

CITY OF ST. FRANCIS
CITY COUNCIL AGENDA

DECEMBER 19, 2011

ISD #15 CENTRAL SERVICES CENTER (DISTRICT OFFICES)
4115 Ambassador Blvd. NW

6:00 PM

1. Call to Order/Pledge of Allegiance
2. Roll Call
3. Adopt Agenda
4. Consent Agenda
 - a. Approve City Council Minutes – December 5, 2011
 - b. Enter into an Agreement for Residential Recycling Program with Anoka County for 2012 SCORE Reimbursement Funds
 - c. St. Francis EDA Budget
 - d. Payment of Claims
5. Meeting Open to the Public
6. Petitions, Requests, Applications
 - a. St. Francis EDA Resolutions and Agreement pertaining to the Sale of Public Project Lease Revenue Bonds, Series 2012A
7. Ordinances & Resolutions:
 - a. Resolution 2011-42: Certifying Taxes Payable in 2012
 - b. Resolution 2011-43: Adopting a Budget for 2012
 - c. Resolution 2011-44: Adopting a GASB 54 Fund Balance Policy
 - d. Resolution 2011-45: Approving End of Year Transfers for the Year 2011
 - e. Resolution 2011-46: Approving Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds
 - f. Resolution 2011-47: Authorizing the Execution and Delivery of Ground Lease and Lease-Purchase Agreement, and Approving and Authorizing Issuance of Public Project Lease Revenue Bonds and Execution of Related Documents
 - g. Resolution 2011-48: Adopting the License Renewals for 2012
8. Reports of Consultants & Staff Members
 - a. Engineer:
 - b. Attorney: Closed Meeting to discuss Labor Negotiation Strategy Pursuant to MN Statue 13D.03
 - c. Staff:
 - Fire Dept.: Fire Inspections
 - Public Works:
 - Liquor Store:
 - Police:
 - City Administrator: Building Inspector Recommendation
9. Reports from Council Members
10. Report from Mayor
11. Old Business
12. New Business
 - a. Efficiency Report Card
13. Adjournment

Calendar of Events

Dec 21: ~~Planning Comm. Meeting @ ISD #15 Central Services Center (District Offices) 7:00 pm~~ CANCELLED
Dec 26: City Offices closed Monday for the Christmas Holiday
Jan 2, 2012: City Offices closed Monday for the New Year's Day Holiday
Jan 3 – Tues: City Council Meeting @ ISD #15 Central Services Center (District Offices) 6:00 pm
Jan 17 – Tues: City Council Meeting @ ISD #15 Central Services Center (District Offices) 6:00 pm

TO: Mayor & City Council

FROM: Matthew L. Hysten,
City Administrator

RE: Agenda Memorandum – December 19, 2011 Meeting

Agenda Items:

4. Consent Agenda:

- c. *SFEDA Budget*: Attached is the St. Francis Economic Development Authority 2012 Budget Statement. The actual dollar amounts will be determined at the time of the bond sale.

6. Petitions, Requests, Applications:

- a. *SFEDA Resolutions & Agreements*: Attached are the unsigned documents that will be presented to the St. Francis Economic Development Authority at their meeting 5:00 pm, 12/19/2011. For the purpose of this memorandum, we will assume they will be passed and some of the documents will need to be voted on by the City Council later in the agenda.

7. Ordinances & Resolutions:

- a. *Resolution 2011-42*: Attached is Resolution 2011-42 Certifying Taxes Payable in 2012 and an Agenda Report from Finance Director Mulvihill. This Resolution reflects a zero percent tax raise for the City of St. Francis for the second year in a row. A motion would be in order to approve Resolution 2011-42.
- b. *Resolution 2011-43*: Attached is Resolution 2011-43 Adopting the 2012 Municipal Budget. A motion would be in order to approve Resolution 2011-43.
- c. *Resolution 2011-44*: Attached is Resolution 2011-44 Adopting the City Fund Balance Policy and Agenda Report from Finance Director Mulvihill explaining the requirements of GASB 54. A motion would be in order to approve Resolution 2011-44.
- d. *Resolution 2011-45*: Attached is Resolution 2011-45 Approving End of Year Transfers for the Year 2011. A motion would be in order to approve Resolution 2011-45.
- e. *Resolution 2011-46*: Attached is Resolution 2011-46 Approving Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds. Attached is a memorandum explaining the post-issuance compliance for tax-exempt bonds from Julie Eddington, Bond Attorney. A motion would be in order to approve 2011-46.
- f. *Resolution 2011-47*: Attached is Resolution 2011-47 Authorizing the Execution and Delivery of Ground Lease and Lease-Purchase Agreement, and Approving and Authorizing Issuance of Public Project Lease Revenue Bonds and Execution of Related Documents. Since this is a lease-revenue bonds sale to finance the police/public works facility, there needs to be a formal lease between the City and the SFEDA. A motion would be in order to approve Resolution 2011-47
- g. *Resolution 2011-48*: Attached is Resolution 2011-48 Authorizing the License Renewals for 2012. A motion would be in order to approve Resolution 2011-48.

8. Reports:

- a. **Engineer:**
- b. **City Attorney:** The closed session is requested to discuss current negotiations.
- c. **Staff:**
 - Fire: *Fire Inspections:*** Fire Chief Dean Kapler will be discussing some changes for our municipal fire inspections.
 - Public Works:**
 - Liquor Store:**
 - Police:**
 - City Administrator: *Building Inspection Recommendation:*** Attached is my Agenda Report outlining staff recommendation.

11. Old Business

12. New Business:

CITY OF ST. FRANCIS
ST. FRANCIS, MN
ANOKA COUNTY

CITY COUNCIL MINUTES

DECEMBER 5, 2011

1. **Call to Order/Pledge of Allegiance:** The regular City Council Meeting was called to order by Mayor Jerry Tveit at 6:03 pm.
2. **Roll Call:** Present were Mayor Jerry Tveit, Council members, Jeff Sandoval, Tim Brown and Chris McClish. Excused was Council member Steve Kane. Also present were City Attorney Scott Lepak (Barna, Guzy and Steffen, Ltd.), City Engineer Jared Voge (Bolton & Menk, Inc.), Police Chief Jeff Harapat, Public Works Director Paul Teicher, Finance Director Darcy Mulvihill, City Administrator Matt Hysten, and City Clerk Barb Held.
3. **Adopt Agenda:** MOTION BY SANDOVAL SECOND BROWN TO ADOPT THE DECEMBER 5, 2011 CITY COUNCIL AGENDA. City Administrator asked to move Salt Storage to 6b-1. Motion carried 4-0.
4. **Consent Agenda:** Brown asked that item 4 d. be moved from the Consent Agenda to right after the Payment of Claims. MOTION BY McCLISH SECOND SANDOVAL TO APPROVE THE DECEMBER 5, 2011, CITY COUNCIL CONSENT AGENDA-C AND E AS FOLLOWS:
 - a. Approve the City Council Minutes of November 21, 2011.
 - b. Approve the Final Pay Estimate and Change Order No. 2 to Peterson Bros. for the Pederson Path.
 - c. Approve Pay Estimate No. 1 dated 11/30/2011 provided by Amcon Construction Management to the bidders for the Public Works/Police Facility.
 - d. ~~Enter into a Management agreement with the St. Francis Homerun Club for the staffing and maintenance of the Warming House/Rinks this season.~~
 - e. Approve the Payment of Claims for \$239,498.36.Motion carried 4-0.

d. Enter into a Management agreement with the St. Francis Homerun Club for the staffing and maintenance of the Warming House/Rinks this season: Brown stated I don't know if this is the best choice of spending \$12,000. Tveit said I believe this would be an over all cost savings. We would not have to hire warming house attendants. Hysten said this is kind of a hybrid of last year's agreement and what we had done in the past. We would flood the rink; the Homerun Club would clean the rinks, sidewalks and staff the warming house. Tveit feels the rink is a good activity for the kids. Brown just does not want to spend more money than we have to.

MOTION BY BROWN SECOND McCLISH TO ENTER INTO A MANAGEMENT AGREEMENT WITH THE ST. FRANCIS HOMERUN CLUB FOR THE STAFFING AND MAINTENANCE OF THE WARMING HOUSE/RINKS THIS SEASON. Motion carried 3-1. Sandoval voting nay.

5. **Meeting Open to the Public:** None.

6. **Petitions, Requests, Applications:**

a. **Award the Contract C-03 Asphalt Paving for the Public Works/Police Facility:** Todd Christopherson of Amcon Construction Management gave a brief update on the building progress. Footings should be in by next week. The walls should be starting to be put up in about a week or two. Bid Tabulation for the re-bid of the asphalt-paving contract was provided by Todd Christopherson. Bid openings were held November 30, 2011 and seven bids were received. The bids ranged from \$448,200 to \$647,650. Northland Paving was the low bidder. MOTION BY SANDOVAL SECOND McCLISH TO AWARD THE C-03 CONTRACTS FOR ASPHALT PAVING TO NORTHLAND PAVING IN THE AMOUNT OF \$448,200. Motion carried 4-0.

b. **Award the Contract C-04 Landscaping Bid for the Public Works/Police Facility:** Bid Tabulation for bidding of the Landscaping & Irrigation contract was provided by Todd Christopherson of Amcon Construction Management. Bid openings were held October 20, 2011 and six bids were received. The bids ranged from \$47,365 to \$118,700. Noble Nursery Retail was the low bidder with the bid amount of \$47,365. We held off on awarding the contract because Noble Nursery thought they might withdraw their bid. We did give them a deadline to withdraw and they did not so we are going ahead and recommending awarding the contract. MOTION BY BROWN SECOND McCLISH TO AWARD CONTRACT C-04 LANDSCAPING BID TO NOBLE NURSERY FOR THE PUBLIC WORKS/POLICE FACILITY IN THE AMOUNT OF \$47,365.00. Motion carried 4-0.

b-1. **Salt Storage Discussion:** A Salt Storage Shed was also bid out with a deduct if the City chose not to proceed. If we do not go with the Salt Storage shed we would have a deduct in the amount of \$67,300. Christopherson stated the bids are good for 60 days, which expires December 16, 2011. However, he did contact the contractor and they are willing to extend the period. Hylen stated staff compared the amount that we pay currently to the cost of the building. Based on those numbers staff is recommending to build our own sand and salt shed. Tveit recommended that staff talk to the school district to see if they are interested in purchasing salt from the City. Tveit asked if this contract should be on the agenda for December 19, 2011 Council meeting. After some discussion, the council decided to vote on the contract this evening being it was already brought to them on November 7, 2011. This was tabled until after the budget discussion to get the bid amount that was previously presented to the City Council at the November 7, 2011 City Council meeting.

c. **Discussion on the 2012 Proposed Budget:** Finance Director Darcy Mulvihill gave a power point presentation on the 2012 Proposed Budget along with the new change in the Market Value Homestead Credit Exclusions. After the presentation, Mayor Tveit asked if there was any public that wished to speak on the 2012 Proposed Budget.

Doug Sell 22842 Silverod Street, asked if the EDA has a budget. Tveit said no the budget has not been set. Tveit said they have their next meeting on December 19, 2011 and their agenda has

not been set to my knowledge. There are state statutes and charter guidelines that you need to follow. Sell referenced a couple areas and asked for clarifications. Sell also suggested using \$250,000 of reserve funds to lower the taxes. My City taxes went up 7.5%. Council needs to do a better job of reducing our taxes.

7. **Ordinances & Resolution:**

a. **Ordinance 162, Second Series: 2012 Fee Schedule (Second Reading):** Staff prepared changes to the 2012 Fee Schedule. MOTION BY BROWN SECOND McCLISH TO APPROVE THE SECOND READING OF ORDINANCE 162, SECOND SERIES 2012 FEE SCHEDULE. McClish wanted to make a note the water and sewer rates did not raise in 2012. Role Call: Ayes: McClish, Sandoval, Brown, Tveit. Nays: None Absent: Kane

b. **Resolution 2011-40: Authorizing Summary Publication of Ordinance 162, Second Series Amending Section 6-1-6 Subdivision 2 Entitled “Fee Schedule:** MOTION BY TVEIT SECOND SANDOVAL AUTHORIZING SUMMARY PUBLICATION OF ORDINANCE 162, SECOND SERIES AMENDING SECTION 6-1-6 SUBDIVISION 2 ENTITLED “FEE SCHEDULE”. Motion carried 4-0.

8. **Reports of Consultants & Staff Members:**

a. **Engineer: 1) MnDOT Agreement No. 99993 Allowing MnDOT to Act as the City’s Agent in Accepting Federal Aid (Resolution 2011-41):** MOTION BY McCLISH SECOND BROWN TO ADOPT RESOLUTION 2011-41 A RESOLUTION AUTHORIZING STATE OF MINNESOTA AGENCY AGREEMENT BETWEEN THE DEPARTMENT OF TRANSPORTATION AND THE CITY OF ST. FRANCIS. Motion carried 4-0.

2) **Memorandum on 239th Avenue Improvements:** As stated in the Engineer’s report, in keeping with the City Council’s proactive approach to street maintenance, existing roadway conditions throughout the City are continually monitored. 239th has been identified as a high priority segment within the system. 239th Avenue was originally scheduled for seal coating when the seal coating Capital Improvement Plan was developed. Upon review of the areas to be seal coated during 2011, the condition of 239th Avenue was found to be unacceptable for sealcoating. Recommendation of the City Engineer is to consider improvements to 239th. Council authorized the engineer to prepare a feasibility report be done for 239th Avenue.

Tveit stated at the last meeting we had a person that addressed the council on some grading that was not completed when a development (Rum River Bluffs) went in. Tveit asked if he had talked to the developer and resident. Voge stated I contacted the resident later this afternoon to see if what the developer did was sufficient and he stated yes.

b. **Attorney: Closed Meeting to discuss Labor Negotiation Strategy Pursuant to MN State Statute 13D.03:** City Attorney Scott Lepak stated the City has been in contact with the police union. MOTION BY TVEIT SECOND SANDOVAL TO GO INTO A CLOSED MEETING TO DISCUSS LABOR NEGOTIATION STRATEGY PURSUANT TO MN STATE STATUTE 13D.03 AT 7:06 PM. Motion carried 4-0. This will be a taped closed session. The City Council was back in session at 7:35 pm. Lepak stated we have nothing to report on negotiations.

c. **Staff: Fire Department:
Public Works:
Liquor Store:**

Police Dept: Authorization to Order a 2012 Dodge Police Interceptor: Police Chief said the State bid is \$22,800 for a new 2012 Dodge Charger. MOTION BY TVEIT SECOND McCLISH AUTHORIZING THE POLICE CHIEF TO ORDER A 2012 DODGE POLICE INTERCEPTOR WITH DELIVERY IN 2012 OFF THE STATE BID. Motion carried 4-0.

City Administrator Report: Pioneer Days Discussion: A memorandum from City Clerk Barb Held provided to the City Council outlined the cost of Pioneer Days. Pioneer Days fund even after donations has had a negative balance for the last four years. This amount does not include staffing hours. This year will be the 50-year anniversary of Pioneer Days. Tveit asked for recommendations. Sandoval said he hates to see this go away and would like to see it at least one more year. Sandoval would like to see more volunteers and organizations help. McClish said he would like to continue with the Pioneer Days for 2012. Brown would like to keep it for the 50th year but let people know this is probably the last year due to the cost.

Building Official Update: Three candidates were interviewed this morning. I also have looked at surrounding communities and contracting with them. Pending a few more contacts, staff may recommend hiring our own official and not contract.

Local Government Innovation Redesign Session: This work session was a very good interaction with cities, schools, and counties. This group study should be completed shortly after the first of the year. There were numerous sessions held throughout the State. Discussion was on restructuring government. Hysten stated he was glad we have already started.

Salt Storage: MOTION BY McCLISH SECOND SANDOVAL TO AWARD THE SALT STORAGE SHED (FAB. COVERED STORAGE STRUCTURE) CONTRACT C-23 TO GREYSTONE CONSTRUCTION COMPANY FOR THE AMOUNT OF \$114,950. Motion carried 4-0.

9. **Reports from Council Members:** Sandoval asked Hysten if we checked what the cost would be for contracting building inspections with surrounding communities. Facebook is out there and we have to be careful of what we post. Just a reminder, be careful on what and how we say things.

10. **Report from Mayor:** I just gave our City Attorney the performance reviews I received from the councilmembers on our City Administrator, Matt Hysten. I averaged all the scores on the reviews. With a four, meeting expectations; I believe the average score when all tallied was a 5.1. Therefore, Matt is meeting our expectations as our city administrator.

Fire District Study: Meetings will be held the first Thursday of the month. We still are in the study/research portion.

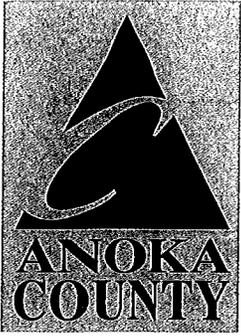
11. **Old Business:** The Fire Department will be holding their 4th Annual Santa and Fire Truck food drive. The fire department along with the St. Francis Jaycees and St. Francis Ambassadors will be going through various neighborhoods collecting food donations for the North Anoka County Emergency Food Shelf. This will take place December 15th and 16th.

12. **New Business:**

Efficiency Report Card-Public Works: As the Police Chief pointed out at the last meeting there are a number of things going on behind the scene that staff is doing to cut cost. By having the Ford Escape instead of having a regular size truck we have seen a cost savings of about \$1,200 in fuel.

13. **Adjournment:** The City Council adjourned the meeting at 8:09 pm.

Barbara I. Held, City Clerk



C O U N T Y O F A N O K A

Integrated Waste Management Department

Government Center
2100 3rd Avenue, STE 340 • Anoka, Minnesota 55303-5032
763-323-5730 • Fax 763-323-5731
E-mail • recycle@co.anoka.mn.us
www.AnokaCounty.us/recycle

December 8, 2011

Eric Peterson
Recycling Coordinator
23340 Cree St NW
St. Francis MN 55070

Dear Eric;

The Anoka County Board of Commissioners approved 2012 Municipal Goals, SCORE Municipal Reimbursement Funding Allocations on November 22, 2011. In addition staff was authorized to prepare Residential Recycling Program Agreements. The Anoka County Agreements are based on the following:

- **2012 Municipal Residential Recycling Goal** – The abatement goal has increased from 175 pounds per person per year to 180 pounds per person per year. The increase is due to the new recycling goals in the new Metropolitan Solid Waste Management Policy Plan. The population is based on the 2010 Census. Specific goals are listed in the chart on the reverse side of this memo.
- **2012 SCORE Municipal Reimbursement Funding Allocation** – The 2012 SCORE allocation is a base of \$10,000 and \$5.00 per household, a reduction of 5 cents per household. Specific allocations are in the chart on the reverse side of this memo. Anoka County is expecting a fall SCORE payment of \$407,827 and a spring SCORE payment of \$407,827. The proposed 2012 municipal funding includes the additional payment **expected** to be received in the spring of 2012. If the second payment is not received the funding allocation will be reduced accordingly.
- **2012 Contracts** – The 2012 residential recycling program contracts are included in this mailing. Please note the language in Section 7 regarding the SCORE funding.

Section 7. Notwithstanding any provision to the contrary, the County reserves the right to reduce the funding provided hereunder in the event insufficient SCORE funds are available. If the spring SCORE payment of \$407,827 is not received or is reduced, the County may reduce the project maximum amount payable to the Municipality. The County will promptly notify the Municipality in the event that the project maximum will be reduced.

Please have the mayor/town board chair and clerk/administrator sign all three copies of the agreement and return to Anoka County to complete the signature process. When the agreements are completely signed, an original copy will be mailed back to you and Anoka County will retain two copies for its files. Thank you!

Sincerely,


Carolyn Smith
Solid Waste Abatement Specialist

AGREEMENT FOR RESIDENTIAL RECYCLING PROGRAM

THIS AGREEMENT made and entered into on the 1st day of January, 2012, notwithstanding the date of the signatures of the parties, between the COUNTY OF ANOKA, State of Minnesota, hereinafter referred to as the "COUNTY", and the CITY OF ST. FRANCIS, hereinafter referred to as the "MUNICIPALITY".

WITNESSETH:

WHEREAS, Anoka County will receive \$407,827.00 in funding from the Solid Waste Management Coordinating Board and the State of Minnesota pursuant to Minn. Stat. § 115A.557 (hereinafter "SCORE funds") prior to the effective date of this Agreement; and

WHEREAS, Anoka County anticipates receiving an additional \$407,827.00 in SCORE funds in the spring of 2012; and

WHEREAS, the County wishes to assist the Municipality in meeting recycling goals established by the Anoka County Board of Commissioners by providing said SCORE funds to cities and townships in the County for solid waste recycling programs.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained in this Agreement, the parties mutually agree to the following terms and conditions:

1. **PURPOSE.** The purpose of this Agreement is to provide for cooperation between the County and the Municipality to implement solid waste recycling programs in the Municipality.
2. **TERM.** The term of this Agreement is from January 1, 2012 through December 31, 2012, unless earlier terminated as provided herein.
3. **DEFINITIONS.**
 - a. "Problem material" shall have the meaning set forth in Minn. Stat. § 115A.03, subdivision 24a.
 - b. "Multi-unit households" means households within apartment complexes, condominiums, townhomes, mobile homes and senior housing complexes.
 - c. "Opportunity to recycle" means providing recycling and curbside pickup or collection centers for recyclable materials as required by Minn. Stat. § 115A.552.
 - d. "Recycling" means the process of collecting and preparing recyclable materials and reusing the materials in their original form or using them in manufacturing processes that do not cause the destruction of recyclable materials in a manner that precludes further use.
 - e. "Recyclable materials" means materials that are separated from mixed municipal solid waste for the purpose of recycling, including paper, glass, plastics, metals, fluorescent lamps, major appliances and vehicle batteries.
 - f. Refuse derived fuel or other material that is destroyed by incineration is not a recyclable material.
 - g. "Yard waste" shall have the meaning set forth in Minn. Stat. § 115A.03, subdivision 38.

4. **PROGRAM.** The Municipality shall develop and implement a residential solid waste recycling program adequate to meet the Municipality's annual recycling goal of 561 tons of recyclable materials as established by the County. The Municipality shall ensure that the recyclable materials collected are delivered to processors or end markets for recycling.
- a. The Municipal recycling program shall include the following components:
 - i. Each household (including multi-unit households) in the Municipality shall have the opportunity to recycle at least four broad types of materials, such as paper, glass, plastic, metal and textiles.
 - ii. The recycling program shall be operated in compliance with all applicable federal, state, and local laws, ordinances, rules and regulations.
 - iii. The Municipality shall implement a public information program that contains at least the following components:
 - (1) One promotion is to be mailed to each household focused exclusively on the Municipality's recycling program;
 - (2) One promotion advertising recycling opportunities available for residents is to be included in the Municipality's newsletter or local newspaper; and
 - (3) Two community presentations are to be given on recycling.The public information components listed above must promote the focused recyclable material of the year as specified by the County. The County will provide the Municipality with background material on the focused recyclable material of the year.
 - iv. The Municipality, on an ongoing basis, shall identify new residents and provide detailed information on the recycling opportunities available to these new residents.
 - b. If the Municipality's recycling program did not achieve the Municipality's recycling goals as established by the County for the prior calendar year, the Municipality shall prepare and submit to the County by March 31, 2012, a plan acceptable to County that is designed to achieve the recycling goals set forth in this Agreement.
5. **REPORTING.** The Municipality shall submit the following reports semiannually to the County no later than July 20, 2012 and January 20, 2013:
- a. An accounting of the amount of waste which has been recycled as a result of the Municipality's activities and the efforts of other community programs, redemption centers and drop-off centers. For recycling programs, the Municipality shall certify the number of tons of each recyclable material which has been collected and the number of tons of each recyclable material which has been marketed. For recycling programs run by other persons or entities, the Municipality shall also provide documentation on forms provided by the County showing the tons of materials that were recycled by the Municipality's residents through these other programs. The Municipality shall keep detailed records documenting the disposition of all recyclable materials collected pursuant to this agreement. The Municipality shall also report the number of cubic yards or tons of yard waste collected for composting or landspreading, together with a description of the methodology used for calculations. Any other material removed from the waste stream by the Municipality, i.e. tires and used oil, shall also be reported separately.
 - b. Information regarding any revenue received from sources other than the County for the Municipality's recycling programs.

