Cottages that were assessed last year on Daggett Pine Road also had common walls and although smaller in size, received an assessment for a townhome. The "townhome" category was not listed on the Pioneer Drive & Swann Drive Appraisal Report.

Staff, Public Works Commission, and engineering recommendation is to change the proposed assessment for the 8 units at Golf View Town Homes to \$1,100 each, which changes the assessed project amount to \$709,195.

5b.

City Clerk

From: Phil Martin <Phillip.Martin@bolton-menk.com>
Sent: Monday, August 18, 2025 7:32 AM
To: City Clerk
Subject: RE: assessments

Hi Char

Sorry for not responding. I brought my son out west to school and lost track of things.

Tom Swenson is recommending we revise assessment to \$1,100 because of common wall buildings and to prepare for future similar type assessment. I think it makes sense.

For your resolution, if the Council agrees to revise to \$1,100, the assessed project amount would be \$709,195.



Phil Martin, PE (MN)
Municipal Practice Leader | Principal
Bolton & Menk, Inc.

📞 [\(218\) 821-7265](tel:(218)821-7265)

From: City Clerk <cityclerk@cityofcrosslake.org>
Sent: Friday, August 15, 2025 7:24 AM
To: Phil Martin <Phillip.Martin@bolton-menk.com>
Subject: assessments

*** WARNING: This email is from outside the company. Proceed with Caution***

Phil, quick question. On August 20, could the council consider adding "townhome" as a category to the Swann Drive and Pioneer Drive Appraisal and then lowering the assessment to \$1,000 (the high end) because they are larger units than the Pine Bay ones) and then approve the Resolution for the Public Hearing???

Charlene Nelson
City Clerk
City of Crosslake
13888 Daggett Bay Road
Crosslake, MN 56442
218-692-9804

5.
c.

**CITY OF CROSSLAKE, MINNESOTA
RESOLUTION NO. 25-__**

**A RESOLUTION FOR HEARING ON PROPOSED ASSESSMENT FOR THE
ROAD IMPROVEMENT PLAN - YEAR 2 (2025) IMPROVEMENTS**

WHEREAS, by a resolution passed by the council on August 20, 2025, the City Clerk was directed to prepare a proposed assessment of the cost of improvements associated with the Year 2 (2025) Improvements,

WHEREAS, the Clerk has notified the Council that such proposed assessment has been completed and is on file in City Hall for public inspection.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF CROSSLAKE, MINNESOTA:

1. A hearing shall be held at 6:00 P.M. on Wednesday, September 24, 2025 in the Crosslake City Hall located at 13888 Daggett Bay Road, Crosslake, MN 56442 to pass upon such proposed assessment. All persons owning property affected by such improvement will be given an opportunity to be heard with reference to such assessment.
2. The City Clerk is hereby directed to cause a notice of the hearing on the proposed assessment to be published once in the official newspaper at least two weeks prior to the hearing, and the City Clerk shall state in the notice the total cost of the improvement. City Clerk shall also cause mailed notice to be given to the owner of each parcel described in the assessment roll not less than two weeks prior to the hearing.
3. The owner of any property so assessed may, at any time prior to certification of the assessment to the County Auditor, pay the whole of the assessment on such property, with interest accrued to the date of payment, to the City of Crosslake, except that no interest shall be charged if the entire assessment is paid within 30 days from the adoption of the assessment. An owner may at any time thereafter, pay to the County Auditor the entire amount of the assessment remaining unpaid, with interest accrued to December 31 of the year in which such payment is made.

Adopted by the Crosslake City Council this 20th day of August 2025.

CITY OF CROSSLAKE, MINNESOTA

Jackson Purfeerst
Mayor

ATTEST:

Charlene Nelson
City Clerk