- c. Copies of all promotional materials that have been prepared by the Municipality during the term of this Agreement to promote its recycling programs.

The Municipality agrees to furnish the County with additional reports in form and at frequencies requested by the County for financial evaluation, program management purposes, and reporting to the State of Minnesota.

6. **BILLING AND PAYMENT PROCEDURE.** The Municipality shall submit itemized invoices semiannually to the County for abatement activities no later than July 20, 2012 and January 20, 2013. Costs not billed by January 20, 2013 will not be eligible for funding. The invoices shall be paid in accordance with standard County procedures, subject to the approval of the Anoka County Board of Commissioners.
7. **ELIGIBILITY FOR FUNDS.** The Municipality is entitled to receive reimbursement for eligible expenses, less revenues or other reimbursement received, for eligible activities up to the project maximum as computed below, which shall not exceed \$22,985.00. The project maximum for eligible expenses shall be computed as follows:
 - a. A base amount of \$10,000.00 for recycling activities only; and
 - b. \$5.00 per household for recycling activities only.

Notwithstanding any provision to the contrary, the County reserves the right to reduce the funding provided hereunder in the event insufficient SCORE funds are available. If the spring SCORE payment of \$407,827.00 is not received or is reduced, the County may reduce the project maximum amount payable to the Municipality. The County will promptly notify the Municipality in the event that the project maximum will be reduced.

8. **RECORDS.** The Municipality shall maintain financial and other records and accounts in accordance with requirements of the County and the State of Minnesota. The Municipality shall maintain strict accountability of all funds and maintain records of all receipts and disbursements. Such records and accounts shall be maintained in a form which will permit the tracing of funds and program income to final expenditure. The Municipality shall maintain records sufficient to reflect that all funds received under this Agreement were expended in accordance with Minn. Stat. § 115A.557, subd. 2, for residential solid waste recycling purposes. The Municipality shall also maintain records of the quantities of materials recycled. All records and accounts shall be retained as provided by law, but in no event for a period of less than five years from the last receipt of payment from the County pursuant to this Agreement.
9. **AUDIT.** Pursuant to Minn. Stat. § 16C.05, the Municipality shall allow the County or other persons or agencies authorized by the County, and the State of Minnesota, including the Legislative Auditor or the State Auditor, access to the records of the Municipality at reasonable hours, including all books, records, documents, and accounting procedures and practices of the Municipality relevant to the subject matter of the Agreement, for purposes of audit. In addition, the County shall have access to the project site(s), if any, at reasonable hours.
10. **GENERAL PROVISIONS.**
 - a. In performing the provisions of this Agreement, both parties agree to comply with all applicable federal, state or local laws, ordinances, rules, regulations or standards

established by any agency or special governmental unit which are now or hereafter promulgated insofar as they relate to performance of the provisions of this Agreement. In addition, the Municipality shall comply with all applicable requirements of the State of Minnesota for the use of SCORE funds provided to the Municipality by the County under this Agreement.

- b. No person shall illegally, on the grounds of race, creed, color, religion, sex, marital status, public assistance status, sexual preference, handicap, age or national origin, be excluded from full employment rights in, participation in, be denied the benefits of, or be otherwise subjected to unlawful discrimination under any program, service or activity hereunder. The Municipality agrees to take affirmative action so that applicants and employees are treated equally with respect to the following: employment, upgrading, demotion, transfer, recruitment, layoff, termination, selection for training, rates of pay, and other forms of compensation.
 - c. The Municipality shall be responsible for the performance of all subcontracts and shall ensure that the subcontractors perform fully the terms of the subcontract. The Agreement between the Municipality and a subcontractor shall obligate the subcontractor to comply fully with the terms of this Agreement.
 - d. The Municipality agrees that the Municipality's employees and subcontractor's employees who provide services under this agreement and who fall within any job classification established and published by the Minnesota Department of Labor & Industry shall be paid, at a minimum, the prevailing wages rates as certified by said Department.
 - e. It is understood and agreed that the entire Agreement is contained herein and that this Agreement supersedes all oral and written agreements and negotiations between the parties relating to the subject matter hereof.
 - f. Any amendments, alterations, variations, modifications, or waivers of this Agreement shall be valid only when they have been reduced to writing, duly signed by the parties.
 - g. Contracts let and purchases made under this Agreement shall be made by the Municipality in conformance with all laws, rules, and regulations applicable to the Municipality.
 - h. The provisions of this Agreement are severable. If any paragraph, section, subdivision, sentence, clause or phrase of this Agreement is for any reason held to be contrary to law, such decision shall not affect the remaining portion of this Agreement.
 - i. Nothing in this Agreement shall be construed as creating the relationship of co-partners, joint venturers, or an association between the County and Municipality, nor shall the Municipality, its employees, agents or representatives be considered employees, agents, or representatives of the County for any purpose.
11. **PUBLICATION.** The Municipality shall acknowledge the financial assistance of the County on all promotional materials, reports and publications relating to the activities funded under this Agreement, by including the following acknowledgement: "Funded by

the Anoka County Board of Commissioners and State SCORE funds (Select Committee on Recycling and the Environment).

- 12. **INDEMNIFICATION.** The County agrees to indemnify, defend, and hold the Municipality harmless from all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, resulting from the acts or omissions of its public officials, officers, agents, employees, and contractors relating to activities performed by the County under this Agreement.

The Municipality agrees to indemnify, defend, and hold the County harmless from all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, resulting from the acts or omissions of its public officials, officers, agents, employees, and contractors relating to activities performed by the Municipality under this Agreement.

The provisions of this subdivision shall survive the termination or expiration of the term of this Agreement.

- 13. **TERMINATION.** This Agreement may be terminated by mutual written agreement of the parties or by either party, with or without cause, by giving not less than seven (7) days written notice, delivered by mail or in person to the other party, specifying the date of termination. If this Agreement is terminated, assets acquired in whole or in part with funds provided under this Agreement shall be the property of the Municipality so long as said assets are used by the Municipality for the purpose of a landfill abatement program approved by the County.

IN WITNESS WHEREOF, the parties hereunto set their hands as of the dates first written above:

CITY OF ST. FRANCIS

COUNTY OF ANOKA

By: _____

By: _____

Name: _____

Rhonda Sivarajah, Chair
Anoka County Board of Commissioners

Title: _____

Date: _____

Date: _____

By: _____

By: _____

Municipality's Clerk

Jerry Soma
County Administrator

Date: _____

Date: _____

Approved as to form and legality:

Approved as to form and legality:

Assistant County Attorney

MEMORANDUM

TO: Mayor and Council Members, City of St. Francis
FROM: St. Francis EDA
DATE: December 15, 2011

The EDA has not adopted a formal budget for 2012. It is the EDA's intention to issue its Public Project Lease Revenue Bonds, Series 2012A (the "Bonds"), in the maximum amount of \$8,200,000 in January 2012. The debt service due on such Bonds in 2012 is unknown at this time but is expected to be approximately \$167,200. Pursuant to documents related to the Bonds, the City will be responsible for paying the EDA sufficient funds to pay the debt service on the Bonds.

The EDA may incur staff expenditures and minimal expenses during 2012. It is expected that any such expenses will be paid by the City from its general fund.

The EDA does not anticipate any other expenditures or revenues in 2012.



PAYMENT BATCH AP 12-19-11

ACE SOLID WASTE, INC.

12/01/2011	8992071	E 101-42110-384	Refuse/Garbage Disposal	12/01-12/31	14.20
12/01/2011	8992071	E 101-42210-384	Refuse/Garbage Disposal	12/01-12/31	14.19
12/01/2011	8992071	E 101-43100-384	Refuse/Garbage Disposal	12/01-12/31	41.01
12/01/2011	8992071	E 101-43210-384	Refuse/Garbage Disposal	12/01-12/31	35.12
12/01/2011	8992071	E 101-45200-384	Refuse/Garbage Disposal	12/01-12/31	41.00
12/01/2011	8992071	E 601-49440-384	Refuse/Garbage Disposal	12/01-12/31	76.52
12/01/2011	8992071	E 602-49490-384	Refuse/Garbage Disposal	12/01-12/31	76.51
12/01/2011	8992071	E 609-49750-384	Refuse/Garbage Disposal	12/01-12/31	131.31
					\$429.86

AIRGAS NORTH CENTRAL

		E 101-45200-217	Other Operating Supplies		4.38
11/30/2011	105024931	E 101-43100-217	Other Operating Supplies	METAL CUTTING/TORCH GAS	4.38
11/30/2011	105024931	E 101-43210-217	Other Operating Supplies	METAL CUTTING/TORCH GAS	4.38
11/30/2011	105024931	E 601-49440-217	Other Operating Supplies	METAL CUTTING/TORCH GAS	4.38
11/30/2011	105024931	E 602-49490-217	Other Operating Supplies	METAL CUTTING/TORCH GAS	4.40
					\$21.92

AMCON

11/30/2011	CM234-06	E 402-43000-300	Professional Services	MGT SVC FOR PUBLIC FACILITY	23,091.24
					\$23,091.24

AMERIPRIDE LINEN & APPAREL SER

12/08/2011	1001023246	E 609-49750-219	Rug Maintenance	RUGS	46.23
					\$46.23

ASPEN MILLS

12/07/2011	115424	E 101-42210-437	Uniform Allowance	CHANGE SEAL ON BADGE	32.06
12/07/2011	115425	E 101-42210-437	Uniform Allowance	J MCDONOUGH BOOTS	219.50
12/07/2011	115425	E 101-42210-437	Uniform Allowance	BOOTS	219.50
					\$471.06

B&B PRODUCTS / RIGS & SQUADS

12/12/2011	3643	E 101-42210-221	Vehicle Repair & Maintenance	FIX TRUCKS	234.43
					\$234.43

BECKER ARENA PRODUCTS, INC

12/06/2011	87026	E 101-45200-217	Other Operating Supplies	SPORTFLOORING	1,400.00
12/06/2011	87026	E 225-45100-441	Miscellaneous	SPORTFLOORING	4,218.42
					\$5,618.42

BERNICK COMPANIES, THE

12/02/2011	106448	E 609-49751-252	Beer For Resale	BEER	206.25
12/02/2011	106448	E 609-49751-255	N/A Products	N/A	20.50

\$226.75

BGS (BARNA GUZY)

11/30/2011	90598	E 101-41600-312	Criminal Legal Fees	PROSECUTION	4,864.00
11/30/2011	90928	E 101-41600-312	Criminal Legal Fees	MISC FORFITURES	208.00
11/30/2011	90929	E 101-41600-312	Criminal Legal Fees	KARKINEN FORFEITURE	39.00
11/30/2011	90930	E 101-41600-312	Criminal Legal Fees	HANSON FORFEITURE	742.00
11/30/2011	90972	E 101-41600-304	Civil Legal Fees	MUNICIPAL	1,849.13
11/30/2011	90973	E 101-41600-304	Civil Legal Fees	GENERAL LABOR	617.50
11/30/2011	90974	E 101-41600-304	Civil Legal Fees	EDA	637.00
11/30/2011	90975	E 101-43100-441	Miscellaneous	PW BUILDING	78.00
11/30/2011	90976	E 601-49440-441	Miscellaneous	VOYTILLA	416.00
					<hr/>
					\$9,450.63

BOLTON & MENK, INC.

11/17/2011	0143522	E 507-00000-303	Engineering Fees	203TH/IVYWOOD IMPROVEMEN	90.00
11/17/2011	0143523	G 602-16500	Construction in Progress	AMBASSADOR TRUCK UTILITY I	1,942.50
11/17/2011	0143524	E 226-45100-303	Engineering Fees	PEDERSON PATH DESIGN	1,840.00
11/17/2011	0143525	E 101-43100-303	Engineering Fees	RIVER CROSSING STUDY	775.00
11/17/2011	0143527	E 101-43100-303	Engineering Fees	2011 STATE AID	330.00
11/17/2011	0143528	E 402-43000-303	Engineering Fees	PUBLIC SERVICES FACILITY	9,431.00
11/17/2011	0143529	E 101-43100-303	Engineering Fees	239TH AVE IMP	340.00
11/17/2011	0143530	E 601-49440-303	Engineering Fees	WATER SYSTEM IMVENTORY	1,395.50
11/17/2011	0143531	E 101-43100-303	Engineering Fees	RUM RIVER BLUFFS	385.00
11/17/2011	143526	E 101-41910-303	Engineering Fees	ENGINEERING	165.00
11/17/2011	143526	E 101-42210-441	Miscellaneous	ENGINEERING	372.00
11/17/2011	143526	E 601-49440-303	Engineering Fees	ENGINEERING	625.00
11/17/2011	143526	E 602-49490-303	Engineering Fees	ENGINEERING	425.00
					<hr/>
					\$18,116.00

CENTURY LINK

12/01/2011	8624.1111	E 101-41940-321	Telephone	12/01 - 12/31	90.72
12/01/2011	8624.1111	E 101-42110-321	Telephone	12/01 - 12/31	75.63
12/01/2011	8624.1111	E 101-42210-321	Telephone	12/01 - 12/31	75.63
12/01/2011	8624.1111	E 101-43100-321	Telephone	12/01 - 12/31	15.13
12/01/2011	8624.1111	E 101-45200-321	Telephone	12/01 - 12/31	15.13
12/01/2011	8624.1111	E 601-49440-321	Telephone	12/01 - 12/31	15.13
12/01/2011	8624.1111	E 602-49490-321	Telephone	12/01 - 12/31	15.13
12/07/2011	7637531049.1211	E 601-49440-321	Telephone	TELEPHONE	162.48
					<hr/>
					\$464.98

CHISAGO LAKES DISTRIBUTING CO.

12/05/2011	460810	E 609-49751-252	Beer For Resale	BEER	604.30
					<hr/>
					\$604.30

CICHOSKI, VALERIE

12/13/2011	121311	R 101-36225	Community Center Rental	RETURN OF RENTAL FEE	30.00
					<hr/>
					\$30.00

COUNTY MARKET - CITY ACCOUNT

12/13/2011	0224-1111	E 101-42210-212	Motor Fuels	FUEL	152.38
					<hr/>
					\$152.38

COURIER, THE

12/08/2011	37846	E 609-49750-340	Advertising	DEC AD	50.00
12/08/2011	37899	E 101-41400-441	Miscellaneous	PLANNING COMMISSION	64.00
12/08/2011	37899	E 101-41400-441	Miscellaneous	HOLIDAYS	50.00
12/08/2011	37899	E 101-43210-439	Recycling Days	RECYCLING	89.00
12/08/2011	38020	E 101-42210-441	Miscellaneous	SANTA AD	77.50
					<hr/>
					\$330.50

DAHLHEIMER DIST. CO. INC.

12/07/2011	1005130	E 609-49751-252	Beer For Resale	BEER, N/A	6,914.15
12/07/2011	1005130	E 609-49751-255	N/A Products	BEER, N/A	15.50
					<hr/>
					\$6,929.65

DALMATION FIRE SUPPRESSION

11/22/2011	5464	E 101-42110-401	Repairs/Maint Buildings	ANNUAL INSPECTION	366.32
					<hr/>
					\$366.32

DAY DISTRIBUTING CO.

12/09/2011	629735	E 609-49751-252	Beer For Resale	BEER	1,216.75
					<hr/>
					\$1,216.75

ECM PUBLISHERS, INC.

12/02/2011	IQ01792504	E 101-41500-441	Miscellaneous	LEGAL PUBLIC SERVICE	35.88
12/09/2011	IQ01792763	E 101-41400-351	Legal Notices Publishing	LEGAL RESOLUTION	76.88
					<hr/>
					\$112.76

ENVENTIS

12/01/2011	737705.1211	E 101-41940-321	Telephone	THROUGH 12/31/11	220.92
12/01/2011	737705.1211	E 101-42110-321	Telephone	THROUGH 12/31/11	257.73
12/01/2011	737705.1211	E 101-42210-321	Telephone	THROUGH 12/31/11	36.82
12/01/2011	737705.1211	E 101-43100-321	Telephone	THROUGH 12/31/11	36.82
12/01/2011	737705.1211	E 101-45200-321	Telephone	THROUGH 12/31/11	36.82
12/01/2011	737705.1211	E 601-49440-321	Telephone	THROUGH 12/31/11	36.82
12/01/2011	737705.1211	E 602-49490-321	Telephone	THROUGH 12/31/11	36.82
12/01/2011	737705.1211	E 609-49750-321	Telephone	THROUGH 12/31/11	73.64
					<hr/>
					\$736.39

FREEDOM SERVICES, INC.-FD

12/08/2011	10017	G 101-21706	Flex Account	MONTHLY PREMIUM	692.06
12/08/2011	10017	G 101-21708	Health Premium	MONTHLY PREMIUM	2,191.88
					<hr/>
					\$2,883.94

FREEDOM SERVICES, INC-MA

12/08/2011	10018	E 101-41540-301	Auditing and Acct'g Services	MONTHLY ADMIN FEE	105.20
					<hr/>
					\$105.20

GRANITE CITY JOBBING CO.

12/06/2011	704406	E 609-49751-206	Freight and Fuel Charges	MISC, TOBACCO	4.25
12/06/2011	704406	E 609-49751-254	Miscellaneous Merchandise	MISC	(10.68)
12/06/2011	704406	E 609-49751-256	Tobacco Products For Resale	TOBACCO	515.19
					<hr/>
					\$508.76

HACH COMPANY

12/08/2011	7534640	E 601-49440-235	Lab Supplies	CHEMICALS	443.55
					<hr/>
					\$443.55

INFRASTRUCTURE TECHNOLOGIES

10/06/2011	PR11928	E 601-49440-233	Water Treatment Plant Maint	VACUUM DEBRIS FROM WATER	1,470.00
					\$1,470.00

INNOVATIVE OFFICE SOLUTIONS, L

11/28/2011	WO-10886765-1	E 101-42210-217	Other Operating Supplies	SUPPLIES	57.94
11/30/2011	WO-10889143-1	E 101-41400-200	Office Supplies	SUPPLIES	47.83
12/06/2011	WO-10894357-1	E 101-41940-441	Miscellaneous	PAPER TOWELS	45.68
12/09/2011	WO-10898094-1	E 101-43100-200	Office Supplies	LABELS	9.91
12/09/2011	WO-10898094-1	E 101-45200-200	Office Supplies	LABELS	9.92
12/09/2011	WO-10898094-1	E 601-49440-200	Office Supplies	LABELS	9.91
12/09/2011	WO-10898094-1	E 602-49490-200	Office Supplies	LABELS	9.91
12/12/2011	WO-10899593-1	E 101-41400-200	Office Supplies	STAPLER	16.33
					\$207.43

JOHNSON BROS WHLSE LIQUOR

12/01/2011	517905	E 609-49751-206	Freight and Fuel Charges	CREDIT	(1.47)
12/01/2011	517905	E 609-49751-251	Liquor For Resale	CREDIT	(133.24)
12/07/2011	1190331	E 609-49751-206	Freight and Fuel Charges	LIQUOR	22.05
12/07/2011	1190331	E 609-49751-251	Liquor For Resale	LIQUOR	1,214.43
12/07/2011	1190332	E 609-49751-206	Freight and Fuel Charges	WINE	20.58
12/07/2011	1190332	E 609-49751-253	Wine For Resale	WINE	571.83
12/08/2011	518746	E 609-49751-206	Freight and Fuel Charges	CREDIT	(2.94)
12/08/2011	518746	E 609-49751-253	Wine For Resale	CREDIT	(49.60)
					\$1,641.64

KRIS ENGINEERING, INC.

12/06/2011	20269	E 101-43100-408	Ice & Snow Removal	CUTTING EDGE BELOS	389.54
					\$389.54

LMC INSURANCE TRUST

12/05/2011	21633	E 101-41110-100	Wages and Salaries	2ND INSTALLMENT 10/6/11 - 10/C	0.00
12/05/2011	21633	E 101-41400-160	Work Comp Insurance	2ND INSTALLMENT 10/6/11 - 10/C	322.25
12/05/2011	21633	E 101-41410-160	Work Comp Insurance	2ND INSTALLMENT 10/6/11 - 10/C	2.50
12/05/2011	21633	E 101-41500-160	Work Comp Insurance	2ND INSTALLMENT 10/6/11 - 10/C	151.50
12/05/2011	21633	E 101-42110-160	Work Comp Insurance	2ND INSTALLMENT 10/6/11 - 10/C	5,350.75
12/05/2011	21633	E 101-42210-160	Work Comp Insurance	2ND INSTALLMENT 10/6/11 - 10/C	1,749.00
12/05/2011	21633	E 101-43100-160	Work Comp Insurance	2ND INSTALLMENT 10/6/11 - 10/C	2,308.25
12/05/2011	21633	E 101-43210-160	Work Comp Insurance	2ND INSTALLMENT 10/6/11 - 10/C	140.25
12/05/2011	21633	E 101-45200-160	Work Comp Insurance	2ND INSTALLMENT 10/6/11 - 10/C	856.00
12/05/2011	21633	E 601-49440-160	Work Comp Insurance	2ND INSTALLMENT 10/6/11 - 10/C	959.50
12/05/2011	21633	E 602-49490-160	Work Comp Insurance	2ND INSTALLMENT 10/6/11 - 10/C	818.25
12/05/2011	21633	E 609-49750-160	Work Comp Insurance	2ND INSTALLMENT 10/6/11 - 10/C	697.50
					\$13,355.75

MCDONALD DIST CO.

12/08/2011	289156	E 609-49751-206	Freight and Fuel Charges	BEER	3.00
12/08/2011	289156	E 609-49751-252	Beer For Resale	BEER	3,048.80
12/08/2011	289157	E 609-49751-254	Miscellaneous Merchandise	MISC	78.50
12/08/2011	289195	E 609-49751-252	Beer For Resale	BEER	70.45
					\$3,200.75

METRO WEST INSPECTIONS SERVICE

12/10/2011	121011	E 101-42400-311	Contract	NOVEMBER INSPECTIONS	1,473.89
------------	--------	-----------------	----------	----------------------	----------

						\$1,473.89
MN DEPT OF HEALTH						
12/13/2011	121311	E 601-49440-313	Sample Testing	10/01/11 - 12/31/11	CONNECTION	2,408.00
						\$2,408.00
MN DEPT OF TRANSPORTATION						
10/10/2011	37662	G 420-20800	Due to Other Governments		COOP CONST. AGREEMENT #84	52,344.92
						\$52,344.92
MN MUNICIPAL UTILITIES ASSOC.						
10/01/2011	37945	E 101-41400-311	Contract		QTRLY SAFETY PROGRAM-4TH	423.75
10/01/2011	37945	E 101-42110-311	Contract		QTRLY SAFETY PROGRAM-4TH	423.75
10/01/2011	37945	E 101-42210-311	Contract		QTRLY SAFETY PROGRAM-4TH	423.75
10/01/2011	37945	E 101-43100-311	Contract		QTRLY SAFETY PROGRAM-4TH	635.62
10/01/2011	37945	E 101-45200-311	Contract		QTRLY SAFETY PROGRAM-4TH	635.62
10/01/2011	37945	E 601-49440-311	Contract		QTRLY SAFETY PROGRAM-4TH	635.62
10/01/2011	37945	E 602-49490-311	Contract		QTRLY SAFETY PROGRAM-4TH	635.62
10/01/2011	37945	E 609-49750-311	Contract		QTRLY SAFETY PROGRAM-4TH	423.77
						\$4,237.50
NETWORK BUSINESS SUPPLIES, INC						
12/02/2011	84699	E 609-49750-210	Operating Supplies		SUPPLIES	56.64
12/02/2011	84699	E 609-49751-206	Freight and Fuel Charges		SUPPLIES	11.36
						\$68.00
NEWSTROM, WILLIAM						
		G 101-10100	Cash		RETURNED ACH AMOUNT	20.00
						\$20.00
OREILLY AUTO PARTS						
10/31/2011	1539-106671	E 101-43100-408	Ice& Snow Removal		#12 FRONT PLOW	16.05
						\$16.05
PHILLIPS WINE & SPIRITS CO.						
12/07/2011	2165617	E 609-49751-206	Freight and Fuel Charges		LIQUOR	18.01
12/07/2011	2165617	E 609-49751-251	Liquor For Resale		LIQUOR	1,341.42
12/07/2011	2165618	E 609-49751-206	Freight and Fuel Charges		WINE	14.70
12/07/2011	2165618	E 609-49751-253	Wine For Resale		WINE	337.25
						\$1,711.38
POWER ENGINEERS						
12/08/2011	85834	E 402-43000-303	Engineering Fees		PW/POLICE BUILDING	10,462.50
						\$10,462.50
PREMIUM WATERS, INC.						
11/30/2011	453056-11-11	E 101-42110-311	Contract		MONTHLY - DEC	19.24
						\$19.24
QUILL CORPORATION						
11/28/2011	8278121	E 101-42210-200	Office Supplies		SUPPLIES	98.07
12/06/2011	8484869	E 101-41400-200	Office Supplies		PAPER	63.91
						\$161.98
RAMSEY, CITY OF						
12/13/2011	121311	E 101-42210-311	Contract		CHIEF KAPLER'S SERVICES DEC	666.00

					\$666.00
RS INDUSTRIES, INC.					
12/02/2011	597423	E 101-42210-221	Vehicle Repair & Maintenance	REPAIRS ON ENGINE #1	182.50
					\$182.50
SCHARBER & SONS					
12/08/2011	1089587	E 101-43100-218	Equipment Repair & Maintenance	FILTERS	159.49
12/08/2011	1089587	E 101-45200-218	Equipment Repair & Maintenance	FILTERS	159.50
					\$318.99
SKORSETH, JAKE					
		E 601-49440-212	Motor Fuels	GAS (USED PERSONAL CC)	75.00
					\$75.00
SOUTHERN WINE & SPIRITS OF MN					
12/07/2011	1640669	E 609-49751-206	Freight and Fuel Charges	LIQUOR, WINE	28.23
12/07/2011	1640669	E 609-49751-251	Liquor For Resale	LIQUOR	2,463.95
12/07/2011	1640669	E 609-49751-253	Wine For Resale	WINE	392.00
					\$2,884.18
ST. FRANCIS AREA WOMEN					
12/13/2011	121311	G 101-22000	Deposits	RETURN OF DEPOSIT	100.00
					\$100.00
ST. FRANCIS TRUE VALUE HARDWAR					
11/03/2011	18330	E 101-43100-217	Other Operating Supplies	SUPPLIES	49.70
11/05/2011	19356	E 101-42210-101	Full-Time Employees Regular	SUPPLIES	9.61
11/05/2011	19356	E 101-42210-221	Vehicle Repair & Maintenance	SUPPLIES	5.77
11/14/2011	18382	E 602-49490-217	Other Operating Supplies	SUPPLIES	11.93
11/14/2011	18386	E 101-43100-217	Other Operating Supplies	SUPPLIES	7.10
11/21/2011	19110	E 601-49440-217	Other Operating Supplies	SUPPLIES	7.07
					\$91.18
STREICHER'S					
11/30/2011	1884573	E 101-42210-221	Vehicle Repair & Maintenance	SPEAKER	203.05
					\$203.05
TECH SALES CO.					
12/02/2011	316640	E 602-49490-208	Training and Instruction	MILLTRONICS INFLUCENT WAS	300.00
					\$300.00
TELEDYNE ISCO, INC					
12/06/2011	978169	E 602-49490-237	Small Equipment	PUMP TUBING ASSEMBLY	129.85
					\$129.85
TELE-LITE, INC					
11/23/2011	20034398	E 101-42210-221	Vehicle Repair & Maintenance	ENGINE #1 PARTS	442.20
					\$442.20
TOM LYNCH ELECTRIC					
11/30/2011		E 602-49490-401	Repairs/Maint Buildings	OUTLET FOR CAMERA	115.00
12/09/2011		E 101-42210-401	Repairs/Maint Buildings	HOSE TOWER WORK	565.00
12/09/2011		E 609-49750-401	Repairs/Maint Buildings	CHANGE 3 BALLASTS	190.00
					\$870.00
VERIZON WIRELESS					

12/02/2011	2666155904	E 101-43100-321	Telephone	11/3 - 12/02	51.27
12/02/2011	2666155904	E 101-45200-321	Telephone	11/3 - 12/02	51.26
12/02/2011	2666155904	E 601-49440-321	Telephone	11/3 - 12/02	51.55
12/02/2011	2666155904	E 602-49490-321	Telephone	11/3 - 12/02	51.54
					\$205.62

WINE MERCHANTS

12/07/2011	388534	E 609-49751-206	Freight and Fuel Charges	WINE	2.94
12/07/2011	388534	E 609-49751-253	Wine For Resale	WINE	171.00
					\$173.94

WIRTZ BEVERAGE MN

12/08/2011	671763	E 609-49751-206	Freight and Fuel Charges	LIQUOR, WINE	30.45
12/08/2011	671763	E 609-49751-251	Liquor For Resale	LIQUOR	1,130.29
12/08/2011	671763	E 609-49751-253	Wine For Resale	WINE	838.85
					\$1,999.59

FUND SUMMARY

\$174,422.69

101 GENERAL FUND	\$36,801.98
225 PARK FUND	\$4,218.42
226 PEDERSON PATH FUND	\$1,840.00
402 CAPITAL EQUIPMENT	\$42,984.74
420 MSA Projects	\$52,344.92
507 IVYWOOD ST & 230TH LANE	\$90.00
601 WATER FUND	\$8,792.03
602 SEWER FUND	\$4,572.46
609 MUNICIPAL LIQUOR FUND	\$22,778.14
Total	174,422.69

CITY OF ST. FRANCIS
12/19/2011

Checks cut since last Council Meeting

<u>Check Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Description</u>	<u>Amount</u>
		TOTAL		<u>0.00</u>

Disbursements via Debits to Checking account

<u>Date</u>	<u>Payee</u>	<u>Description</u>	<u>Amount</u>
12/08/11	U.S. Treasurer	Federal Payroll Tax	15,186.89
12/08/11	P.E.R.A.	P.E.R.A.	12,256.83
12/08/11	ING	Deferred Comp	770.00
12/08/11	ICMA	Deferred Comp	790.00
12/08/11	MN State Treasurer	State Payroll Tax	3,473.24
12/14/11	MN Dept of Revenue	Sales Tax	15,048.00
	TOTAL		<u>47,524.96</u>

ST. FRANCIS EDA BUDGET STATEMENT

The EDA has not adopted a formal budget for 2012 due to just being created in 2011.

It is the EDA's intention to issue its Public Project Lease Revenue Bonds, Series 2012A (the "Bonds"), in the maximum amount of \$8,200,000 in January 2012. The debt service due on such Bonds in 2012 is unknown at this time but is expected to be approximately \$167,200. Pursuant to documents related to the Bonds, the City will be responsible for paying the EDA sufficient funds to pay the debt service on the Bonds.

The EDA may incur staff expenditures and minimal expenses during 2012. It is expected that any such expenses will be paid by the City from its general fund.

The EDA does not anticipate any other expenditures or revenues in 2012.

Please note that for 2013 and thereafter, the EDA will submit a formal budget to the St. Francis City Council.



&



CHARTERED

470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis MN 55402

(612) 337-9300 telephone
(612) 337-9310 fax
<http://www.kennedy-graven.com>

MEMORANDUM

To: Matt Hysten, City Administrator, City of St. Francis
City Council of the City of St. Francis

From: Julie Eddington, Kennedy & Graven

Re: Post-Issuance Compliance for Tax-Exempt Bonds

Date: December 12, 2011

Attached please find a "Post Issuance Compliance Procedure and Policy For Tax-Exempt Governmental Bonds," which I recommend the City Council of the City of St. Francis ("City") and the Board of the Economic Development Authority of St. Francis (the "EDA") adopt due to recent changes in the Form 8038-G, which is an informational tax return that issuers of tax-exempt governmental bonds are required to submit to the Internal Revenue Service (the "IRS") for each bond issued.. The revised Form 8038-G has added several new questions regarding whether the issuer of the bonds has written policies in place to (i) take action to remediate any private use that may occur in a bond-financed facility (which can cause the bonds to taxable) and (ii) to ensure that the arbitrage rules are followed.

In 2009, the IRS mailed its Governmental Bond Financings Compliance Check Questionnaire, Form 14002 to two hundred governmental entities that had issued tax-exempt bonds in 2005, and has suggested that it may send this questionnaire to more issuers in the near future. A major focus of the IRS questionnaire is whether the governing body of the issuer of tax-exempt governmental bonds has adopted written procedures for compliance with the tax code and the tax regulations related to the use of the proceeds of tax-exempt bonds and bond-financed facilities.

Given the recent focus of the IRS on written compliance policies and the new questions on the Form 8038-G, I recommend that the City Council and the EDA Board adopt the attached policy prior to or soon after the issuance of the EDA's Public Project Lease Revenue Bonds, Series 2012A, scheduled to be issued on January 10, 2012. If you have any questions about post-issuance compliance or the proposed policy, please do not hesitate to call me at (612) 337-9213.

KENNEDY & GRAVEN, CHARTERED

Julie Eddington

**ECONOMIC DEVELOPMENT AUTHORITY
FOR THE CITY OF ST. FRANCIS
ANOKA COUNTY**

RESOLUTION NO. 2011-02

**RESOLUTION APPROVING POST-ISSUANCE COMPLIANCE
PROCEDURE AND POLICY FOR TAX-EXEMPT GOVERNMENTAL BONDS**

BE IT RESOLVED By the Board of Commissioners (the "Board") of the Economic Development Authority for the City of St. Francis ("Authority") as follows:

Section 1. Recitals.

1.01. The Authority from time to time issues tax-exempt governmental bonds to finance various public capital improvements.

1.02. Under Sections 103 and 140 to 150 of the Internal Revenue Code of 1986, as amended (the "Code") and related regulations, the Authority is required to take certain actions after the issuance of such bonds to ensure that interest on those bonds remains tax-exempt.

1.03. The Authority has determined to adopt written procedures regarding how the Authority will carry out its bond compliance responsibilities, and to that end has caused to be prepared a document titled Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds (the "Policy").

1.04. The Board has reviewed the Policy has determined that it is in the best interest of the Authority to adopt the Policy.

Section 2. Policy Approved.

2.01. The Board approves the Policy in substantially the form on file in City Hall.

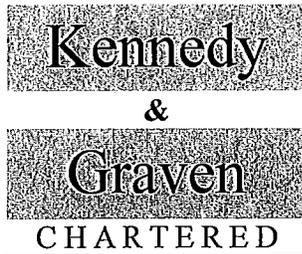
2.02. Authority staff are authorized to take all actions necessary to carry out the Policy.

Approved by the Board of Commissioners of the City of St. Francis, this 19th day of December, 2011.

Chris McClish, President

ATTEST:

Matthew Hylan, Executive Director



470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis MN 55402

(612) 337-9300 telephone
(612) 337-9310 fax
<http://www.kennedy-graven.com>

MEMORANDUM

TO: Matt Hylen, City Administrator of St. Francis
City Council of St. Francis
Economic Development Authority of St. Francis

FROM: Julie Eddington, Bond Counsel

DATE: December 12, 2011

RE: Public Project Lease Revenue Bonds, Series 2012A

Enclosed please find a resolution to be considered by the City Council (the "Council") of the City of St. Francis, Minnesota (the "City") at its meeting on Monday, December 19, 2011, and a resolution to be considered by the Board of the Economic Development Authority of the City of St. Francis (the "Authority") at its meeting on the same date. The resolutions provide final approval to the issuance, delivery, and sale of the Authority's Public Project Lease Revenue Bonds, Series 2012A (the "Bonds") in an aggregate principal amount not to exceed \$8,200,000 and the execution and delivery of related bond documents. The related bond documents include: (i) a Ground Lease, dated as of January 1, 2012 (the "Ground Lease"), between the City and the Authority; (ii) a Lease Purchase Agreement, dated as of January 1, 2012 (the "Lease"), between the City and the Authority; and (iii) the Mortgage and Security Agreement and Trust Indenture, dated as of January 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, acting as Trustee for the bonds. A brief explanation of the financing follows.

Pursuant to the Ground Lease, the Authority will acquire a leasehold interest in property from the City. Pursuant to the Lease, the Authority will lease the same property back to the City, including any buildings to be constructed on the property.

The terms of the Bonds are set out in the Indenture. Proceeds of the Bonds will be loaned by the Authority to the City and applied, along with an equity contribution from the City, to finance the acquisition of the property, the construction and equipping of a public safety and public works building, the funding of a reserve fund to secure the Bonds, and the payment of the costs of issuing the Bonds.

Under the Lease, the City will pay lease payments equal to the debt service on the Bonds in order to eventually acquire the public safety and public works building. When the Bonds are paid in full (either at maturity or at prepayment), the City will own the improvements outright and the Authority's leasehold rights under the Ground Lease will terminate.

Pursuant to Section 5.6 of the Lease Purchase Agreement, the City has the right, each year during the term of the Lease Purchase Agreement, to "nonappropriate" funds needed for lease payments and terminate

the Lease Purchase Agreement. If that occurs, the City relinquishes all rights to the public safety and public works building, but retains its ownership in the land (subject to the Authority's leasehold interest in the property).

Under the terms of the Indenture, the Authority will assign and mortgage to the Trustee all of the Authority's right, title and interest in and to the property, the building to be constructed, the Ground Lease, the Lease, the Lease Payments and the Additional Lease Payments (as defined in the Lease) to be made by the City thereunder (other than certain rights to indemnification and payment of expenses) as security for the Bonds. The Indenture will not be recorded against the property as a mortgage unless an Event of Default (as defined in the Indenture) occurs. If the City decides to not appropriate funds for the payments under the Lease, the Trustee would hold the property (subject to the Ground Lease) for the benefit of bondholders and seek an alternative tenant to provide lease revenues needed to pay the Bonds.

Please contact me at your convenience with any questions regarding the foregoing.

KENNEDY & GRAVEN, CHARTERED

Julie Eddington

cc: Scott Lepak, City Attorney

Extract of Minutes of Meeting
of the Board of Commissioners of the
Economic Development Authority for the City of St. Francis
St. Francis, Anoka County, Minnesota

Pursuant to due call and notice thereof a special meeting of the Board of Commissioners of the Economic Development Authority for the City of St. Francis was held at the Independent School District #15 District Offices in the City of St. Francis, Minnesota, on Monday, December 19, 2011, commencing at 5:00 P.M.

The following commissioners of the Board were present:

and the following were absent:

The following resolution was presented by Commissioner _____, who moved its adoption:

RESOLUTION NO. 2011-03

**A RESOLUTION APPROVING THE SALE OF PUBLIC PROJECT
LEASE REVENUE BONDS, SERIES 2012A, IN THE AGGREGATE
PRINCIPAL AMOUNT OF \$8,200,000 AND APPROVING AND
AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS**

BE IT RESOLVED By the Economic Development Authority for the City of St. Francis (the "Authority") as follows:

Section 1. Recitals.

1.01. Statutory Authorization. The City of St. Francis, Minnesota (the "City"), is authorized by Minnesota Statutes, Section 465.71, as amended, to acquire real and personal property under lease-purchase agreements.

1.02. Lease Agreements. The Authority has agreed with the City that, pursuant to a Ground Lease dated as of January 1, 2012 (the "Ground Lease"), the Authority will acquire certain property (the "Site") from the City, and the Authority will lease such property, together with the buildings, structures or improvements now or hereafter located thereon, to the City pursuant to a Lease-Purchase Agreement dated as of January 1, 2012 (the "Lease").

1.03. The Bonds. Pursuant to a Mortgage and Security Agreement and Trust Indenture, dated as of January 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), the Authority will issue its Public Project Lease Revenue Bonds, Series 2012A (the "Bonds"), in an aggregate principal amount of \$8,200,000.

1.04. Use of Proceeds of Bonds. Pursuant to the Indenture, proceeds of the Bonds will be loaned to the City and applied, along with an equity contribution from the City, to (i) the acquisition of the Site; (ii) the construction and equipping of a public safety and public works building (the "Facilities") located on the Site; (iii) the funding of a reserve fund to secure the timely payment of the Bonds; and (iv) the payment of the costs of issuing the Bonds.

1.05. Assignment and Mortgage. Pursuant to the Indenture, the Authority will assign and mortgage to the Trustee all of the Authority's right, title and interest in and to the Site, the Facilities, the Ground Lease, the Lease, the Lease Payments and the Additional Lease Payments (as defined in the Lease) to be made by the City thereunder (other than certain rights to indemnification and payment of expenses) as security for the Bonds. The Indenture will not be recorded against the Site as a mortgage unless an Event of Default (as defined in the Indenture) occurs.

1.06. Documents. Forms of the Ground Lease, the Lease, the Indenture (including a form of the Bonds), the Official Statement for the Bonds, and a Continuing Disclosure Certificate of the City to be dated on or after January 10, 2012, have been prepared and submitted to the Authority and are on file with the Authority.

Section 2. Sale of Bonds.

2.01. Award to Underwriter and Interest Rates. The proposal of Northland Securities, Inc. (the "Underwriter") to purchase the Bonds of the Authority is hereby found and determined to be a reasonable

offer and is accepted, the proposal being to purchase the Bonds at a price of \$ _____ (par amount of \$8,200,000.00, plus original issue premium of \$ _____, less original issue discount of \$ _____, less underwriter's discount of \$ _____), plus accrued interest to the date of delivery, if any, for Bonds bearing interest as follows:

<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
2013	%	2026	%
2014		2027	
2015		2028	
2016		2029	
2017		2030	
2018		2031	
2019		2032	
2020		2033	
2021		2034	
2022		2035	
2023		2036	
2024		2037	
2025			

Net interest cost: _____%

2.02. Purchase Contract. The President and Executive Director are directed to execute a contract with the Underwriter on behalf of the Authority.

2.03. Terms and Principal Amounts of the Bonds. The Authority will forthwith issue and sell the Bonds pursuant to Minnesota Statutes, Section 469.103, as amended, and Minnesota Statutes, Section 465.71, as amended (collectively, the "Act"), in the total principal amount of \$8,200,000, originally dated January 1, 2012, in the denomination of \$5,000 each or any integral multiple thereof, numbered No. R-1, upward, bearing interest as above set forth, and maturing annually on February 1 in the years and amounts as follows:

<u>Year of Maturity</u>	<u>Amount</u>	<u>Year of Maturity</u>	<u>Amount</u>
2013	\$	2026	\$
2014		2027	
2015		2028	
2016		2029	
2017		2030	
2018		2031	
2019		2032	
2020		2033	
2021		2034	
2022		2035	
2023		2036	
2024		2037	
2025			

2.04. Optional Redemption. The Bonds are subject to optional redemption, at the election of the City, in whole or in part, and if in part in such manner as the City shall determine, on February 1, 2020, and any date thereafter, at a redemption price of par plus accrued interest.

[2.05. Term Bonds; Mandatory Redemption. To be completed if Term Bonds are requested by the Underwriter.]

2.06. Dates; Interest Payment Dates. Each Bond will be dated as of the last interest payment date preceding the date of authentication to which interest on the Bond has been paid or made available for payment, unless (i) the date of authentication is an interest payment date to which interest has been paid or made available for payment, in which case the Bond will be dated as of the date of authentication, or (ii) the date of authentication is prior to the first interest payment date, in which case the Bond will be dated as of the date of original issue. The interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2012, to the registered owners of record as of the close of business on the fifteenth day of the immediately preceding month, whether or not that day is a business day.

2.07. Execution, Authentication and Delivery. The Bonds, substantially in the form provided in the Indenture, will be prepared under the direction of the Authority's staff and executed on behalf of the Authority by the signatures of the President and the Executive Director of the Authority, provided that all signatures may be printed, engraved or lithographed facsimiles of the originals. Notwithstanding such execution, a Bond will not be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution or the Indenture unless and until a certificate of authentication on the Bond has been duly executed by the manual signature of an authorized representative of the Trustee. When the Bonds have been so prepared, executed and authenticated, the Authority will deliver the same to The Depository Trust Company, New York, New York, on behalf of the Underwriter, upon payment of the purchase price, and the Underwriter is not obligated to see to the application of the purchase price.

Section 3. Approval and Execution of Documents. The Ground Lease, the Lease and the Indenture described in Section 1 are hereby approved. The President and the Executive Director of the Authority are authorized and directed to execute and deliver the Ground Lease, the Lease and the Indenture on behalf of the Authority, substantially in the forms on file, but with all such changes therein as shall be approved by the officers executing the same, which approval shall be conclusively evidenced by the execution thereof. Copies of all of the transaction documents shall be delivered, filed and recorded as provided therein. The President and other officers of the Authority are also authorized and directed to execute such other instruments as may be required to give effect to the transactions herein contemplated.

Section 4. Payment; Security; Pledges and Covenants. The Bonds are payable solely from the Lease Payments to be made by the City under the Lease and from other money realized by the Trustee after default or termination of the Lease by the City as provided therein. No property or funds of the Authority, other than the property pledged and mortgaged to the Trustee pursuant to the Indenture, is pledged to the payment of the Bonds.

Section 5. Authentication of Transcript.

5.01. Bond Transcript. The officers of the Authority are authorized and directed to prepare and furnish to the Underwriter and to the attorneys approving the Bonds, certified copies of proceedings and records of the Authority relating to the Bonds and such other certificates, affidavits and transcripts as may be required to show the facts within their knowledge or as shown by the books and records in their custody and under their control, relating to the validity and marketability of the Bonds and such instruments, including any heretofore furnished, may be deemed representations of the Authority as to the facts stated therein.

5.02. Certification as to Official Statement. The President and the Executive Director are authorized and directed to certify that they have examined the Official Statement prepared and circulated in connection with the issuance and sale of the Bonds and that to the best of their knowledge and belief

the Official Statement is a complete and accurate representation of the facts and representations made therein as of the date of the Official Statement.

5.03. Other Certificates. The President and the Executive Director are hereby authorized and directed to furnish to the Underwriter at the closing such certificates as are required as a condition of sale. Unless litigation shall have been commenced and be pending questioning the Bonds or the organization of the City or incumbency of its officers, at the closing the President and the Executive Director shall also execute and deliver to the Underwriter a suitable certificate as to absence of material litigation, and the City Administrator shall also execute and deliver a certificate as to payment for and delivery of the Bonds.

Section 6. Tax Covenants.

6.01. Tax-Exempt Obligations. The Authority covenants and agrees with the holders from time to time of the Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bonds to become subject to taxation under the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder, in effect at the time of such actions, and that it will take or cause its officers, employees or agents to take, all affirmative action within its power that may be necessary to ensure that such interest will not become subject to taxation under the Code and applicable Treasury Regulations, as presently existing or as hereafter amended and made applicable to the Bonds.

6.02. Qualified Tax-Exempt Obligations. In order to qualify the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, the Authority makes the following factual statements and representations:

- (a) the Bonds are not "private activity bonds" as defined in Section 141 of the Code;
- (b) the Authority hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code;
- (c) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which will be issued by the Authority (and all subordinate entities of the Authority) during calendar year 2012 will not exceed \$10,000,000; and
- (d) not more than \$10,000,000 of obligations issued by the Authority during calendar year 2012 have been designated for purposes of Section 265(b)(3) of the Code.

6.03. Procedural Requirements. The Authority will use its best efforts to comply with any federal procedural requirements which may apply in order to effectuate the designations made by this section.

Section 7. Effective Date. This resolution shall be effective immediately upon its final adoption.

Approved by the Board of Commissioners of the Economic Development Authority for the City of St. Francis this 19th day of December, 2011.

Chris McClish, President

ATTEST:

Matt Hylan, Executive Director

STATE OF MINNESOTA)
)
COUNTY OF ANOKA) SS.
)
CITY OF ST. FRANCIS)

I, the undersigned, being the duly qualified and acting Executive Director of the Economic Development Authority for the City of St. Francis (the "Authority") do hereby certify that I have carefully compared the attached and foregoing resolution of a meeting of the Authority held on December 19, 2011, with the original resolution on file in my office and the attached is a full, true and correct copy of the resolution insofar as it relates to the issuance and sale of the Authority's Public Project Lease Revenue Bonds, Series 2012A, in an aggregate principal amount of \$8,200,000.

WITNESS My hand officially as such Executive Director this _____ day of _____, 20__.

Executive Director
Economic Development Authority for the City of St.
Francis

AGENDA REPORT

TO: City Administrator
FROM: Finance Director
SUBJECT: **ADOPTING THE 2012 TAX LEVY AND BUDGET**
DATE: December 13, 2011

INTRODUCTION

The 2012 Tax Levy and Budget need to be adopted.

BACKGROUND

The proposed 2012 budget was discussed on December 5th at 6:00 p.m. State law requires that the final property tax levy and budget be adopted by the 28th of December. The tax levy needs to be adopted before the budget is adopted. The final levy can be decreased from the proposed levy, but not increased

RECOMMENDATION

It is recommended that the council make the following motions: 1. Motion to adopt Resolution 2011-42 certifying taxes payable in 2012; 2. Motion to adopt Resolution 2011-43 adopting the budget for 2012.

BUDGET IMPACT

None.

Attachments:

1. Resolution 2011-42
2. Resolution 2011-43

**CITY OF ST. FRANCIS
ST. FRANCIS, MN
ANOKA COUNTY**

RESOLUTION 2011-42

RESOLUTION CERTIFYING TAXES PAYABLE IN 2012

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ST. FRANCIS, MINNESOTA that:

1. The following sums of money be levied for the current year, collectible in 2012, upon the taxable property in said City of St. Francis, for the following purposes:

General Fund	\$2,852,260
Debt Service	<u>20,900</u>
TOTAL LEVY	\$2,873,160

ADOPTED BY THE CITY COUNCIL OF THE CITY OF ST. FRANCIS THIS 19TH DAY OF DECEMBER, 2011.

APPROVED:

Jerry Tveit
Mayor of St. Francis

ATTEST:

Barbara I. Held
City Clerk

**CITY OF ST. FRANCIS
ST. FRANCIS, MN
ANOKA COUNTY**

RESOLUTION 2011-43

RESOLUTION ADOPTING A BUDGET FOR 2012

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ST. FRANCIS, MINNESOTA that a budget for 2012 is hereby adopted as outlined in the following summary:

	OPERATING BUDGET	CAPITAL IMPROVEMENTS BUDGET	DEBT SERVICE BUDGET	TOTAL
Revenues	\$7,922,797	\$48,750	\$47,400	\$8,018,947
Net other increases (decreases)	(430,000)	430,000	-0-	\$0
Expenditures	(7,664,443)	(46,090)	(103,208)	(\$7,813,741)
Net change in fund balance	(\$171,646)	\$432,660	(\$55,808)	(\$205,206)

BE IT FURTHER RESOLVED that the department appropriations totaling \$7,664,443 as listed in the budget booklet are hereby approved for the 2012 Operating Budget.

BE IT FURTHER RESOLVED that the expenses for the Municipal Liquor Operations Fund may exceed the appropriation provided that the net operating income before other revenues and expenses excluding depreciation for 2011 is not less than \$87,855.

BE IT FURTHER RESOLVED that the following appropriations are hereby approved for the 2012 Capital Improvements Budget:

CAPITAL EQUIPMENT	\$38,990
CREEKVIEW ESTATES	3,800
IVYWOOD STREET & 230 TH LANE	3,300
TOTAL CAPITAL IMPROVEMENTS BUDGET APPROPRIATIONS	\$46,090

BE IT FURTHER RESOLVED that the Finance Director shall establish a budget for each public improvement project when the Council orders the project and that the budget amounts shall be recorded at amounts specified in the feasibility study for the project.

BE IT FURTHER RESOLVED that the following appropriations are hereby approved for the 2012 Debt Service Budget:

\$65,000	Principal
37,783	Interest
425	Paying Agent Fees
<hr/>	
\$103,208	TOTAL DEBT SERVICE BUDGET APPROPRIATIONS

BE IT FURTHER RESOLVED that the above budgets for Governmental Funds are hereby adopted for financial reporting and management control.

BE IT FURTHER RESOLVED that the above budgets for all other funds are hereby adopted for management purposes only.

BE IT FURTHER RESOLVED that the transfer of appropriations among the various accounts, within a fund, shall only require the approval of the City Administrator or his designee. However, City Council approval is required for transfers from contingency accounts.

BE IT FURTHER RESOLVED that all appropriations which are not encumbered or expended at the end of the fiscal year shall lapse and shall become part of the unencumbered fund balance which may be appropriated for the next fiscal year except appropriations for capital improvement projects which shall not lapse until the project is completed or canceled by the City Council.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF ST. FRANCIS THIS 19TH DAY OF DECEMBER, 2011.

APPROVED:

Jerry Tveit
Mayor of St. Francis

ATTEST:

Barbara I. Held
City Clerk

AGENDA REPORT

TO: City Administrator
FROM: Finance Director
SUBJECT: **GASB 54 Fund Balance Policy**
DATE: 12/13/11

INTRODUCTION

GASB (Government Accounting Standards Board) has issued Statement No 54 on fund balance policies and presentation. To comply with the requirements of this statement for financial period ending 12-31-11, the following policy needs to be approved by resolution.

BACKGROUND

The objective of GASB Statement No. 54 (GASB 54) is to enhance the usefulness of fund balance information and provide clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The statement will be effective for fiscal periods that begin after June 15, 2010, meaning the fiscal year ending December 31, 2011.

Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented. GASB 54 does not affect the government-wide or accrual-based statement presentations, nor does it change the amount of total fund balance on any fund statements.

RECOMMENDATION

Approve Resolution 2011-44 Adopting a GASB 54 Fund Balance Policy.

BUDGET IMPACT

None

S:\FORMS\AGENDA REPORT.doc

Attachments:

1. Resolution 2011-43
2. Fund Balance Policy

**CITY OF ST. FRANCIS
ST. FRANCIS, MN
ANOKA COUNTY**

RESOLUTION 2011-44

A RESOLUTION ADOPTING THE CITY OF ST. FRANCIS FUND BALANCE POLICY

WHEREAS, the Government Accounting Standards Board has issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions; and

WHEREAS, the purpose of this policy is to establish specific guidelines the City of St. Francis will use to maintain an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City's fiscal year; and

WHEREAS, the objective of GASB Statement No. 54 (GASB 54) is to enhance the usefulness of fund balance information and provide clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions; and

WHEREAS, the Statement is to be effective for fiscal periods that begin after June 15, 2010, meaning the fiscal year ending December 31, 2011; and that the city's current fiscal year started January 1, 2011; and

NOW THEREFORE, BE IT RESOLVED by the City Council for the City of St. Francis, Minnesota adopts the attached Fund Balance Policy dated December 19, 2011.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF ST. FRANCIS THIS 19th DAY OF DECEMBER, 2011.

APPROVED:

ATTEST:

Jerry Tveit, Mayor

Barbara I. Held, City Clerk

CITY OF ST. FRANCIS, MN

FUND BALANCE POLICY

Adopted DECEMBER 19, 2011

I. PURPOSE

The purpose of this policy is to establish specific guidelines the City of St. Francis will use to maintain an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City's fiscal year.

The purpose of this policy is to also establish specific guidelines the City of St. Francis will use to classify fund balances into a categories based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

II. CLASSIFICATION OF FUND BALANCE/PROCEDURES

1. Nonspendable

- This category includes fund balance that cannot be spent because it is either (i) not in spendable form or (ii) is legally or contractually required to be maintained intact. Examples include inventories and prepaid amounts.

2. Restricted

- Fund balance should be reported as restricted when constraints placed on those resources are either (i) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (ii) imposed by law through constitutional provisions or enabling legislation.

3. Committed

- Fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts.
- The City's highest level of decision making authority (City Council) will annually or as deemed necessary commit specific revenue sources for specified purposes by resolution. This formal action must occur prior to the end of the reporting period, however, the amount to be subject to the constraint, may be determined in the subsequent period.

II. CLASSIFICATION OF FUND BALANCE/PROCEDURES – CONTINUED

- To remove the constraint on specified use of committed resources the City Council shall pass a resolution

4. Assigned

- Amounts that are constrained by the government's intent to use for specified purposes, but are neither restricted nor committed. Assigned fund balance in the General fund includes amounts that are intended to be used for specific purposes.
- The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the **Finance Director**.

5. Unassigned

- Unassigned fund balance represents the residual classification for the General fund. Includes amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General fund. The General fund should be the only fund that reports a positive unassigned fund balance amount.
 - i. The City will maintain an unrestricted fund balance in the General fund of an amount not less than 45% of the next year's budgeted expenditures of the General fund. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City's fiscal year.
 - ii. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall in excess of \$50,000.00.
 - iii. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by property tax levies or alternative revenue sources generated within one to five years.

III. STABILIZATION ARRANGEMENTS

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

The City will set aside amounts by resolution as deemed necessary that can only be expended when certain specific circumstances exist. The resolution will identify and describe the specific circumstances under which a need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely.

IV. MONITORING AND REPORTING

The **City Administrator** and **Finance Director** shall annually prepare the status of fund balances in relation to this policy and present to the City Council in conjunction with the development of the annual budget.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1.) committed 2.) assigned and 3.) unassigned.

A negative residual amount may not be reported for restricted, committed, or assigned fund balances in the General fund.

**CITY OF ST. FRANCIS
ST. FRANCIS MN
ANOKA COUNTY**

RESOLUTION 2011-45

**END OF YEAR TRANSFERS
FOR THE YEAR 2011**

BE IT RESOLVED that the City Council of the City of St. Francis hereby approves the following transfers of funds:

	<u>FROM</u>	<u>TO</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
1	Liquor Fund	General Fund	Budgeted amount	50,000
2	Liquor Fund	Pioneer Days	Annual contribution	10,000
3	Water Fund	2007 Bonds (311)	Debt service	18,580
4	Sewer Fund	2007 Bonds (311)	Debt service	21,300

1. Annual budgeted transfer from Liquor Fund in lieu of taxes.
2. Annual contribution to Pioneer Days.
3. To cover debt service on 2007 Bonds – Street Improvements.
4. To cover debt service on 2007 Bonds – Street Improvements.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF ST. FRANCIS THIS 19TH DAY OF DECEMBER, 2011.

APPROVED:

Jerry Tveit, Mayor

ATTEST:

Barbara I. Held, City Clerk



&



CHARTERED

470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis MN 55402

(612) 337-9300 telephone
(612) 337-9310 fax
<http://www.kennedy-graven.com>

MEMORANDUM

To: Matt Hylan, City Administrator, City of St. Francis
City Council of the City of St. Francis

From: Julie Eddington, Kennedy & Graven

Re: Post-Issuance Compliance for Tax-Exempt Bonds

Date: December 12, 2011

Attached please find a “Post Issuance Compliance Procedure and Policy For Tax-Exempt Governmental Bonds,” which I recommend the City Council of the City of St. Francis (“City”) and the Board of the Economic Development Authority of St. Francis (the “EDA”) adopt due to recent changes in the Form 8038-G, which is an informational tax return that issuers of tax-exempt governmental bonds are required to submit to the Internal Revenue Service (the “IRS”) for each bond issued.. The revised Form 8038-G has added several new questions regarding whether the issuer of the bonds has written policies in place to (i) take action to remediate any private use that may occur in a bond-financed facility (which can cause the bonds to taxable) and (ii) to ensure that the arbitrage rules are followed.

In 2009, the IRS mailed its Governmental Bond Financings Compliance Check Questionnaire, Form 14002 to two hundred governmental entities that had issued tax-exempt bonds in 2005, and has suggested that it may send this questionnaire to more issuers in the near future. A major focus of the IRS questionnaire is whether the governing body of the issuer of tax-exempt governmental bonds has adopted written procedures for compliance with the tax code and the tax regulations related to the use of the proceeds of tax-exempt bonds and bond-financed facilities.

Given the recent focus of the IRS on written compliance policies and the new questions on the Form 8038-G, I recommend that the City Council and the EDA Board adopt the attached policy prior to or soon after the issuance of the EDA’s Public Project Lease Revenue Bonds, Series 2012A, scheduled to be issued on January 10, 2012. If you have any questions about post-issuance compliance or the proposed policy, please do not hesitate to call me at (612) 337-9213.

KENNEDY & GRAVEN, CHARTERED

Julie Eddington

**CITY OF ST. FRANCIS
ST. FRANCIS, MINNESOTA
ANOKA COUNTY**

RESOLUTION 2011-46

**RESOLUTION APPROVING POST-ISSUANCE COMPLIANCE
PROCEDURE AND POLICY FOR TAX-EXEMPT GOVERNMENTAL BONDS**

BE IT RESOLVED By the City Council (the "Council") of the City of St. Francis, Minnesota ("City") as follows:

Section 1. Recitals.

1.01. The City from time to time issues tax-exempt governmental bonds to finance various public capital improvements.

1.02. Under Sections 103 and 140 to 150 of the Internal Revenue Code of 1986, as amended (the "Code") and related regulations, the City is required to take certain actions after the issuance of such bonds to ensure that interest on those bonds remains tax-exempt.

1.03. The City has determined to adopt written procedures regarding how the City will carry out its bond compliance responsibilities, and to that end has caused to be prepared a document titled Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds (the "Policy").

1.04. The Council has reviewed the Policy has determined that it is in the best interest of the City to adopt the Policy.

Section 2. Policy Approved.

2.01. The Council approves the Policy in substantially the form on file in City Hall.

2.02. City staff are authorized to take all actions necessary to carry out the Policy.

Approved by the City Council of the City of St. Francis, Minnesota, this 19th day of December, 2011.

Jerry Tveit, Mayor

ATTEST:

Barbara I. Held, City Clerk

CITY OF ST. FRANCIS, MINNESOTA

AND

**ECONOMIC DEVELOPMENT AUTHORITY
FOR THE CITY OF ST. FRANCIS**

**POST-ISSUANCE COMPLIANCE PROCEDURE AND POLICY
FOR TAX-EXEMPT GOVERNMENTAL BONDS**

December 19, 2011

Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds

The City of St. Francis (the “City”) and the Economic Development Authority for the City of St. Francis (the “Authority”) issue tax-exempt governmental bonds to finance capital improvements. As issuers of tax-exempt governmental bonds, the City and the Authority are required by the terms of Sections 103 and 141-150 of the Internal Revenue Code of 1986, as amended (the “Code”), and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”), to take certain actions subsequent to the issuance of such bonds to ensure the continuing tax-exempt status of such bonds. In addition, Section 6001 of the Code and Section 1.6001-1(a) of the Treasury Regulations, impose record retention requirements on the City and the Authority with respect to their tax-exempt governmental bonds. This Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds (the “Policy”) has been approved and adopted by the City and the Authority to ensure that the City and the Authority comply with their post-issuance compliance obligations under applicable provisions of the Code and Treasury Regulations.

1. Effective Date and Term. The effective date of this Policy is the date of approval by the City Council of the City and the Board of Commissioners of the Authority (December 19, 2011) and shall remain in effect until superseded or terminated by action of the City Council of the City or the Board of Commissioners of the Authority.

2. Responsible Parties. The Finance Director of the City (the “Finance Director”) shall be the party primarily responsible for ensuring that the City and the Authority successfully carry out its post-issuance compliance requirements under applicable provisions of the Code and Treasury Regulations. The Finance Director will be assisted by the staff of the Finance Department of the City, the City Administrator, and other City and Authority staff and officials when appropriate. The Finance Director will also be assisted in carrying out post-issuance compliance requirements by the following organizations:

- (a) Bond Counsel (the law firm primarily responsible for providing bond counsel services for the City and the Authority);
- (b) Financial Advisor (the organization primarily responsible for providing financial advisor services to the City and the Authority);
- (c) Paying Agent (the person, organization, or City officer primarily responsible for providing paying agent services for the City and the Authority); and
- (d) Rebate Analyst (the organization primarily responsible for providing rebate analyst services for the City and the Authority).

The Finance Director shall be responsible for assigning post-issuance compliance responsibilities to members of the Finance Department, other staff of the City, Bond Counsel, Paying Agent, and Rebate Analyst. The Finance Director shall utilize such other professional service organizations as are necessary to ensure compliance with the post-issuance compliance requirements of the City and the Authority. The Finance Director shall provide training and educational resources to City staff who are responsible for ensuring compliance with any portion of the post-issuance compliance requirements of this Policy.

3. Post-Issuance Compliance Actions. The Finance Director shall take the following post-issuance compliance actions or shall verify that the following post-issuance compliance actions have been

taken on behalf of the City or the Authority with respect to each issue of tax-exempt governmental bonds issued by the City or the Authority:

(a) The Finance Director shall prepare or cause to be prepared a transcript of principal documents (this action will be the primary responsibility of Bond Counsel).

(b) The Finance Director shall file or cause to be filed with the Internal Revenue Service (the "IRS"), within the time limit imposed by Section 149(e) of the Code and applicable Treasury Regulations, an Information Return for Tax-Exempt Governmental Obligations, Form 8038-G (this action will be the primary responsibility of Bond Counsel).

(c) The Finance Director shall prepare or cause to be prepared an "allocation memorandum" for each issue of tax-exempt governmental bonds in accordance with the provisions of Treasury Regulations, Section 1.148-6(d)(1), that accounts for the allocation of the proceeds of the tax-exempt bonds to expenditures not later than the earlier of:

(i) eighteen (18) months after the later of (A) the date the expenditure is paid, or (B) the date the project, if any, that is financed by the tax-exempt bond issue is placed in service; or

(ii) the date sixty (60) days after the earlier of (A) the fifth anniversary of the issue date of the tax-exempt bond issue, or (B) the date sixty (60) days after the retirement of the tax-exempt bond issue.

Preparation of the allocation memorandum will be the primary responsibility of the Finance Director (in consultation with the Financial Advisor and Bond Counsel).

(d) The Finance Director, in consultation with Bond Counsel, shall identify proceeds of tax-exempt governmental bonds that must be yield-restricted and shall monitor the investments of any yield-restricted funds to ensure that the yield on such investments does not exceed the yield to which such investments are restricted.

(e) In consultation with Bond Counsel, the Finance Director shall determine whether the City is subject to the rebate requirements of Section 148(f) of the Code with respect to each issue of tax-exempt governmental bonds. In consultation with Bond Counsel, the Finance Director shall determine, with respect to each issue of tax-exempt governmental bonds, whether the City is eligible for any of the temporary periods for unrestricted investments and is eligible for any of the spending exceptions to the rebate requirements. The Finance Director shall contact the Rebate Analyst prior to the fifth anniversary of the date of issuance of each issue of tax-exempt governmental bonds of the City and each fifth anniversary thereafter to arrange for calculations of the rebate requirements with respect to such tax-exempt governmental bonds. If a rebate payment is required to be paid by the City, the Finance Director shall prepare or cause to be prepared the Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, Form 8038-T, and submit such Form 8038-T to the IRS with the required rebate payment. If the City is authorized to recover a rebate payment previously paid, the Finance Director shall prepare or cause to be prepared the Request for Recovery of Overpayments Under Arbitrage Rebate Provisions, Form 8038-R, with respect to such rebate recovery, and submit such Form 8038-R to the IRS.

4. Procedures for Monitoring, Verification, and Inspections. The Finance Director shall institute such procedures as the Finance Director shall deem necessary and appropriate to monitor the use of the proceeds of tax-exempt governmental bonds issued by the City and the Authority, to verify that

certain post-issuance compliance actions have been taken by the City and the Authority, and to provide for the inspection of the facilities financed with the proceeds of such bonds. At a minimum, the Finance Director shall establish the following procedures:

(a) The Finance Director shall monitor the use of the proceeds of tax-exempt governmental bonds to: (i) ensure compliance with the expenditure and investment requirements under the temporary period provisions set forth in Treasury Regulations, Section 1.148-2(e); (ii) ensure compliance with the safe harbor restrictions on the acquisition of investments set forth in Treasury Regulations, Section 1.148-5(d); (iii) ensure that the investments of any yield-restricted funds do not exceed the yield to which such investments are restricted; and (iv) determine whether there has been compliance with the spend-down requirements under the spending exceptions to the rebate requirements set forth in Treasury Regulations, Section 1.148-7.

(b) The Finance Director shall monitor the use of all bond-financed facilities in order to: (i) determine whether private business uses of bond-financed facilities have exceeded the *de minimus* limits set forth in Section 141(b) of the Code as a result of leases and subleases, licenses, management contracts, research contracts, naming rights agreements, or other arrangements that provide special legal entitlements to nongovernmental persons; and (ii) determine whether private security or payments that exceed the *de minimus* limits set forth in Section 141(b) of the Code have been provided by nongovernmental persons with respect to such bond-financed facilities. The Finance Director shall provide training and educational resources to any City and Authority staff who have the primary responsibility for the operation, maintenance, or inspection of bond-financed facilities with regard to the limitations on the private business use of bond-financed facilities and as to the limitations on the private security or payments with respect to bond-financed facilities.

(c) The Finance Director shall undertake the following with respect to each outstanding issue of tax-exempt governmental bonds of the City and the Authority: (i) an annual review of the books and records maintained by the City with respect to such bonds; and (ii) an annual physical inspection of the facilities financed with the proceeds of such bonds, conducted by the Finance Director with the assistance with any City staff who have the primary responsibility for the operation, maintenance, or inspection of such bond-financed facilities.

5. Record Retention Requirements. The Finance Director shall collect and retain the following records with respect to each issue of tax-exempt governmental bonds of the City and the Authority and with respect to the facilities financed with the proceeds of such bonds: (i) audited financial statements of the City or the Authority; (ii) appraisals, demand surveys, or feasibility studies with respect to the facilities to be financed with the proceeds of such bonds; (iii) publications, brochures, and newspaper articles related to the bond financing; (iv) trustee or paying agent statements; (v) records of all investments and the gains (or losses) from such investments; (vi) paying agent or trustee statements regarding investments and investment earnings; (vii) reimbursement resolutions and expenditures reimbursed with the proceeds of such bonds; (viii) allocations of proceeds to expenditures (including costs of issuance) and the dates and amounts of such expenditures (including requisitions, draw schedules, draw requests, invoices, bills, and cancelled checks with respect to such expenditures); (ix) contracts entered into for the construction, renovation, or purchase of bond-financed facilities; (x) an asset list or schedule of all bond-financed depreciable property and any depreciation schedules with respect to such assets or property; (xi) records of the purchases and sales of bond-financed assets; (xii) private business uses of bond-financed facilities that arise subsequent to the date of issue through leases and subleases, licenses, management contracts, research contracts, naming rights agreements, or other arrangements that provide special legal entitlements to nongovernmental persons and copies of any such agreements or

instruments; (xiii) arbitrage rebate reports and records of rebate and yield reduction payments; (xiv) resolutions or other actions taken by the governing body subsequent to the date of issue with respect to such bonds; (xv) formal elections authorized by the Code or Treasury Regulations that are taken with respect to such bonds; (xvi) relevant correspondence relating to such bonds; (xvii) documents related to guaranteed investment contracts or certificates of deposit, credit enhancement transactions, and financial derivatives entered into subsequent to the date of issue; (xviii) copies of all Form 8038-Ts and Form 8038-Rs filed with the IRS; and (xix) the transcript prepared with respect to such tax-exempt governmental bonds.

The records collected by the Finance Director shall be stored in any format deemed appropriate by the Finance Director and shall be retained for a period equal to the life of the tax-exempt governmental bonds with respect to which the records are collected (which shall include the life of any bonds issued to refund any portion of such tax-exempt governmental bonds or to refund any refunding bonds) plus three (3) years.

6. Remedies.

(a) In consultation with Bond Counsel, the Finance Director shall become acquainted with the remedial actions under Treasury Regulations, Section 1.141-12, to be utilized in the event that private business use of bond-financed facilities exceeds the *de minimus* limits under Section 141(b)(1) of the Code. If, as result of the procedures described in Section 4(b) of this Policy or otherwise, the Finance Director (in consultation with Bond Counsel) determines that a remedial action is or will be needed in order to prevent governmental bonds from meeting the private use test or the private loan financing test, the Finance Director will work with Bond Counsel to take a remedial action with respect to those bonds.

(b) The Finance Director shall also become acquainted with the Tax Exempt Bonds Voluntary Closing Agreement Program described in Notice 2008-31, 2008-11 I.R.B. 592, to be utilized as a means for an issuer to correct any post-issuance infractions of the Code and Treasury Regulations with respect to outstanding tax-exempt bonds.

7. Continuing Disclosure Obligations. In addition to its post-issuance compliance requirements under applicable provisions of the Code and Treasury Regulations, the City and the Authority have agreed to provide continuing disclosure, such as annual financial information and material event notices, pursuant to a continuing disclosure certificate or similar document (the "Continuing Disclosure Document") prepared by Bond Counsel and made a part of the transcript with respect to each issue of bonds of the City or the Authority that is subject to such continuing disclosure requirements. The Continuing Disclosure Documents are executed by the City or the Authority to assist the underwriters of the bonds of the City or the Authority in meeting their obligations under Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, as in effect and interpreted from time to time ("Rule 15c2-12"). The continuing disclosure obligations of the City and the Authority are governed by the Continuing Disclosure Documents and by the terms of Rule 15c2-12. The Finance Director is primarily responsible for undertaking such continuing disclosure obligations and to monitor compliance with such obligations.

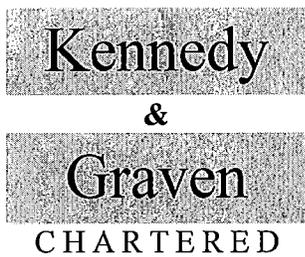
8. Other Post-Issuance Actions. If, in consultation with Bond Counsel, the Financial Advisor, the Paying Agent, the Rebate Analyst, the City Administrator, the Executive Director of the Authority, the City Attorney, the City Council, or the Board of Commissioners of the Authority, the Finance Director determines that any additional action not identified in this Policy must be taken by the Finance Director to ensure the continuing tax-exempt status of any issue of governmental bonds of the City or the Authority, as applicable, the Finance Director shall take such action if the Finance Director

has the authority to do so. If, after consultation with Bond Counsel, Financial Advisor, Paying Agent, Rebate Analyst, the City Attorney, the City Council, or the Board of Commissioners of the Authority, the Finance Director determines that this Policy must be amended or supplemented to ensure the continuing tax-exempt status of any issue of governmental bonds of the City or the Authority, the Finance Director shall recommend to the respective governing body that this Policy be so amended or supplemented.

9. Taxable Governmental Bonds. Most of the provisions of this Policy, other than the provisions of Section 8, are not applicable to governmental bonds the interest on which is includable in gross income for federal income tax purposes. However, if an issue of taxable governmental bonds is later refunded with the proceeds of an issue of tax-exempt governmental refunding bonds, then the uses of the proceeds of the taxable governmental bonds and the uses of the facilities financed with the proceeds of the taxable governmental bonds will be relevant to the tax-exempt status of the governmental refunding bonds. Therefore, if there is any reasonable possibility that an issue of taxable governmental bonds may be refunded, in whole or in part, with the proceeds of an issue of tax-exempt governmental bonds then, for purposes of this Policy, the Finance Director shall treat the issue of taxable governmental bonds as if such issue were an issue of tax-exempt governmental bonds and shall carry out and comply with the requirements of this Policy with respect to such taxable governmental bonds. The Finance Director shall seek the advice of Bond Counsel as to whether there is any reasonable possibility of issuing tax-exempt governmental bonds to refund an issue of taxable governmental bonds.

10. Qualified 501(c)(3) Bonds. If the City issues bonds to finance a facility to be owned by the City but which may be used, in whole or in substantial part, by a nongovernmental organization that is exempt from federal income taxation under Section 501(a) of the Code as a result of the application of Section 501(c)(3) of the Code (a "501(c)(3) Organization"), the City may elect to issue the bonds as "qualified 501(c)(3) bonds" the interest on which is exempt from federal income taxation under Sections 103 and 145 of the Code and applicable Treasury Regulations. Although such qualified 501(c)(3) bonds are not governmental bonds, at the election of the Finance Director, for purposes of this Policy, the Finance Director shall treat such issue of qualified 501(c)(3) bonds as if such issue were an issue of tax-exempt governmental bonds and shall carry out and comply with the requirements of this Policy with respect to such qualified 501(c)(3) bonds. Alternatively, in cases where compliance activities are reasonably within the control of the relevant 501(c)(3) Organization, the Finance Director may determine that all or some portion of compliance responsibilities described in this Policy shall be assigned to the relevant organization.

SA330-18 (JAE)
395724v1



470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis MN 55402

(612) 337-9300 telephone
(612) 337-9310 fax
<http://www.kennedy-graven.com>

MEMORANDUM

TO: Matt Hysten, City Administrator of St. Francis
City Council of St. Francis
Economic Development Authority of St. Francis

FROM: Julie Eddington, Bond Counsel

DATE: December 12, 2011

RE: Public Project Lease Revenue Bonds, Series 2012A

Enclosed please find a resolution to be considered by the City Council (the "Council") of the City of St. Francis, Minnesota (the "City") at its meeting on Monday, December 19, 2011, and a resolution to be considered by the Board of the Economic Development Authority of the City of St. Francis (the "Authority") at its meeting on the same date. The resolutions provide final approval to the issuance, delivery, and sale of the Authority's Public Project Lease Revenue Bonds, Series 2012A (the "Bonds") in an aggregate principal amount not to exceed \$8,200,000 and the execution and delivery of related bond documents. The related bond documents include: (i) a Ground Lease, dated as of January 1, 2012 (the "Ground Lease"), between the City and the Authority; (ii) a Lease Purchase Agreement, dated as of January 1, 2012 (the "Lease"), between the City and the Authority; and (iii) the Mortgage and Security Agreement and Trust Indenture, dated as of January 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, acting as Trustee for the bonds. A brief explanation of the financing follows.

Pursuant to the Ground Lease, the Authority will acquire a leasehold interest in property from the City. Pursuant to the Lease, the Authority will lease the same property back to the City, including any buildings to be constructed on the property.

The terms of the Bonds are set out in the Indenture. Proceeds of the Bonds will be loaned by the Authority to the City and applied, along with an equity contribution from the City, to finance the acquisition of the property, the construction and equipping of a public safety and public works building, the funding of a reserve fund to secure the Bonds, and the payment of the costs of issuing the Bonds.

Under the Lease, the City will pay lease payments equal to the debt service on the Bonds in order to eventually acquire the public safety and public works building. When the Bonds are paid in full (either at maturity or at prepayment), the City will own the improvements outright and the Authority's leasehold rights under the Ground Lease will terminate.

Pursuant to Section 5.6 of the Lease Purchase Agreement, the City has the right, each year during the term of the Lease Purchase Agreement, to "nonappropriate" funds needed for lease payments and terminate

the Lease Purchase Agreement. If that occurs, the City relinquishes all rights to the public safety and public works building, but retains its ownership in the land (subject to the Authority's leasehold interest in the property).

Under the terms of the Indenture, the Authority will assign and mortgage to the Trustee all of the Authority's right, title and interest in and to the property, the building to be constructed, the Ground Lease, the Lease, the Lease Payments and the Additional Lease Payments (as defined in the Lease) to be made by the City thereunder (other than certain rights to indemnification and payment of expenses) as security for the Bonds. The Indenture will not be recorded against the property as a mortgage unless an Event of Default (as defined in the Indenture) occurs. If the City decides to not appropriate funds for the payments under the Lease, the Trustee would hold the property (subject to the Ground Lease) for the benefit of bondholders and seek an alternative tenant to provide lease revenues needed to pay the Bonds.

Please contact me at your convenience with any questions regarding the foregoing.

KENNEDY & GRAVEN, CHARTERED

Julie Eddington

cc: Scott Lepak, City Attorney

Extract of Minutes of Meeting
of the City Council of the
City of St. Francis, Anoka County, Minnesota

Pursuant to due call and notice thereof a regular meeting of the City Council of the City of St. Francis, Minnesota was held at the Independent School District No. 15 District Office in said City on Monday, December 19, 2011, commencing at 6:00 P.M.

The following members were present:

and the following were absent:

The following written resolution was presented by Member _____, the reading of which was dispensed with by unanimous consent, who moved its adoption:

RESOLUTION 2011- 47

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF GROUND LEASE AND LEASE-PURCHASE AGREEMENT, AND APPROVING AND AUTHORIZING ISSUANCE OF PUBLIC PROJECT LEASE REVENUE BONDS AND EXECUTION OF RELATED DOCUMENTS

BE IT RESOLVED by the City Council of the City of St. Francis, Minnesota (the City”), as follows:

Section 1. Recitals.

1.01. Statutory Authorization. The City is authorized by Minnesota Statutes, Section 465.71, as amended, to acquire real and personal property under a lease-purchase agreement.

1.02. Lease Agreements. The City has agreed with the Economic Development Authority for the City of St. Francis (the “Authority”) that pursuant to a Ground Lease, dated as of January 1, 2012 (the “Ground Lease”), the Authority will acquire the City’s leasehold interest in certain property, and the Authority will lease such leasehold interest in property, together with the buildings, structures or improvements now or hereafter located thereon (the “Site”), to the City pursuant to a Lease-Purchase Agreement, dated as of January 1, 2012 (the “Lease”).

1.03. Issuance of the Bonds. Pursuant to a resolution adopted by the Board of Commissioners of the Authority on December 19, 2011 (the “Bond Resolution”), and a Mortgage and Security Agreement and Trust Indenture, dated as of January 1, 2012 (the “Indenture”), between the Authority and U.S. Bank National Association, as trustee, the Authority will issue its Public Project Lease Revenue Bonds, Series 2012A (the “Bonds”), in an aggregate principal amount of \$8,200,000 for the benefit of the City.

1.04. The Project. Pursuant to the Bond Resolution, proceeds of the Bonds will be loaned to the City and applied, along with an equity contribution from the City, to (i) the acquisition of the Site; (ii) the construction and equipping of a public safety and public works building on the Site (the “Facilities”); (iii) the funding of a reserve fund to secure the timely payment of the Bonds; and (iv) the payment of the costs of issuing the Bonds.

1.05. Forms of Documents. Forms of the Ground Lease, the Lease, the Indenture (including a form of the Bonds), and an Official Statement related to the Bonds (the “Official Statement”) and a Continuing Disclosure Certificate of the City to be dated on or after January 10, 2012, have been prepared and submitted to this Council and are on file with the City.

1.06. Definitions. All capitalized terms not herein defined shall have the meaning assigned to them in the Lease and the Bond Resolution.

Section 2. Findings. It is hereby found, determined and declared that:

(a) it is desirable and in the best interest of the City to enter into the Ground Lease and the Lease;

(b) the terms of the Ground Lease and the Lease are found to be advantageous to the City and the form and terms thereof are hereby approved; and

(c) the City presently intends to appropriate all Lease Payments under the Lease for the term of the Lease; however, the obligations of the City under the Lease are not payable from nor charged upon any funds of the City other than the funds appropriated annually to the payment thereof, and the Lease shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City except its interest in the Lease and in the Site and the Facilities under the Lease.

Section 3. Authorization of Documents. The Mayor and the City Administrator are authorized and directed to execute and deliver the Ground Lease and the Lease on behalf of the City, substantially in the forms on file with the City, but with all such changes therein as shall be approved by the officers executing the same, which approval shall be conclusively evidenced by the execution thereof. Copies of all of the transaction documents shall be delivered, filed, and recorded as provided therein. The Mayor, the City Administrator, the Finance Director of the City, and other City officers are also authorized and directed to execute such other instruments as may be required to give effect to the transactions herein contemplated, including but not limited to a tax compliance certificate.

Section 4. Official Statement. The Official Statement, as completed and supplemented, and its distribution to potential purchasers of the Bonds, is hereby approved. The Mayor and City Administrator are authorized and directed to certify that they have examined the Official Statement prepared and circulated in connection with the issuance and sale of the Bonds and that to the best of their knowledge and belief the Official Statement is a complete and accurate representation of the facts and representations made therein as of the date of the Official Statement.

Section 5. Continuing Disclosure.

5.01. Execution of Continuing Disclosure Certificate. “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate to be executed by the Mayor and City Administrator of the City and dated on or after January 10, 2012, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

5.02. City Compliance with Provisions of Continuing Disclosure Certificate. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate substantially in the form on file with the City. Notwithstanding any other provision of this Resolution, failure of the City to comply with the Continuing Disclosure Certificate is not to be considered an event of default with respect to the Bonds; however, any bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

Section 6. Approval of Issuance and Sale of Bonds and Indenture. The issuance and sale by the Authority of the Bonds as described in the Official Statement and the Bond Resolution is hereby approved. The execution of the Indenture by the Authority is hereby approved.

Section 7. Payment of Lease Payments. The City will pay to the Authority, promptly when due, all of the Lease Payments and other amounts required by the Lease. To provide moneys to make such payments, the City will include in its annual budget, for each Fiscal Year during the term of the Lease, commencing with the Fiscal Year ending on December 31, 2012, moneys sufficient to pay and for the purpose of paying all Lease Payments, a reasonable estimate of Additional Lease Payments, and other amounts payable under the Lease. The agreement of the City in this Section is subject to the City’s right to terminate the Lease at the end of any Fiscal Year, as set forth in Section 5.6 of the Lease.

Section 8. Miscellaneous.

8.01. Not Private Activity Bonds. No action shall be taken or authorized to be taken in connection with the application or investment of the proceeds of the Bonds which would cause the Bonds to be or become "private activity bonds" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code") and the applicable Treasury Regulations (the "Regulations") promulgated thereunder, or be or become "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable Regulations promulgated thereunder. The City shall take all such actions as may be required under the Code and applicable Regulations to ensure that interest on the Bonds is not includable in gross income for federal income tax purposes. The Site, the Facilities, and the proceeds of the Bonds will likewise be used in such manner that the Bonds will not be "private activity bonds" under Section 141 of the Code and the Regulations.

8.02. Not Arbitrage Bonds. The investments of the proceeds of the Bonds, including the investments of any revenues pledged to the Bonds which are considered proceeds under Section 148 of the Code and the applicable Regulations promulgated thereunder, and accumulated sinking funds, if any, shall be limited as to amount and yield in such manner that the Bonds shall not be or become "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable Regulations promulgated thereunder. On the basis of the existing facts, estimates, and circumstances, including the foregoing findings and covenants, it is not expected that the proceeds of the Bonds will be used in such manner as to cause the Bonds to be or become "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable Treasury Regulations promulgated thereunder.

8.03. Bond Transcript. The officers of the City are authorized and directed to prepare and furnish to the original purchaser of the Bonds, and to the attorneys approving the Bonds, certified copies of all proceedings and records of the City relating to the power and authority of the City to enter into the Ground Lease and the Lease within their knowledge or as shown by the books and records in their custody and control, and such certified copies and certificates shall be deemed representations of the City as to the facts stated therein.

Section 9. Effective Date. This resolution shall be effective immediately upon its final adoption.

Adopted by the City Council of the City of St. Francis, Anoka County, Minnesota on the 19th day of December, 2011.

CITY OF ST. FRANCIS

Jerry Tveit, Mayor

ATTEST:

Barbara I. Held, City Clerk

STATE OF MINNESOTA)
)
COUNTY OF ANOKA) SS.
)
CITY OF ST. FRANCIS)

I, the undersigned, being the duly qualified and acting City Clerk of the City of St. Francis, Minnesota (the "City") do hereby certify that I have carefully compared the attached and foregoing resolution of a regular meeting of the City held on December 19, 2011, with the original resolution on file in my office and the attached is a full, true and correct copy of the resolution insofar as it relates to the issuance and sale of the Public Project Lease Revenue Bonds, Series 2012A, in an aggregate principal amount of \$8,200,000, by the Economic Development Authority for the City of St. Francis.

WITNESS My hand officially as such City Clerk this _____ day of _____, 20__.

City Clerk
City of St. Francis, Minnesota

GROUND LEASE

Between

**CITY OF ST. FRANCIS, MINNESOTA,
as Lessor**

and

**ECONOMIC DEVELOPMENT AUTHORITY FOR THE
CITY OF ST. FRANCIS, MINNESOTA,
as Lessee**

Dated as of January 1, 2012

Related to:

**\$8,200,000
Economic Development Authority for the City of St. Francis, Minnesota
Public Project Lease Revenue Bonds
Series 2012A**

This instrument was drafted by:
KENNEDY & GRAVEN, CHARTERED (JAE)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, Minnesota 55402
(612) 337-9300

GROUND LEASE

THIS GROUND LEASE (the "Ground Lease"), made as of this 1st day of January, 2012, is by and between the CITY OF ST. FRANCIS, MINNESOTA, a home rule charter city and political subdivision of the State of Minnesota (the "City"), as Lessor, and the ECONOMIC DEVELOPMENT AUTHORITY FOR THE CITY OF ST. FRANCIS, MINNESOTA, a public body corporate and politic and political subdivision of the State of Minnesota (together with its successors and assigns as lessee hereunder, the "Authority"), as Lessee.

WITNESSETH:

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

ARTICLE I

Demise of Sites and Warranties

Section 1.01. Demise. Subject to and upon the terms, conditions, covenants and undertakings hereinafter set forth, the City hereby leases and permits the use to, and the Authority hereby leases from the City, the property described in EXHIBIT A attached hereto, subject to the Permitted Encumbrances set forth in EXHIBIT B, located in Anoka County, Minnesota (hereinafter called the "Site").

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

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

(2) That the Site is not subject to any dedication, easement, right-of-way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the construction of a public safety and public works building (the "Facilities") on the Site, as contemplated by that certain Lease-Purchase Agreement, dated as of January 1, 2012 (hereinafter called the "Lease"), between the City and the Authority;

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

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

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

Section 1.03. Environmental Covenants. To the best knowledge of the City, without conducting investigation, (i) no dangerous, toxic or hazardous pollutants, contaminants, chemicals, waste, materials or substances, as defined in or governed by the provisions of any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating thereto (collectively, "Environmental Regulations"), and also including urea-formaldehyde, polychlorinated biphenyls, asbestos, asbestos-containing materials, nuclear fuel or waste, radioactive materials, explosives, carcinogens and petroleum products, or any other waste, material, substance, pollutant or contaminant which would subject the owner of the Site and the Facilities to any damages, penalties or liabilities under any applicable Environmental Regulation

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

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

In the event any Hazardous Substance is found upon, under, over or from the Site or the Facilities in violation of any Environmental Regulation or if any lien or claim for lien in favor of any governmental entity or agency as a result of any release of any Hazardous Substance is threatened, the City, at its sole cost and expense, shall, within ten days of such finding, deliver written notice thereof to the Authority and the Trustee (as defined in the Lease) and shall promptly remove such Hazardous Substances upon, under, over or from the Site or the Facilities and prevent the imposition of any liens against the Site or the Facilities for the cleanup of any Hazardous Materials. Such removal shall be conducted and completed in compliance with all applicable federal, state and local laws, regulations, rules, ordinances and policies, in accordance with the orders and directives of all federal, state and local governmental authorities. In the event the City has not removed such Hazardous Substances within a time period deemed reasonable by the Authority, the City shall, at the written direction of the Authority, take such remedial action as the Authority shall direct. In the event the City does not comply with the written directions of the Authority within the time frame established within its written directions, the City hereby grants to the Authority an irrevocable license to remove Hazardous Substances from, repair, clean up, and detoxify the Site and the Facilities and agrees to reimburse the Authority for all of their costs therefor. The City reserves the right to recover from responsible third parties all costs or reimbursements paid by the City under this Section 1.03.

The City further agrees, to the extent permitted by Minnesota law, to reimburse the Authority and the Trustee for any and all claims, demands, judgments, penalties, liabilities, costs, damages and expenses, including court costs and attorneys' fees directly or indirectly incurred by the Authority and the Trustee (prior to trial, at trial and on appeal) in any action against or involving the Authority or the Trustee, resulting from any breach of the foregoing covenants, or from the discovery of any Hazardous Substance, in, upon, under or over, or emanating from the Site or the Facilities, whether or not the City is responsible therefor, it being the intent of the City, the Authority, and the Trustee that the Authority and the Trustee shall have no liability or responsibility for damage or injury to human health, the environment or natural resources caused by, for abatement and/or clean up of, or otherwise with respect to, Hazardous Substances by virtue of the interests of the Authority and the Trustee in the Site and the Facilities pursuant to this Ground Lease, or hereafter created, or as the result of the Authority and the Trustee exercising any of its or their rights or remedies with respect thereto hereunder or under any other instrument, including but not limited to becoming the owner thereof by foreclosure or conveyance in lieu of foreclosure. The foregoing representations, warranties and covenants of this Section shall be deemed continuing covenants, representations and warranties for the benefit of the Authority and the Trustee, including but not limited to any purchaser at a foreclosure sale, any transferee of the title of the Trustee or any other purchaser at a foreclosure sale, and any subsequent owner of the Site or the Facilities, and shall survive the satisfaction or release of this Ground Lease, any foreclosure of a mortgage lien under the Indenture or any other instrument, and/or any acquisition of title to the Site or the Facilities or any part thereof by the Authority or the Trustee, by deed in lieu of foreclosure or otherwise. Any amounts covered by the foregoing shall bear interest from the date incurred at the maximum rate permitted by law and shall be payable on demand.

ARTICLE II

Term and Rent

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

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

ARTICLE III

Termination

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

(1) The earlier of February 1, 2047, or the date on which the City has paid all Lease Payments owing by the City as lessee under the Lease.

(2) The exercise by the City of its option to prepay the Lease Payments and all other sums due in accordance with the terms and conditions of the Lease.

(3) The termination of the Lease Term by the City for nonappropriation pursuant to Section 5.6 of the Lease and the receipt by the Authority of amounts from the sublease or other disposition of the Authority's interest in the Site and the Facilities sufficient to:

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

(b) Reimburse the Authority for all capital costs and expenses in any manner incurred by the Authority with respect to preparing the Site and the Facilities for sublease for commercial or other lawful purposes (as used in this Ground Lease, the right to sublease the Site includes the right to sell all leasehold interests in the Site); and

(c) Pay to the Authority the unpaid principal of and interest on the Bonds described in the Lease.

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

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

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

(c) Pay to the Authority the unpaid principal of and interest on the Bonds described in the Lease.

The amounts referred to in paragraphs (a), (b) and (c) of Subsection 3.01(3) or 3.01(4), as applicable, are hereinafter referred to as the "Reimbursement Amount."

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

FIRST -- To the payment of unpaid principal of and interest on the Bonds described in the Lease;

SECOND -- To the payment of administrative costs and costs of operation of the Site and the Facilities incurred by the Authority;

THIRD -- To the payment of interest on the outstanding Reimbursement Amount at the rate of three percent (3.0%) per annum to be retained by the Authority; and

FOURTH -- Any remaining amount thereof shall be retained by the Authority and credited to the payment of the Reimbursement Amount.

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

Section 3.03. Reports. In the event that the Term of the Lease is terminated by the City because of nonappropriation pursuant to Section 5.6 of the Lease or terminated by the Authority as a result of the occurrence of an Event of Default by the City thereunder, the Authority shall keep complete and accurate records regarding any sublease of the Site and the Facilities and shall, within sixty (60) days after the end of each Fiscal Year of the City, deliver a written report to the City showing: (a) all amounts received by the Authority from any sublease of the Site and the Facilities; (b) an analysis as to whether the Authority has received the Reimbursement Amount, with all supporting calculations; and (c) the date, if any, during the next Fiscal Year of the City on which the Authority expects to receive the Reimbursement Amount. Such written report shall be verified by a certified public accountant or firm of certified public accountants not in the regular employ of the Authority. The City shall have the right, at its own expense, to examine all of the Authority's records insofar as they relate to the Site and the Facilities. Such examination shall be made at the Authority's offices during normal business hours.

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

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

ARTICLE IV

Use of Site; Additional Covenants

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

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

Section 4.03. Assignment and Subletting. The Authority shall have the right to assign its interest in this Ground Lease, and to sublet the Site in accordance with the Lease. Specifically, on the date of execution of this Ground Lease, the Authority shall assign all of its right, title and interest hereunder to the Trustee named in the Lease, and the City hereby consents to such assignment. From and after such assignment, all references herein to the Authority shall be deemed to be references to the Trustee.

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

Section 4.05. Release of Land. The Authority and the City agree to release from this Ground Lease and the Lease certain portions of the Site, as provided in Section 6.6 of the Lease.

ARTICLE V

Miscellaneous

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

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

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

The Authority has caused this Ground Lease to be executed in its corporate name by its duly authorized officers and such Ground Lease is effective as of January __, 2012.

**ECONOMIC DEVELOPMENT AUTHORITY FOR
THE CITY OF ST. FRANCIS, MINNESOTA**

By _____
Its President

By _____
Its Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

On this ____ day of _____, 20__, before me, a Notary Public within and for said County, personally appeared Chris McClish, to me personally known, who, being by me duly sworn, did say that he is the President of the Economic Development Authority for the City of St. Francis, Minnesota, the Authority referred to in the foregoing instrument, and that he acknowledged this Ground Lease to be the free act and deed of said Authority.

Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

On this ____ day of _____, 20__, before me, a Notary Public within and for said County, personally appeared Matthew Hylan, to me personally known, who, being by me duly sworn, did say that he is the Executive Director of the Economic Development Authority for the City of St. Francis, Minnesota, the Authority referred to in the foregoing instrument, and that he acknowledged this Ground Lease to be the free act and deed of said Authority.

Notary Public

EXHIBIT A

Legal Description of Site

[Insert legal description]

EXHIBIT B

Permitted Encumbrances

[Insert permitted encumbrances]

SA330-18 (JAE)
393570v1

LEASE-PURCHASE AGREEMENT

between

**ECONOMIC DEVELOPMENT AUTHORITY FOR THE
CITY OF ST. FRANCIS, MINNESOTA,
as Lessor**

and

**CITY OF ST. FRANCIS, MINNESOTA,
as Lessee**

Dated as of January 1, 2012

Related to:

**\$8,200,000
Economic Development Authority for the City of St. Francis, Minnesota
Public Project Lease Revenue Bonds
Series 2012A**

This instrument drafted by:

KENNEDY & GRAVEN, CHARTERED (JAE)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, Minnesota 55402
(612) 337-9300

TABLE OF CONTENTS

Page

PARTIES AND RECITALS 1

**ARTICLE I
Definitions and Exhibits**

Section 1.1 Definitions 2
Section 1.2 Exhibits 5

**ARTICLE II
Representations, Covenants and Warranties**

Section 2.1 Representations, Covenants and Warranties of the City 6
Section 2.2 Representations, Covenants and Warranties of the Authority 7

**ARTICLE III
Acquisition and Construction of Facilities; Payment of Project Costs**

Section 3.1 Project Costs 8
Section 3.2 Acquisition and Construction of Facilities; Payment of Costs 8

**ARTICLE IV
Lease and Sale of Facilities**

Section 4.1 Lease and Sale of Facilities 10
Section 4.2 Lease Payments 10
Section 4.3 Additional Lease Payments 10
Section 4.4 Source of Lease Payments 11
Section 4.5 City’s Obligations and Remedies 11
Section 4.6 Possession and Enjoyment 12
Section 4.7 Authority and Trustee Access to Site and the Facilities 12

**ARTICLE V
Term of Lease; Transfer or Surrender of Site**

Section 5.1 Lease Term 13
Section 5.2 Termination of Lease Term 13
Section 5.3 Authority’s Interest in the Site and Facilities 13
Section 5.4 Surrender of Site and Facilities 13
Section 5.5 Purchase; Conveyance of Title 13
Section 5.6 Non-Appropriation 14
Section 5.7 Intent to Continue Term; Appropriations 14
Section 5.8 Effect of Termination 14

**ARTICLE VI
General Matters**

Section 6.1	Use; Permits.....	15
Section 6.2	Maintenance and Modification of Facilities by the City.....	15
Section 6.3	Taxes, Other Governmental Charges and Utility Charges.....	16
Section 6.4	Liens.....	16
Section 6.5	Easements	16
Section 6.6	Compliance with Indenture	17
Section 6.7	Financial Statements.....	17
Section 6.8	Continuing Disclosure Certificate	17
Section 6.9	Tax Covenants	17

**ARTICLE VII
Insurance and Indemnification; Damage, Destruction and Condemnation**

Section 7.1	Liability Insurance.....	18
Section 7.2	Property Insurance.....	18
Section 7.3	Administration of Claims.	18
Section 7.4	Other Insurance and Requirements for All Insurance.....	18
Section 7.5	Indemnification.....	19
Section 7.6	Hazardous Substance Indemnification	19
Section 7.7	Damage, Destruction, and Condemnation.....	19
Section 7.8	Insufficiency of Net Proceeds.....	20
Section 7.9	Cooperation of Authority.....	20
Section 7.10	Condemnation of Other Property Owned by the City.....	20

**ARTICLE VIII
Option to Purchase; Option to Prepay**

Section 8.1	Option to Purchase or Prepay	21
Section 8.2	Exercise of Option	21
Section 8.3	Provision for Payment of Purchase Price; Discharge of City's Obligation	21
Section 8.4	Prerequisite; No Default	21

**ARTICLE IX
Assignment, Subleasing, Indemnification, Mortgaging and Selling**

Section 9.1	Assignment by Authority	22
Section 9.2	Assignment and Subleasing by the City.....	22
Section 9.3	Restriction on Mortgage or Sale of Project by the City	22

**ARTICLE X
Events of Default and Remedies**

Section 10.1	Events of Default Defined	23
Section 10.2	Remedies on Default	24
Section 10.3	Delay; Notice.....	24
Section 10.4	No Remedy Exclusive	24
Section 10.5	No Additional Waiver Implied by One Waiver	24

ARTICLE XI
Administrative Provisions

Section 11.1	Notices	25
Section 11.2	Binding Effect.....	25
Section 11.3	Severability	25
Section 11.4	Amendments, Changes and Modifications	25
Section 11.5	Further Assurances and Corrective Instruments	25
Section 11.6	Brokerage Confirmations	25
Section 11.7	Execution in Counterparts	26
Section 11.8	Applicable Law.....	26
Section 11.9	Authorized Officers	26
Section 11.10	Captions	26
SIGNATURES		S-1
EXHIBIT A	Legal Description of Site.....	A-1
EXHIBIT B	Schedule of Lease Payments	B-1

LEASE-PURCHASE AGREEMENT

THIS LEASE-PURCHASE AGREEMENT, dated as of January 1, 2012 (the "Lease"), is by and between the ECONOMIC DEVELOPMENT AUTHORITY FOR THE CITY OF ST. FRANCIS, MINNESOTA, a public body corporate and politic and political subdivision of the State of Minnesota, as lessor (the "Authority"), and the CITY OF ST. FRANCIS, a home rule charter city and political subdivision of the State of Minnesota (the "City"), as lessee;

WITNESSETH:

WHEREAS, pursuant to Minnesota Statutes, Section 465.71, as amended, the City is authorized by law to acquire such items of real and personal property as are needed to carry out its governmental and proprietary functions, and to acquire such real and personal property by entering into lease-purchase agreements; and

WHEREAS, the City has determined that it is necessary for it to acquire pursuant to this Lease the Authority's interest in certain real property described on EXHIBIT A hereto (the "Site"), together with certain buildings, structures and improvements to be constructed thereon (the "Facilities"); and

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

WHEREAS, the Authority is willing to acquire a leasehold interest in the Site pursuant to a Ground Lease, dated as of January 1, 2012 (the "Ground Lease"), from the City to the Authority, and to acquire title to the Facilities and to lease and sell the Site and the Facilities to the City, pursuant to this Lease; and

WHEREAS, to provide funds for the acquisition and construction of the Facilities, the Authority will issue its Public Project Lease Revenue Bonds, Series 2012A (the "Bonds"), in the aggregate principal amount of \$8,200,000, pursuant to a resolution adopted by the Board of Commissioners of the Authority on December 19, 2011, and a Mortgage and Security Agreement and Trust Indenture, dated as of January 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, pursuant to the Indenture, the Authority will assign and mortgage to the Trustee all of the Authority's right, title and interest in and to the Site, the Ground Lease, this Lease, and the Lease Payments to be made hereunder (other than certain rights to indemnification and payment of expenses of the Authority); and

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

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

ARTICLE I

Definitions and Exhibits

Section 1.1. Definitions. Capitalized terms used herein but not defined have the meanings given those terms in the Indenture. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease and Exhibits attached hereto, have the meanings herein specified:

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

“Authority” means the Economic Development Authority for the City of St. Francis, Minnesota, a public body corporate and politic and political subdivision of the State of Minnesota, and its successors and assigns as lessor hereunder.

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

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

“Bond Resolution” means the resolution authorizing the issuance and sale of the Bonds, adopted by the Authority on December 19, 2011.

“Bonds” means the Authority’s Public Project Lease Revenue Bonds, Series 2012A, in the original aggregate principal amount of \$8,200,000.

“Business Day” means any day on which the Trustee is open for business.

“City” means the City of St. Francis, a home rule charter city and political subdivision of the State of Minnesota, and any successor to its functions.

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

“Closing Date” means the date upon which the Bonds are delivered to the Original Purchaser against payment therefor. The Closing Date for the Bonds is January 10, 2012.

“Completion Date” means the date of completion of construction of the Improvements and acquisition of the Facilities, established in accordance with Section 3.2(e) hereof.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate executed by the City in connection with the issuance of the Bonds in order to assist the Participating Underwriters (as defined therein) in complying with SEC Rule 15c2-12(b)(5).

“Costs of Issuance” means:

(a) the fees, costs, and expenses of (i) the Authority and the Authority's financial advisor, (ii) the underwriter, including the underwriter's discount, (iii) Bond Counsel, and (iv) the Trustee;

(b) costs of printing the offering documents relating to the sale of the Bonds; and

(c) all other fees, costs, and expenses directly associated with the authorization, issuance, sale, and delivery of the Bonds, including printing costs, costs of reproducing documents and any filing and recording fees.

"Facilities" means any buildings, structures and improvements to be constructed on the Site, and all furniture, fixtures and equipment to be acquired with proceeds of the sale of the Bonds and located thereon.

"Fiscal Year" means the twelve-month fiscal period of the City, which commences on January 1 and ends on December 31 of each year.

"Ground Lease" means the Ground Lease, dated as of January 1, 2012, by which the City leases the Site to the Authority, as amended or supplemented from time to time.

"Improvements" means any addition, enlargement, improvement, extension or alteration of or to the Facilities as they then exist, and also means any fixtures, structures or other facilities (other than the Facilities) acquired or constructed by the City and located on the Site.

"Indenture" means the Mortgage and Security Agreement and Trust Indenture dated as of January 1, 2012, by and between the Authority and the Trustee, and any amendments or supplements thereto.

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

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

"Interest Payment Date" means August 1, 2012, and each February 1 and August 1 thereafter until the Bonds are paid in full.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Lease" means this Lease-Purchase Agreement, dated as of January 1, 2012, between the Authority, as lessor, and the City, as lessee, as amended or supplemented from time to time.

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

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

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

“Original Purchaser” means, with respect to the Bonds, Northland Securities, Inc., Minneapolis, Minnesota.

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

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

“Project” means the acquisition, construction, and equipping of a public safety and public works building to be constructed on the Site.

“Project Costs” means the costs defined in Section 4.03 of the Indenture.

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

“Record Date” means the 15th day of the calendar month next preceding any Interest Payment Date, regardless of whether such day is a Business Day.

“Reserve Fund” means the Reserve Fund established under Section 5.02 of the Indenture.

“Reserve Requirement” means the least of (i) ten percent (10%) of the original principal amount of all series of Outstanding Bonds or (ii) the maximum principal and interest to become due on all Outstanding Bonds in the current year or any future year or (iii) one hundred twenty-five percent (125%) of the original average annual principal and interest to become due on the Outstanding Bonds.

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

“State” means the State of Minnesota.

“State and Federal Laws” means the Constitution and any law of the State and any ordinance, rule or regulation of any agency or political subdivision of the State; and any law of the United States, and any rule or regulation of any executive department or federal agency.

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

“Trustee” means U.S. Bank National Association, Saint Paul, Minnesota, and its successors and assigns as Trustee under the Indenture.

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

EXHIBIT A: A legal description of the Site and Facilities being leased and purchased by the City pursuant to this Lease, and a listing of Permitted Encumbrances.

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

EXHIBIT C: The form of completion certificate to be delivered by the City to evidence the Completion Date.

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

ARTICLE II

Representations, Covenants and Warranties

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

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

(b) Neither the execution and delivery of this Lease, nor the fulfillment of or compliance with the terms and conditions thereof, nor the consummation of the transactions contemplated thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the City, or upon the Site and the Facilities except Permitted Encumbrances.

(c) This Lease is entered into under authority of and pursuant to Minnesota Statutes, Section 465.71, as amended.

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

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

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

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

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

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

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

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

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

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

ARTICLE III

Acquisition and Construction of Facilities; Payment of Project Costs

Section 3.1. Project Costs. The City has caused estimates of the Project Costs of the Facilities to be prepared, which estimates have been reviewed and approved by the Authority. Based on such estimates, the total Project Costs are estimated to be not less than \$8,200,000. In order to provide the money needed to pay the Project Costs when due, and in consideration of the actions agreed to be performed by the City under this Lease, the Authority has entered into the Indenture, pursuant to which the proceeds of sale of the Bonds in the amount of \$_____ (par amount of \$8,200,000.00, plus original issue premium of \$_____, less original issue discount of \$_____, less underwriter's discount of \$_____), plus accrued interest, will be deposited in the Reserve Fund, the Bond Fund, and the Project Fund and applied as provided in the Indenture.

Section 3.2. Acquisition and Construction of Facilities; Payment of Costs.

(a) The Authority shall establish the Project Fund with the Trustee in accordance with the Indenture. A portion of the proceeds of the issuance and sale of the Bonds shall be deposited into the Project Fund, in accordance with the provisions of the Indenture, to pay the cost of acquiring the Site. The money on deposit in the Project Fund shall be applied by the Trustee as provided in this Section and as otherwise provided in Article IV of the Indenture. Until the money on deposit in the Project Fund is so applied, such money shall be subject to the lien of the Indenture, and the Authority and the City shall have no right, title or interest therein except as expressly provided in this Lease and the Indenture.

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

(c) Disbursements from the Project Fund are to be made to the City or to its order in accordance with the Indenture; provided that requests for disbursements with respect to Costs of Issuance shall be made in accordance with paragraph (f) of this Section.

(d) If the money in the Project Fund, together with any other money made available to pay the Project Costs, shall not be sufficient to pay the Project Costs in full, then the City shall pay all that portion of the Project Costs in excess of the money available therefor. If the City shall make any payments pursuant to this paragraph (d), it shall not be entitled to any reimbursement therefor from the Authority, the Trustee, or the Owners of the Bonds, nor shall it be entitled to any diminution in or postponement of the payment of the Lease Payments, the Additional Lease Payments or the payment of any other amounts payable under this Lease.

(e) The Completion Date shall be the date on which the Improvements are completed in their entirety and ready to be placed in service and all other property which constitutes the Facilities has been acquired and installed, all as determined by the City. Promptly after the Completion Date, the City shall submit to the Authority and the Trustee a certificate signed by an officer of the City, substantially in the form

of EXHIBIT C hereto, which shall specify the Completion Date and shall state that construction and acquisition of the Facilities has been completed and the Project Costs have been paid, except for any portion thereof which has been incurred but is not then due and payable, or the liability for the payment of which is being contested or disputed by the City, and for the payment of which the Trustee is directed to retain specified amounts of money within the Project Fund. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights against third parties which exist at the date thereof or which may subsequently come into being. The certificate as to the Completion Date shall include a list of the equipment financed with proceeds of the Bonds and included as part of the Facilities.

(f) The City shall be entitled to withdraw money from the Project Fund in payment of any item constituting a Cost of Issuance, by furnishing the Trustee a certificate and order to pay such costs, in the form required by the Indenture, on or after the Closing Date. The City agrees that it will pay promptly all expenses constituting Costs of Issuance, whether or not reimbursed from the Project Fund.

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

ARTICLE IV

Lease and Sale of Facilities

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

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

Section 4.2. Lease Payments. Subject to the provisions of Section 4.4 hereof, the City shall pay to the Authority Lease Payments at the times and in the manner specified in the attached EXHIBIT B. The Lease Payments shall be paid in lawful money of the United States of America, in same-day funds, directly to the Trustee, to whom the Authority has irrevocably assigned its rights to receive such Lease Payments pursuant to the Indenture. It is acknowledged that the Lease Payments to be made on the Business Day prior to each February 1 and August 1 of each year shall be applied by the Trustee to payment of the principal of and interest on the Bonds to be paid on the same date.

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

- (a) All fees, charges and expenses, including agent and counsel fees, of the Trustee and any Paying Agent incurred under the Indenture, as and when the same become due.
- (b) All costs incident to the payment of the principal of, premium, if any, and interest on the Bonds as the same become due and payable, including redemption premiums, if any, and all other costs and expenses in connection with the call, redemption and payment of the Bonds.
- (c) An amount sufficient to reimburse the Authority for all expenses reasonably incurred by the Authority hereunder and in connection with the performance of the Authority's obligations under this Lease or the Indenture.
- (d) All expenses incurred in connection with the enforcement of any rights under this Lease or the Indenture by the Authority, the Trustee or the Owners of the Bonds.
- (e) All payments required by the rebate covenants of Section 6.9(b) hereof, including without limitation any fees payable to consultants retained to analyze rebate requirements.
- (f) All other payments of whatever nature which the City has agreed to pay or assume under the provisions of this Lease (including without limitation any amounts advanced under Section 6.2(b) hereof and interest thereon).
- (g) Any amounts necessary to replenish the Reserve Fund to the Reserve Requirement, which amount shall be paid within twelve (12) months after any draw thereon under the Indenture.

(h) All costs, charges, expenses and other amounts and obligations due and owing by the Authority under the Ground Lease, as and when the same become due.

Section 4.4. Source of Lease Payments. Notwithstanding any other provision of this Lease apparently to the contrary, this Lease shall not constitute a general obligation of the City, and the full faith and credit of the City are not pledged for the payment of the Lease Payments or the performance by the City of its obligations hereunder. The Lease Payments and Additional Lease Payments shall be paid, and other obligations of the City hereunder shall be met, solely from the amounts held by the Trustee in the Bond Fund for such purpose and amounts and amounts appropriated by the City Council for such purpose in the City's annual budget and shall constitute a current expense of the City for the Fiscal Year then in effect. It shall not constitute an indebtedness of the City within the meaning of the Constitution and laws of the State of Minnesota.

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

Section 4.5. City's Obligations and Remedies.

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

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

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

occupancy and use hereunder, and in such event the Authority hereby agrees to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Authority in any such action or proceeding if the City shall so request.

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

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

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

ARTICLE V

Term of Lease; Transfer or Surrender of Site and Facilities

Section 5.1. Lease Term. Subject to the provisions of Sections 5.2 and 5.6 hereof, this Lease shall be in effect for a Term commencing upon the execution hereof and ending on February 1, 2037.

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

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

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

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

Section 5.5. Purchase; Conveyance of Title. At any time when the Purchase Price, together with any unpaid or delinquent interest, has been fully paid or provided for, whether by (i) payment of all Lease Payments and Additional Lease Payments as provided in Sections 4.1 and 4.2 hereof, or (ii) payment or provision for payment of the Purchase Price as provided in Article VIII hereof, then the purchase of the Site and Facilities by the City shall be deemed to have been completed. The Authority shall thereupon deliver to the City such instruments of conveyance or release as, in the opinion of the City, may be necessary to release the interests of the Authority and the Trustee in the Site and Facilities.

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

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

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

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

ARTICLE VI

General Matters

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

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

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

(b) In the event the Authority becomes aware of any condition on the Site or in the Facilities which, in the reasonable opinion of the Authority, creates a risk to the health and safety of any users of the Facilities or creates a risk of significant deterioration of the Improvements if not corrected, the Authority may, but shall be under no obligation to, notify the City of such condition and request that it be cured as promptly as is reasonably possible. In the event the City does not promptly cure such condition, the Authority may, but shall be under no obligation to, take reasonable steps to correct such condition. In such event, the cost to the Authority and interest thereon at the highest rate specified in any Bond until paid will be charged to the City as an Additional Lease Payment.

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

The City may, at the City's expense and in the City's name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the City that, in the opinion of Independent Counsel, by nonpayment of any such items the interest of the Authority in the Site or the Facilities will be materially endangered or the Site, the Facilities or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority and the Trustee with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Section 6.4. Liens. The City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Site or the Facilities, except the respective rights of the Authority and the City as herein provided and Permitted Encumbrances. Except as expressly provided in this Article, the City shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. The City shall reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

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

Section 6.6. Compliance with Indenture. During the Term of this Lease, the City agrees to perform all obligations imposed upon the City by the Indenture.

Section 6.7. Financial Statements. The City shall provide the Trustee as soon as they are available annual audited financial statements of the City, together with such additional information as the Trustee may from time to time reasonably request.

Section 6.8. Continuing Disclosure Certificate. Upon issuance of the Bonds, the City will execute the Continuing Disclosure Certificate and will carry out the City's undertakings described therein for the benefit of the Authority, the Participating Underwriters (as defined therein), and the Owners.

Section 6.9. Tax Covenants.

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

(b) The City shall take such actions and make all calculations, transfers and payments that may be necessary to comply with the rebate requirements contained in Section 148(f) of the Internal Revenue Code. The City will compute the rebate requirement and make rebate payments in accordance with law. The City must make periodic computations of the amount to be paid to the United States under Section 148(f) of the Internal Revenue Code, and transfer the appropriate amount to a special fund held by the Trustee. Such transfers may be made from funds identified in the Indenture. To the extent that funds identified in the Indenture are inadequate, the City will use any funds legally available to make any required deposit to or payment from the special funds held by the Trustee.

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

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

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

(f) Except as provided below, no user of the Facilities or other property financed with proceeds of the Bonds will use the Facilities or such other property in a trade or business on any basis other than the same basis as the general public; and no person other than a state or local governmental unit will be a user of the Facilities or such other property in a trade or business as a result of (i) ownership, or (ii) actual or beneficial use pursuant to a lease or a management or incentive payments contract, or (iii) joint venture or any other similar arrangement. Notwithstanding the foregoing, subject to an approving Opinion of Bond Counsel, the City may permit up to ten percent (10%) of the usable square footage of the Improvements to be used in the trade or business of a person other than a governmental unit.

ARTICLE VII

Insurance and Indemnification; Damage, Destruction and Condemnation

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

Section 7.2. Property Insurance. During the Term of this Lease, the City shall procure and maintain continuously in effect, to the extent of the full replacement value of the Facilities, other than building foundations, insurance against loss from or damage by vandalism and fire, with a uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State of Minnesota, in such amount as will be at least sufficient so that a claim may be made for the full replacement cost of any part thereof damaged or destroyed. All policies (or endorsements or riders) evidencing insurance required in this Section shall be carried in the names of the City, the Authority, and the Trustee, as their respective interests may appear. The Net Proceeds of Insurance required by this Section shall be applied as provided in this Article VII.

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

Section 7.4. Other Insurance and Requirements for All Insurance. All insurance required by this Article may be carried under a separate policy or a rider or endorsement; shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State of Minnesota; shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the City and the Trustee at least thirty (30) days before the cancellation or revision becomes effective; and shall name the City, the Authority, and the Trustee as insured parties. The insurance required by Sections 7.1 and 7.2 hereof may be provided by the City pursuant to an umbrella policy which provides coverage for the amounts and the insurable incidents provided in such Sections. Annually, the City shall deposit with the Trustee a certificate of the insurer or a certificate of the Authorized Officer of the City stating that such insurance is in force and effect and complies with the requirements of this Article VII. Before the expiration of any such policy, the City shall furnish to the Trustee evidence that the policy has been renewed or replaced by another policy conforming to

the provisions of this Article, unless such insurance is no longer obtainable, in which event the City shall file its self-insurance plan with the Trustee.

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

Section 7.6. Hazardous Substance Indemnification. The City agrees, to the extent permitted by the laws of the State of Minnesota, to defend, indemnify and hold harmless the Authority and the Trustee, their officers, employees, agents, successors and assigns (the "Indemnitees") from and against, and shall reimburse the Indemnitees for, any and all loss, claim, liability, damage, judgment, penalty, injunctive relief, injury to personal property or natural resources, cost, expense, action or cause of action arising in connection with or as the result of any past, present or future existence, use, handling, storage, transportation, manufacture, release or disposal of any Hazardous Substance in, on or under the land upon which the Project is located, whether foreseeable or unforeseeable, regardless of the source, the time of occurrence or the time of discovery (collectively referred to as "Loss"). This indemnification against Loss includes, without limitation, indemnification against all costs in law or in equity or removal, response, investigation, or remediation of any kind, and disposal of such Hazardous Substances, all costs of determining whether the land upon which the Project is located is in compliance with, and of causing the land upon which the Project is located to be in compliance with, all applicable Environmental Laws, all costs associated with claims for damages to persons, property, or natural resources, and the Indemnitees' reasonable attorneys' and consultants' fees, court costs and expenses incurred in connection with any of the above. For this purpose "Hazardous Substance" shall be defined as any substance, the presence of which requires investigation, permitting, control or remediation under any federal, state or local statute, regulation, ordinance or order, including without limitation: (a) any substance defined as "hazardous waste" under the Resource Conservation and Recovery Act, as amended (42 U.S.C. §6901, et seq.); (b) any substance defined as a "hazardous substance" under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. §9601, et seq.); (c) any substance defined as a "hazardous material" under the Hazardous Materials Transportation Act (49 U.S.C. §1800, et seq.); (d) any substance defined under any Minnesota statute analogous to (a), (b) or (c), to the extent that said statute defines any term more expansively; (e) asbestos; (f) urca-formaldehyde; (g) polychlorinated biphenyls; (h) petroleum, or any distillate or fraction thereof; (i) any hazardous or toxic substance designated pursuant to the laws of the State of Minnesota; and (j) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority.

Section 7.7. Damage, Destruction, and Condemnation. If the Facilities or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty or title to the temporary use of the Facilities or any part thereof, or the interest of the City or the Authority in the Site or the Facilities or any part thereof is taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the City shall have the rights with respect to the Net Proceeds of any insurance or condemnation award specified in this Section, but the City shall be obligated to continue to pay the Lease Payments and Additional Lease Payments due with respect to the Facilities. All Net Proceeds shall be applied to the prompt repair, restoration, modification, improvement or

replacement of the Site and the Facilities by the City, or, if the City elects not to repair or rebuild, all Net Proceeds shall be applied to prepay the Lease Payments and Additional Lease Payments; in either event all Net Proceeds not needed for the purpose shall belong to the City. In the event Net Proceeds exceed \$100,000, they shall be held by the Trustee and disbursed in payment of costs of repair, restoration, modification, improvement or replacement substantially in accordance with the procedure for disbursement of Bond proceeds from the Project Fund in Article IV of the Indenture.

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

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

Section 7.10. Condemnation of Other Property Owned by the City. The City shall be entitled to the Net Proceeds of any condemnation award or portion thereof made for destruction of, damage to or taking of its property not included in the Site or the Facilities.

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

ARTICLE VIII

Option to Purchase; Option to Prepay

Section 8.1. Option to Purchase or Prepay. The City shall have the option to purchase the Site and Facilities on or after February 1, 2020, by payment to the Trustee of the Purchase Price then applicable, or to prepay unpaid Lease Payments and Additional Lease Payments, in whole or in part.

Section 8.2. Exercise of Option. The City shall give notice to the Authority of its intention to exercise its purchase or prepayment option not less than forty-five (45) days in advance of the date of prepayment or purchase, and shall pay to the Authority on the date of prepayment or purchase the prepayment amount or (in the event of a purchase) an amount equal to the then current Purchase Price, less any Net Proceeds to be applied to the amount to be so paid in accordance with Section 7.7 hereof.

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

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

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

ARTICLE IX

Assignment, Subleasing, Indemnification, Mortgaging and Selling

Section 9.1. Assignment by Authority. Except as expressly provided in this Section, the Authority's rights and obligations under this Lease, including the right to receive and enforce payment of the Lease Payments and Additional Lease Payments to be made by the City under this Lease and its interest in the Site and the Facilities, shall not be assigned, pledged, mortgaged or transferred, in whole or in part, except to the Trustee pursuant to the Indenture. The City hereby approves the assignment and mortgage made by the Authority to the Trustee under the Indenture of the Authority's interest in the Site, the Facilities, the Ground Lease, this Lease, and the Lease Payments to become due hereunder.

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

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

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

ARTICLE X

Events of Default and Remedies

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

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

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

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

(i) The City shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the City or of all or a substantial part of its property, (2) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), or (3) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) A proceeding or case shall be commenced, without the application or consent of the City, as the case may be, in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts of the City, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of the City, or (3) similar relief in respect of the City under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case has not been dismissed within sixty (60) days of the filing thereof.

The provisions of Section 10.1(b) are subject to the following limitation: if by reason of force majeure either party is unable in whole or in part to carry out its obligations under this Lease, it shall not be deemed in default during the continuance of such inability or during any other delays which are a direct consequence of the force majeure inability, and the time for such performance shall be extended to cover such delays. The term “force majeure” as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or any of its departments, agencies or officials, or any civil or military authority, or the State of Minnesota or any of its departments, agencies or officials; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of a party and not resulting from its negligence. Each party agrees, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements.

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

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

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

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

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

Section 10.3. Delay; Notice. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any party to exercise any remedy reserved to it in this Lease it shall not be necessary to give any notice, other than such notice as may be required in this Lease.

Section 10.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 10.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease is breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

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

ARTICLE XI

Administrative Provisions

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

If to the City: City of St. Francis
23340 Cree Street NW
St. Francis, MN 55070
Attention: City Administrator

If to the Authority: Economic Development Authority for the City of St. Francis
23340 Cree Street NW
St. Francis, MN 55070
Attention: Executive Director

If to the Trustee: U.S. Bank National Association
EP-MN-WS3C
60 Livingston Avenue
Saint Paul, MN 55107
Attention: Corporate Trust Services

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

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

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

Section 11.4. Amendments, Changes and Modifications. This Lease may be amended or any of its terms modified only by written amendment authorized and executed by the City and the Authority; provided that no such amendment shall be effective without the consent of the Trustee or any other person or entity to whom the rights of the Authority to receive Lease Payments due hereunder has been assigned.

Section 11.5. Further Assurances and Corrective Instruments. The Authority and the City agree that they will, if necessary, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Site and the Facilities or for carrying out the expressed intention of this Lease.

Section 11.6. Brokerage Confirmations. The City acknowledges that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmations of the security transactions in the accounts maintained by the Trustee under the Indenture as such transactions occur. The City specifically waives such notification to the extent permitted by law and will receive periodic cash transaction statements that will detail all investment transactions.

Section 11.7. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State of Minnesota.

Section 11.9. Authorized Officers. Whenever under the provisions of this Lease the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval of such request shall be given for the Authority or for the City by an Authorized Officer, and any party hereto shall be authorized to rely upon any such approval or request.

Section 11.10. Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Lease.

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

IN WITNESS WHEREOF, the Authority has caused this Lease to be executed in its corporate name by its duly authorized officers and such Lease is effective as of January __, 2012.

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF ST. FRANCIS, MINNESOTA

By _____
Its President

By _____
Its Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

On this ____ day of _____, 20__, before me, a Notary Public within and for said County, personally appeared Chris McClish, to me personally known, who, being by me duly sworn, did say that he is the President of the Economic Development Authority for the City of St. Francis, Minnesota, the Authority referred to in the foregoing instrument, and that he acknowledged this Lease to be the free act and deed of said Authority.

Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

On this ____ day of _____, 20__, before me, a Notary Public within and for said County, personally appeared Matthew Hylan, to me personally known, who, being by me duly sworn, did say that he is the Executive Director of the Economic Development Authority for the City of St. Francis, Minnesota, the Authority referred to in the foregoing instrument, and that he acknowledged this Lease to be the free act and deed of said Authority.

Notary Public

The City has caused this Lease to be executed in its name by its duly authorized officers, and such Lease is effective as of January ____, 2012.

CITY OF ST. FRANCIS, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

On this _____ day of _____, 20__, before me, a Notary Public within and for said County, personally appeared Jerry Tveit, to me personally known, who being by me duly sworn, did say that he is the Mayor of the City of St. Francis, a home rule charter city and political subdivision of the State of Minnesota, the subdivision referred to in the foregoing instrument and that he acknowledged this Lease to be the free act and deed of said political subdivision.

Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

On this _____ day of _____, 20__, before me, a Notary Public within and for said County, personally appeared Matthew Hylan, to me personally known, who being by me duly sworn, did say that he is the City Administrator of the City of St. Francis, a home rule charter city and political subdivision of the State of Minnesota, the subdivision referred to in the foregoing instrument and that he acknowledged this Lease to be the free act and deed of said political subdivision.

Notary Public

EXHIBIT A

Legal Description of Site and Permitted Encumbrances

1. The legal description of the Site is as follows: [INSERT LEGAL DESCRIPTION]

2. The Site is subject to the following Permitted Encumbrances: [INSERT PERMITTED ENCUMBRANCES]

EXHIBIT B

Schedule of Lease Payments

<u>Period Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>
----------------------	------------------	---------------	-----------------	---------------------

EXHIBIT C

Form of Completion Certificate

The undersigned officer of the City of St. Francis, Minnesota (the "City"), lessee under that certain Lease-Purchase Agreement dated as of January 1, 2012 (the "Lease"), between the Economic Development Authority for the City of St. Francis, Minnesota (the "Authority") and the City, hereby certifies to the Authority, to U.S. Bank National Association, Saint Paul, Minnesota (the "Trustee"), as Trustee under a Mortgage and Security Agreement and Trust Indenture dated as of January 1, 2012 (the "Indenture") between the Authority and the Trustee, that as of _____, 20__ (the "Completion Date"), the Improvements described in the Lease have been completed in their entirety and are ready to be placed in service and all other property which constitutes the Facilities has been acquired and installed. Construction and acquisition of the Facilities have been completed and the Project Costs have been paid, except for any portion thereof which has been incurred but is not now due and payable, or the liability for the payment of which is being contested or disputed by the City, and for the payment of which the Trustee has been directed to retain specified amounts of money within the Project Fund. Notwithstanding the foregoing, this certificate is given without prejudice to any rights against third parties which exist at the date hereof or which may subsequently come into being. Attached as Exhibit A to this certificate is a list of the equipment financed with proceeds of the Bonds and included as part of the Facilities. Capitalized terms used in this certificate but not defined herein have the meanings given such terms in the Lease and the Indenture.

CITY OF ST. FRANCIS, MINNESOTA

By _____

Its _____

MORTGAGE AND SECURITY AGREEMENT AND TRUST INDENTURE

between

**ECONOMIC DEVELOPMENT AUTHORITY FOR THE
CITY OF ST. FRANCIS, MINNESOTA,
as Issuer**

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

Dated as of January 1, 2012

Related to:

**\$8,200,000
Economic Development Authority for the City of St. Francis, Minnesota
Public Project Lease Revenue Bonds
Series 2012A**

This instrument was drafted by

Kennedy & Graven, Chartered (JAE)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402

TABLE OF CONTENTS

Page

PARTIES, RECITALS AND GRANTING CLAUSES

Parties..... 1
Recitals..... 1
Granting Clauses..... 2

ARTICLE I

Definitions and Interpretation

Section 1.01. Definitions 4
Section 1.02. Characteristics of Certificate or Opinion..... 8
Section 1.03. Additional Provisions as to Interpretation..... 8

ARTICLE II

Form, Execution and Registration of Bonds

Section 2.01. Form, Maturities and Numeration of Bonds 9
Section 2.02. Execution of Bonds 9
Section 2.03. Authentication of Bonds..... 10
Section 2.04. Registration, Transfers and Exchange..... 10
Section 2.05. Payment of Interest on Bonds; Interest Rights Preserved 11
Section 2.06. Ownership of Bonds 12
Section 2.07. Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds..... 12
Section 2.08. Conditions for Authentication of Bonds 12
Section 2.09. Book-Entry Only System 13

ARTICLE III

Redemption of Bonds

Section 3.01. Redemption of Bonds 15
Section 3.02. Written Notice to Trustee 15
Section 3.03. Mailing and Publication of Notice 15
Section 3.04. Deposit for Redemption 15
Section 3.05. Payment of Redeemed Bonds..... 16
Section 3.06. Cancellation of Redeemed Bonds 16
Section 3.07. Partial Redemption of Bonds..... 16

ARTICLE IV

Bond Proceeds; Project Fund

Section 4.01. Deposit of Bond Proceeds 17
Section 4.02. Establishment of Project Fund..... 17
Section 4.03. Project Costs Defined 17
Section 4.04. Payments from Project Fund 18
Section 4.05. Application of Balance in Project Fund 20
Section 4.06. Investment of Project Fund..... 20

ARTICLE V
Disposition of Pledged Revenues

Section 5.01.	Bond Fund	21
Section 5.02.	Reserve Fund	21
Section 5.03.	Investment of Funds	21
Section 5.04.	Compliance with Arbitrage Restrictions; Rebate Requirements	23

ARTICLE VI
Particular Covenants of the Authority

Section 6.01.	Payment of Bonds.....	24
Section 6.02.	Extensions of Payments of Bonds and Interest	24
Section 6.03.	Authority of the Authority	24
Section 6.04.	Concerning the Lease	24
Section 6.05.	To Observe All Covenants and Terms; Limitations on Authority's Obligations	25
Section 6.06.	Liens; Further Assurances	25

ARTICLE VII
Remedies on Default

Section 7.01.	Events of Default	26
Section 7.02.	Acceleration of Maturity	26
Section 7.03.	Enforcement of Covenants and Conditions.....	26
Section 7.04.	Appointment of Receivers	27
Section 7.05.	Application of Money.....	27
Section 7.06.	Right of Trustee to Act Without Possession of Bonds.....	28
Section 7.07.	Power of Majority of Owners.....	28
Section 7.08.	Limitation on Suits by Owners.....	29
Section 7.09.	Waiver by Owners	29
Section 7.10.	Remedies Cumulative, Delay Not to Constitute Waiver	29
Section 7.11.	Restoration of Rights Upon Discontinuance of Proceedings.....	29

ARTICLE VIII
Concerning the Trustee

Section 8.01.	Acceptance of Trust and Prudent Performance Thereof.....	31
Section 8.02.	Trustee May Rely Upon Certain Documents and Opinions	32
Section 8.03.	Trustee Not Responsible for Indenture Statements, Validity.....	32
Section 8.04.	Limits on Duties and Liabilities of Trustee.....	32
Section 8.05.	Money Held in Trust.....	33
Section 8.06.	Obligation of Trustee.....	33
Section 8.07.	Notice to Owners, Etc.....	33
Section 8.08.	Intervention in Judicial Proceedings.....	33
Section 8.09.	Further Investigation by Trustee.....	33
Section 8.10.	Trustee to Retain Records.....	33
Section 8.11.	Compensation of Trustee.....	34
Section 8.12.	Trustee May Hold Bonds.....	34
Section 8.13.	Appointment of Trustee.....	34
Section 8.14.	Merger of Trustee	34
Section 8.15.	Resignation or Removal of Trustee.....	34

Section 8.16.	Appointment of Successor Trustee.....	35
Section 8.17.	Transfer of Rights and Property to Successor Trustee.....	35
Section 8.18.	Appointment of Successor or Alternate Paying Agents.....	35

**ARTICLE IX
Concerning the Owners**

Section 9.01.	Execution of Instruments by Owners.....	36
Section 9.02.	Waiver of Notice.....	36
Section 9.03.	Determination of Owner Concurrence.....	36
Section 9.04.	Owners' Meeting.....	36
Section 9.05.	Revocation by Owners.....	38

**ARTICLE X
Payment, Defeasance and Release**

Section 10.01.	Payment and Discharge of Indenture.....	39
Section 10.02.	Bonds Deemed Not Outstanding After Deposits.....	40
Section 10.03.	Unclaimed Money to Be Returned.....	40

**ARTICLE XI
Supplemental Indentures**

Section 11.01.	Purposes for Which Supplemental Indentures May Be Executed.....	41
Section 11.02.	Execution of Supplemental Indenture.....	41
Section 11.03.	Discretion of Trustee.....	42
Section 11.04.	Modification of Indenture with Consent of Owners.....	42
Section 11.05.	Supplemental Indentures to Be Part of Indenture.....	42
Section 11.06.	Rights of City Unaffected.....	43

**ARTICLE XII
Amendments to the Lease and
the Ground Lease**

Section 12.01.	Amendments to the Lease and the Ground Lease Not Requiring Consent of Owners.....	44
Section 12.02.	Amendments to the Lease and the Ground Lease Requiring Consent of Owners.....	44
Section 12.03.	Rights of Authority.....	44

**ARTICLE XIII
Miscellaneous**

Section 13.01.	Covenants of Authority Bind Successors and Assigns.....	45
Section 13.02.	Immunity of Officers.....	45
Section 13.03.	No Benefits to Outside Parties.....	45
Section 13.04.	Separability of Indenture Provisions.....	45
Section 13.05.	Execution of Indenture in Counterparts.....	45
Section 13.06.	Headings Not Controlling.....	45
Section 13.07.	Notices to Trustee, Authority, City and Original Purchaser.....	45

SIGNATURES	S-1
EXHIBIT A Legal Description of the Site and Permitted Encumbrances.....	A-1
EXHIBIT B Form of Bond.....	B-1
EXHIBIT C Project Fund Draw Request.....	C-1

**MORTGAGE AND SECURITY AGREEMENT
AND
TRUST INDENTURE**

This MORTGAGE AND SECURITY AGREEMENT AND TRUST INDENTURE, dated as of the 1st day of January, 2012 (this "Indenture"), is by and between the ECONOMIC DEVELOPMENT AUTHORITY FOR THE CITY OF ST. FRANCIS, MINNESOTA, a public body corporate and politic and political subdivision of the State of Minnesota (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association with trust powers having its main corporate trust office and place of business in Saint Paul, Minnesota (the "Trustee");

WITNESSETH:

WHEREAS, the Authority is a duly organized and existing political subdivision under the laws of the State of Minnesota (the "State"), and the Authority has authority to enter into and perform its obligations under this Indenture pursuant to Minnesota Statutes, Sections 469.090 to 469.1082, as amended (the "Act"); and

WHEREAS, pursuant to a Ground Lease dated as of January 1, 2012 (the "Ground Lease"), the Authority has leased certain land (the "Site") in the City of St. Francis, Minnesota (the "City") from the City, which property is described in EXHIBIT A attached hereto; and

WHEREAS, the Authority has agreed to enter into a Lease-Purchase Agreement, dated as of January 1, 2012 (the "Lease"), whereby the Authority will lease to the City, with an option to purchase by the City, the Site and facilities to be constructed thereon (the "Facilities"); and

WHEREAS, under the Act the Authority is authorized to issue and sell revenue bonds to finance the acquisition of the Site and construction of the Facilities and related costs and to assign certain of its interests in the Ground Lease and the Lease to the Trustee as security therefor; and

WHEREAS, pursuant to a resolution of the Board of Commissioners of the Authority adopted on December 19, 2011, the Authority has duly authorized and directed the issuance of its revenue bonds in the aggregate principal amount of \$8,200,000 to be designated "Public Project Lease Revenue Bonds, Series 2012A" (the "Bonds"), and the execution and delivery of the Ground Lease, the Lease and this Indenture; and

WHEREAS, under the Lease, the City is required, subject to its right to determine not to appropriate Lease Payments (as defined herein) and to terminate the Lease, to make Lease Payments in amounts and at times sufficient to pay the principal of, premium (if any) and interest on the Bonds when due; and

WHEREAS, pursuant to this Indenture the Authority assigns and mortgages to the Trustee the Authority's right, title and interest in certain property as further described herein; and

WHEREAS, the maximum principal amount of debt secured by the mortgage in this Indenture is \$8,200,000, and matures no later than February 1, 2037; and

WHEREAS, the Bonds, and the form of assignment and the Trustee's authentication certificate to be endorsed thereon, are to be in substantially the form attached hereto as EXHIBIT B; and

WHEREAS, the execution and delivery of this Indenture have been duly authorized by the Authority, and all conditions, acts and things necessary and required by the Constitution and Laws of the State of Minnesota, or otherwise, to exist, to have happened or to have been performed precedent to and in the execution and delivery of this Indenture, and in the issuance of the Bonds, do exist, have happened or have been performed in regular form, time and manner, and the execution and delivery of this Indenture have been in all respects duly authorized; and

WHEREAS, the Trustee has accepted the trust created by this Indenture and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

That the Authority, in order to secure the payment of the principal of, premium (if any) and interest on the Bonds issued under this Indenture according to their tenor and effect and the performance and observance of each and all of the covenants and conditions herein and therein contained, and for and in consideration of the premises and of the purchase and acceptance of the Bonds by the respective purchaser or purchasers and registered Owners thereof, and for other good and valuable consideration, the receipt whereof is hereby acknowledged, has executed and delivered this Indenture and has granted, mortgaged, bargained, sold, assigned, transferred, conveyed, pledged and set over, and by these presents does hereby grant, mortgage, bargain, sell, assign, transfer, convey, pledge and set over, unto the Trustee, and to its successor or successors in the trust hereby created and to its assigns forever:

I.

All right, title and interest of the Authority in the land described in EXHIBIT A hereto (the Site), together with but not limited to (i) all building materials, supplies, equipment, incinerator apparatus, air-conditioning equipment, water and gas apparatus, pipes, faucets and all other fixtures of every description which are now or may hereafter be placed or used on the Site or in any building or improvement now or hereafter located thereon; (ii) all additions, accessions, increase, parts, fittings, accessories, replacements, substitutions, betterments, repairs and proceeds to and of any and all of the foregoing; (iii) all proceeds from insurance and condemnation relating to the Site; (iv) all hereditaments, easements repairs and proceeds to and of any and all of the foregoing; and (v) all hereditaments, easements, appurtenances, estates and other rights and interest now or hereafter belonging to or in any way pertaining to the Site or to any building or improvement now or hereafter located thereon.

II.

All items of fixtures, machinery, furnishings and other tangible personal property purchased with proceeds of the Bonds and located or to be located on the Site, and all accessions, increases, parts, fittings, accessories, replacements, substitutions, betterments, repairs and proceeds to and of any thereof.

III.

All of the rights and interests of the Authority in and to the Ground Lease and the Lease, except for the rights of the Authority relating to expenses, indemnity, payment of attorneys' fees and advances under Sections 4.3, 7.5 and 7.6 of the Lease.

IV.

A first lien on and pledge of all right, title and interest in (i) the money and investments in the Bond Fund and the Reserve Fund covenanted to be created and maintained under this Indenture, (ii) any money and investments in the Project Fund not applied to payment of Project Costs, as further provided herein, and (iii) Net Proceeds of any insurance or condemnation award held by the Trustee pursuant to the terms of the Lease or this Indenture.

V.

Any and all other property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, assigned or transferred, or in which a security interest is granted by the Authority or by anyone in behalf of either of them or with their written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same according to the terms hereof.

SUBJECT, however, to Permitted Encumbrances.

TO HAVE AND TO HOLD all and singular the said property hereby conveyed and assigned, or agreed or intended so to be, to the Trustee, its successor or successors in trust and its and their assigns, FOREVER.

IN TRUST NEVERTHELESS, upon the terms and trust herein set forth, for the equal and proportionate benefit, security and protection of all Owners of the Bonds issued or to be issued under and secured by this Indenture, without preference, priority or distinction as to lien or otherwise of any of the Bonds over any of the others;

PROVIDED, HOWEVER, that if the Authority, or its successors or assigns, shall well and truly pay or cause to be paid the principal of the Bonds and the premium (if any) and interest due or to become due thereon, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee sums sufficient to pay the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by the Authority and shall pay to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof; then upon such final payment this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise, this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property hereby assigned or pledged is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Authority agrees and covenants with the Trustee and with the respective Owners from time to time of the said Bonds or any part thereof, as follows, that is to say:

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

ARTICLE I

Definitions and Interpretation

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Article I and in the recitals and succeeding Articles of this Indenture shall, for all purposes of this Indenture and of any indenture supplemental hereto, have the meanings herein specified, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined:

“Act” means Minnesota Statutes, Sections 469.090 to 469.1082, as amended.

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

“Authority” means the Economic Development Authority for the City of St. Francis, Minnesota, a public body corporate and politic and political subdivision of the State, and its successors and assigns.

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

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

“Bond Fund” means the Bond Fund established under Section 5.01 of this Indenture.

“Bond Resolution” means the resolution adopted by the Board of Commissioners of the Authority on December 19, 2011, authorizing the issuance and sale of the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

“Bonds” means the Public Project Lease Revenue Bonds, Series 2012A, issued by the Authority in the aggregate principal amount of \$8,200,000.

“Business Day” means any day on which the Trustee is open for business.

“Certificate” means a certification in writing required or permitted by the provisions either of the Lease or this Indenture signed and delivered to the Trustee or other proper person or persons. If and to the extent required by the provisions of Section 1.02 hereof, each Certificate shall include the statements provided for in said Section 1.02.

“Certified Resolution” means a copy of a resolution of the Authority or the City, certified by the clerk, secretary or other proper person to have been duly adopted and to be in full force and effect on the date of such certification.

“City” means the City of St. Francis, Minnesota, a home rule charter city and political subdivision of the State, and any successor to its functions.

“Closing Date” means the date on which the Bonds are delivered to the Original Purchaser against payment therefor. The Closing Date for the Bonds is January 10, 2012.

“Completion Date” means the date of completion of the Project established in accordance with Section 3.2(e) of the Lease.

“Construction Period” means (i) the period between the beginning of construction of the Facilities or (ii) the date on which the Bonds are first delivered to the Original Purchaser, whichever is earlier, and the Completion Date with respect to the construction of the Facilities, as defined in the Lease.

“Costs of Issuance” means:

- (a) the fees, costs, and expenses of (i) the Authority, (ii) the underwriter, including the underwriter’s discount, (iii) Bond Counsel, and (iv) the Trustee;
- (b) costs of printing the offering documents relating to the sale of the Bonds; and
- (c) all other fees, costs, and expenses directly associated with the authorization, issuance, sale, and delivery of the Bonds, including printing costs, costs of reproducing documents and any filing and recording fees.

“Default” means default in the performance or observance of any of the covenants, agreements or conditions contained in this Indenture, or in the Bonds Outstanding hereunder, exclusive of any notice or period of grace required for a default to constitute an “Event of Default” as hereinafter provided.

“Event of Default” means an Event of Default described in Section 7.01 of this Indenture which has not been cured.

“Facilities” means any buildings, structures and improvements to be constructed on the Site, and all furniture, fixtures and equipment to be acquired with proceeds of the sale of the Bonds and located thereon.

“Ground Lease” means the Ground Lease, dated as of January 1, 2012, by which the City leases the Site to the Authority, as amended or supplemented from time to time.

“Improvements” means any addition, enlargement, improvement, extension or alteration of or to the Facilities as they then exist, and also means any fixtures, structures or other facilities (other than the Facilities) acquired or constructed by the City and located on the Site.

“Indenture” means this Mortgage and Security Agreement and Trust Indenture, dated as of January 1, 2012, between the Authority and the Trustee, under which the Bonds are authorized to be issued, and including any amendments or supplements hereto.

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

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

“Independent Engineer” means an Independent engineer or engineering firm or an Independent architect or architectural firm qualified to practice the profession of engineering or architecture under the laws of the State of Minnesota.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Lease” means the Lease-Purchase Agreement, dated as of January 1, 2012, between the Authority, as lessor, and the City, as lessee, as amended or supplemented from time to time.

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

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

“Opinion of Counsel” means a written opinion of counsel (who need not be Independent Counsel unless so specified) appointed by the City or the Authority and acceptable to the Trustee or appointed by the Trustee. If and to the extent required by the provisions of Section 1.02 hereof, each Opinion of Counsel shall include the statements provided for in said Section 1.02.

“Original Purchaser” means, with respect to the Bonds, Northland Securities, Inc., Minneapolis, Minnesota.

“Outstanding” when used as of any particular time with reference to Bonds means (subject to the provisions of Section 9.03 of this Indenture pertaining to Bonds owned by the Authority or the City) all Bonds theretofore authenticated and delivered by the Trustee under this Indenture except: (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or direct obligations of or obligations fully guaranteed by the United States of America in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III of this Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07 pertaining to replacement of Bonds.

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

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

“Permitted Investments” means the investments authorized by Minnesota Statutes, Chapter 118A, as amended.

“Predecessor Bonds” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and for purposes of this definition, any Bond authenticated and delivered under Section 2.07 hereof in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

“Project” means the acquisition, construction, and equipping of the Facilities as a public safety and public works building and related facilities for use by the City on the Site.

“Project Costs” means the costs defined in Section 4.03 of this Indenture.

“Project Fund” means the Project Fund established under Section 4.02 hereof.

“Project Fund Draw Request” means the form of draw request provided in Exhibit C.

“Redeem” or “Redemption” means and includes “prepay” or “prepayment” as the case may be.

“Regular Record Date” for the interest payable on any interest payment date on the Bonds means the date specified in the provisions of this Indenture.

“Reserve Fund” means the Reserve Fund established under Section 5.02 hereof.

“Reserve Requirement” means the least of (i) ten percent (10%) of the original principal amount of Outstanding Bonds or (ii) the maximum principal and interest to become due on all Outstanding Bonds in the current year or any future year or (iii) one hundred twenty-five percent (125%) of the original average annual principal and interest to become due on the Outstanding Bonds. Upon the issuance of the Bonds, the Reserve Requirement shall be satisfied by delivery to the Trustee of the Reserve Requirement with respect to the Bonds.

“Responsible Officer” of the Trustee hereunder means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, the cashier, every assistant cashier, every corporate trust officer, and every officer and assistant officer of such trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of knowledge of, and familiarity with, a particular subject.

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

“Special Record Date” for the payment of any Defaulted Interest (as defined in Section 2.05 hereof) on Bonds means a date fixed by the Trustee pursuant to Section 2.05 hereof.

“State” means the State of Minnesota.

“Trustee” means U.S. Bank National Association, Saint Paul, Minnesota, or any successor serving as such under this Indenture.

“Trust Estate” means the interests of the Authority in the Ground Lease and the Lease assigned under Granting Clause III of this Indenture; the revenues, money, investments, contract rights, general intangibles

and instruments and proceeds and products and accessions thereof as set forth in Granting Clause IV of this Indenture; and additional property held by the Trustee pursuant to Granting Clause V of this Indenture.

Section 1.02. Characteristics of Certificate or Opinion. Any Certificate made or given by an officer of the Authority or of the City or by an Independent engineer, architect, consultant or other person may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless such person knows that the opinion with respect to the matters upon which the Certificate may be based as aforesaid is erroneous, or, in the exercise of reasonable care, should have known that the same was erroneous. Any such Certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, information with respect to which is in the possession of the Authority or the City, upon a supporting Certificate of an officer or officers of the Authority or the City, unless the signer knows that the supporting Certificate with respect to the matters upon which the Certificate or opinion may be based as aforesaid is erroneous, or, in the exercise of reasonable care, should have known that the same was erroneous.

Section 1.03. Additional Provisions as to Interpretation. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or funds in the necessary amount to pay or redeem any Bonds, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to maturity and in respect of which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption on a specified redemption date has been duly given or provision satisfactory to the Trustee shall be made for such notice, the amount to be deposited or held shall be the principal amount of such Bonds and interest thereon to the redemption date, together with the redemption premium, if any.

Any terms defined in the Ground Lease or the Lease but not defined herein shall have the same meaning herein unless the context hereof clearly requires otherwise.

This Indenture is governed by and shall be construed in accordance with the laws of the State.

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

ARTICLE II

Form, Execution and Registration of Bonds

Section 2.01. Form, Maturities and Numeration of Bonds. The Bonds to be issued and secured under this Indenture shall each be designated "Economic Development Authority for the City of St. Francis, Minnesota Public Project Lease Revenue Bond, Series 2012A." The Bonds and certificates of Trustee and assignment shall be substantially in the form set forth in EXHIBIT B hereto. The Bonds shall be issued in fully registered form and shall be in authorized denominations of \$5,000 each, or any integral multiple thereof not exceeding the principal amount maturing in any year, initially numbered from R-1 upwards in order of maturity, and the Bonds originally issued, and not in exchange for Predecessor Bonds, shall be dated as of January 1, 2012. Bonds issued in exchange for Predecessor Bonds shall be dated as of the date to which interest on the Predecessor Bonds has been duly paid or provided for, or as of the Closing Date, if issued prior to the first interest payment date, and shall be numbered in order of issuance commencing with the next number after the highest number assigned to the initial Bond. No Bond shall represent principal maturing in different years. The Bonds shall bear interest payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2012, or the most recent interest payment date to which interest has been paid or duly provided for. Interest on the Bonds shall be calculated on the basis of a 360-day year, consisting of twelve 30-day months. The principal and redemption price of the Bonds shall be payable to the registered Owners upon presentation at the office of the Trustee, in such coin or currency of the United States of America as may be, on the respective dates of payment thereof, legal tender for the payment of public and private debts, and interest on the Bonds shall be paid by check or draft mailed to the registered Owners at the Owners' registered addresses. The Regular Record Date referred to in Section 2.05 for the payment of interest on the Bonds payable, and punctually paid or duly provided for, on any interest payment date shall be the 15th day (whether or not a Business Day) of the calendar month next preceding such interest payment date. The Bonds shall be issued in the original aggregate principal amount of _____ Dollars and No Cents (\$8,200,000), shall mature annually on February 1 of the years and in the amounts, and shall bear interest at the rates per annum, according to dates of maturity, as follows:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
2013	%	\$	2026	%	\$
2014			2027		
2015			2028		
2016			2029		
2017			2030		
2018			2031		
2019			2032		
2020			2033		
2021			2034		
2022			2035		
2023			2036		
2024			2037		
2025					

Section 2.02. Execution of Bonds. The Bonds shall be signed in the name of the Authority by the manual or the facsimile signature of the President and the Executive Director of the Authority, or, in the absence of either or both of such officers, by other officers of the Authority. Said signatures shall be authenticated by the manual signature of a Responsible Officer of the Trustee, which is hereby designated as

authenticating agent. In the event that any of the officers whose signatures appear on any Bonds shall cease to be officers of the Authority before such Bond shall have been authenticated or delivered by the Trustee, such Bonds may, nevertheless, be authenticated, delivered, and be binding upon the Authority as though those officers who signed the same had continued to be such officers of the Authority; and, also, any Bond may be signed on behalf of the Authority by such person who, at the actual date of execution of such Bond, shall be the proper officer of the Authority, although at the date of such Bond such person shall not have been such an officer of the Authority. Upon the execution and delivery of this Indenture the Authority shall execute and deliver the Bonds to the Trustee for authentication.

Section 2.03. Authentication of Bonds. No Bonds shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder or under the Lease or the Bond Resolution unless a Responsible Officer of the Trustee shall manually endorse and execute on such Bond a certificate of authentication substantially in the form of the certificate of Trustee set forth in EXHIBIT B hereto. Such Certificate of Trustee upon any Bond shall be conclusive evidence that such Bond so authenticated has been duly issued under this Indenture and that the Owner thereof is entitled to the benefits of this Indenture.

No Bonds shall be authenticated by the Trustee except in accordance with this Article.

The Trustee shall not be required to authenticate any Bond unless provided with the documents referred to in Section 2.08 and such further Certified Resolutions, Certificates, instruments or Opinions of Counsel as the Trustee may reasonably require with respect to the validity of the Bonds to be issued and the right and authority of the Trustee to authenticate such Bonds.

Section 2.04. Registration, Transfers and Exchange. As long as any of the Bonds issued hereunder shall remain Outstanding, the Authority shall maintain and keep at the office of the Trustee, as paying agent, registration records for the payment of the principal of and interest on the Bonds, as in this Indenture provided, and for the registration and transfer of the Bonds, and shall also keep at the office of the Trustee records for such registration and transfer. The Authority hereby appoints the Trustee, and its successors in the trust from time to time, as its agent to maintain said registration records at the office of the Trustee.

Upon surrender for transfer of any Bond at the office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered Owner or the Owner's duly authorized attorney, and upon payment of any tax, fee or other governmental charge required to be paid with respect to such transfer, the Authority shall execute and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more Bonds, of any authorized denominations and of a like aggregate principal amount, interest rate and maturity.

At the option of the registered Owner thereof, Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate of any authorized denominations, upon surrender thereof at the office of the Trustee.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Authority shall execute and the Trustee shall deliver Bonds in accordance with the provisions of this Indenture. For every such exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision of this Indenture, the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Authority or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) shall be paid by the City pursuant to the Lease. The Authority and the Trustee shall not be obligated to make any such exchange or

transfer of Bonds during the fifteen (15) days next preceding the date of the first publication or the mailing (if there is no publication) of notice of redemption in the case of a proposed redemption of Bonds. The Authority and the Trustee shall not be required to make any transfer or exchange of any Bonds called for redemption.

Section 2.05. Payment of Interest on Bonds; Interest Rights Preserved. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest specified in the provisions of this Indenture.

Any interest on the Bonds which is payable, but is not punctually paid or duly provided for, on any interest payment date (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner; and such Defaulted Interest may be paid at the election of the Trustee in each case, as provided in Subsection A or B below:

A. The Trustee may elect to make payment of any Defaulted Interest on the Bonds to the persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Authority or the City shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Authority or the City shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Subsection provided and not to be deemed part of the Trust Estate. Thereupon the Trustee may fix a Special Record Date for the payment of Defaulted Interest, which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the City and the Authority of such Special Record Date and, in the name of the Authority and at the expense of the City, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Owner of a Bond at the Owner's address as it appears in the registration records not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date and shall no longer be payable pursuant to the following Subsection B.

B. The Trustee may make payment of any Defaulted Interest on the Bonds in any other lawful manner, if, after notice given by the Authority or the City to the Trustee of the proposed manner of payment pursuant to this Subsection, such payment shall be acceptable to the Trustee.

Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Section 2.06. Ownership of Bonds. As to any Bond, the Authority, the City and the Trustee and their respective successors, each in its discretion, may deem and treat the person in whose name the same for

the time being shall be registered as the absolute Owner thereof for all purposes and neither the Authority nor the Trustee nor their respective successors shall be affected by any notice to the contrary. Payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered Owner thereof, but such registration may be changed as above provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 2.07. Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds. In case any Outstanding Bond shall become mutilated or be destroyed, stolen or lost, the Trustee shall authenticate and deliver a new Bond of like tenor, number and amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Authority and the Trustee that such Bond has been destroyed, stolen or lost and upon furnishing the Authority, the Trustee and the City with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority, the Trustee and the City may establish and payment of any expenses which the Authority, the Trustee or the City may incur in connection therewith. In the event any such Bond shall have matured, instead of issuing a substitute Bond, the Authority may pay the same without surrender thereof.

Section 2.08. Conditions for Authentication of Bonds. The Trustee shall not authenticate and deliver the Bonds to be issued and delivered pursuant to this Indenture unless theretofore or simultaneously therewith there shall have been delivered to the Trustee the following:

(a) Certified copies of the Bond Resolution authorizing the issuance of the Bonds and the execution and delivery of the Ground Lease, the Lease and this Indenture, and of the resolution adopted by the City, giving approval to the Project and authorizing the execution and delivery of the Ground Lease and the Lease.

(b) Executed counterparts of the Ground Lease, the Lease, this Indenture and UCC-1 financing statements executed by the City as Debtor and describing as collateral any tangible personal property leased pursuant to the Lease, and by the Authority as Debtor and describing as collateral the property granted to the Trustee pursuant to the granting clauses hereof.

(c) The manually signed approving opinion of Bond Counsel, concerning the validity, legality and tax-exempt status of the Bonds and exclusion of interest thereon from gross income under the Internal Revenue Code.

(d) A Certificate of an Authorized Officer of the City to the effect that the City has deposited in the Project Fund, or has expended for Project Costs, or has on hand such amounts of money as are currently estimated to be needed to meet Project Costs for the Project in excess of the proceeds of the Bonds to be deposited in the Project Fund pursuant to Section 4.01 hereof.

(e) An order for authentication and registration of the Bonds, signed by the Executive Director or other officer of the Authority, specifying the aggregate principal amount of the Bonds to be issued and directing the Trustee to deliver the Bonds to or upon the order of the Original Purchaser upon payment of the purchase price therefor.

(f) A certificate of the Authority pursuant to Section 148 of the Internal Revenue Code as to the absence of arbitrage expectation with respect to the Bonds, which certificate may be based on certifications of the City.

(g) Such further certifications, documents and Opinions of Counsel as the Trustee, the Authority or Bond Counsel may require.

Section 2.09. Book-Entry Only System.

(a) The Bonds will be initially issued in the form of a separate single typewritten or printed fully registered Bond for each of the maturities set forth in Section 2.01 hereof. Upon initial issuance, the ownership of each such Bond will be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, and its successors and assigns (“DTC”). Except as provided in this Section, all of the Outstanding Bonds will be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, the Authority, the City and the Trustee will have no responsibility or obligation to any broker dealers, banks and other financial institutions from time to time for which DTC holds Bonds as securities depository (the “Participants”) or to any other person on behalf of which a Participant holds an interest in the Bonds, including but not limited to any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person other than a registered Owner of Bonds, as shown by the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a registered Owner of Bonds, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Authority, the City and the Trustee may treat and consider the person in whose name each Bond is registered in the registration books kept by the Trustee as the absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of registering transfers of such Bond, and for all other purposes. The Trustee will pay all principal of, premium, if any, and interest on the Bonds only to or on the order of the respective registered Owners, as shown in the registration books kept by the Trustee, and all such payments will be valid and effectual to fully satisfy and discharge the Authority’s obligations with respect to payment of principal of, premium, if any, or interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered Owner of Bonds, as shown in the registration books kept by the Trustee, will receive a certificated Bond evidencing the obligation of this Indenture. Upon delivery by DTC to the Trustee of a written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the words “Cede & Co.” will refer to such new nominee of DTC.

(c) On December 19, 2011, the Board of Commissioners of the Authority approved the form of Blanket Issuer Letter of Representations proposed to be submitted to DTC, which is on file with the Executive Director (the “Representation Letter”). The Executive Director has executed and delivered the Representation Letter in substantially the form on file with the Executive Director.

(d) In the event the Authority, by resolution, determines that it is in the best interests of the persons having beneficial interests in the Bonds issued in book-entry form that they be able to obtain Bond certificates, the Authority will notify the Trustee, which will notify DTC, whereupon DTC will notify the Participants, of the availability through DTC of Bond certificates. In such event the Authority will issue, transfer and exchange Bond certificates as requested by DTC and any other registered owners in accordance with the provisions of this Indenture. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, if no successor securities depository is appointed, the Authority will issue and the Trustee will authenticate Bond certificates in accordance with this Indenture and the provisions hereof will apply to the transfer, exchange and method of payment thereof.

(e) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of,

premium, if any, and interest on such Bond and all notices with respect to such Bond will be made and given, respectively in the manner provided in the Representation Letter.

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

Section 3.04. Deposit for Redemption. On or prior to the redemption date, there shall be deposited with the Trustee cash in an aggregate amount which shall be sufficient to pay the redemption price of the Bonds to be redeemed and interest thereon to the redemption date; and there shall be deposited, or arrangements shall be made with the Trustee to deposit, with the Trustee a sum sufficient to pay the proper expenses and charges of the Trustee in connection with such redemption. Upon deposit with the Trustee of the aggregate amount of such redemption price and interest, such money shall be set aside by the Trustee and held by it for the account of the respective Owners of the Bonds being redeemed.

Section 3.05. Payment of Redeemed Bonds. After notice of redemption shall have been given as provided in Section 3.03, the Bonds specified in such notice shall become due and payable on the redemption date. Payment of the redemption price and interest shall be made to or upon order of each registered Owner, upon the surrender of the Bonds. Any installment of interest maturing on or prior to the redemption date shall be payable to the registered Owners of Bonds on the relevant Record Dates according to the terms of such Bonds and the provisions of Section 2.05 hereof and the notice of redemption herein provided for may so state. If redemption money is available for the payment of all of the Bonds called for redemption on the redemption date, the Bonds so called shall cease to accrue interest on or after the redemption date, and such Bonds shall not be deemed to be Outstanding hereunder for any purpose, except that the Owners thereof, on presentation, as herein provided, shall be entitled to receive payment of the redemption price and interest accrued thereon to the redemption date from the money set aside by the Trustee as aforesaid.

Section 3.06. Cancellation of Redeemed Bonds. All Bonds so redeemed shall forthwith be canceled and destroyed by the Trustee; and no further Bonds shall be executed or authenticated or issued hereunder in exchange or substitution therefor.

Section 3.07. Partial Redemption of Bonds. If less than all of the Bonds of a particular maturity at the time Outstanding are to be called for prior redemption, the particular Bonds or portions thereof of such maturity to be redeemed shall be selected by lot or other random means, except as otherwise provided herein, by the Trustee in such manner as the Trustee, in its discretion, may determine. The Trustee shall call for redemption in accordance with the foregoing provisions as many Bonds or portions thereof as will, as nearly as practicable, exhaust the money available therefor. Particular Bonds or portions thereof shall be redeemed only in integral multiples of principal amount of \$5,000.

In the case of Bonds of denominations greater than \$5,000, if less than all of such Bonds then Outstanding are to be called for redemption, then for all purposes in connection with redemption, each \$5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all of the \$5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Owner of such Bond shall forthwith surrender such Bond to the Trustee (1) for payment of the redemption price (including the redemption premium, if any, and interest to the date fixed for redemption) of the \$5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond, without charge therefor. If the Owner of any such Bond of a denomination greater than \$5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the \$5,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such \$5,000 unit or units of principal amount on and after the date fixed for redemption; provided, that funds sufficient for the payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said \$5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of this Indenture or the Bond Resolution to the extent of the portion of its principal amount (and accrued interest thereon to the

date fixed for redemption and applicable premium, if any) represented by such \$5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

ARTICLE IV

Bond Proceeds; Project Fund

Section 4.01. Deposit of Bond Proceeds. On the Closing Date, the Authority received proceeds of the Bonds in the amount of \$_____ (par amount of \$8,200,000.00, plus original issue premium of \$_____, less original issue discount of \$_____, less underwriter's discount of \$_____), plus accrued interest in the amount of \$_____, as well as funds from the City in the amount of \$_____, and deposited such proceeds with the Trustee for the following purposes:

(i) For deposit to the Reserve Fund, the amount of \$_____ in satisfaction of the Reserve Requirement for the Reserve Fund;

(ii) For deposit to the Project Fund, the amount of \$_____ for the payment of the Costs of Issuance;

(iii) For deposit to the Bond Fund, the amount of \$_____ for the payment of interest on the Bonds; and

(iv) For deposit to the Project Fund, the balance of such proceeds in the amount of \$_____ for the payment of Project Costs.

Section 4.02. Establishment of Project Fund. The Authority hereby establishes a fund (herein called the "Project Fund") with the Trustee and, on the Closing Date, there shall be deposited with the Trustee to the credit of the Project Fund proceeds of the Bonds, as provided in clauses (ii) and (iv) of Section 4.01. The City has covenanted in the Lease that, upon request of the Trustee, it will deposit in the Project Fund the additional money, if any, which, together with such proceeds and investment earnings thereon, will be sufficient to finance the total Project Costs. The Authority has no obligation to deposit any money in the Project Fund or to apply money to Project Costs except proceeds of Bonds or funds made available therefor by the City.

The money in the Project Fund shall be held in trust by the Trustee and applied to the payment of the Project Costs in accordance with and subject to the provisions of this Article, and pending such application shall be subject to a lien and charge in favor of the Owners of the Bonds issued and Outstanding under this Indenture and shall be held for the further security of such Owners until paid out as herein provided.

Section 4.03. Project Costs Defined. For the purposes of this Article, Project Costs shall include, without intending thereby to limit or restrict any proper definition of such cost under any applicable laws and generally accepted accounting principles, the following:

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

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

(c) The cost of any indemnity and surety bonds deemed necessary by the City, the fees and expenses of the Trustee and any paying agent during the Construction Period, taxes and other municipal or governmental charges levied or assessed during the Construction Period on the Site, and any premiums for insurance incurred in connection with the Project during the Construction Period;

(d) Costs of acquisition and installation of equipment, furnishings and other tangible personal property required for the Project;

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

(f) Expenses of administration, supervision and inspection properly chargeable to the Project, administrative fees and other expenses relating to the Project, title insurance premiums, abstracting and filing fees, legal expenses and fees, cost of audits and of preparing, offering, selling and issuing any of the Bonds and initial fees of the Trustee; and

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

Section 4.04. Payments from Project Fund. Each of the payments referred to in Section 4.03 shall be made from the Project Fund only upon receipt of a Project Fund Draw Request executed by an Authorized Officer of the City, in substantially the form attached hereto as EXHIBIT C.

(a) Before any of the payments referred to in Section 4.03 may be made from the Project Fund, an Authorized Officer of the City shall certify with respect to each such payment: (i) that none of the items for which the payment is proposed to be made has formed the basis for any payment theretofore made from the Project Fund; and (ii) that each item for which payment is proposed to be made is or was necessary in connection with the Project. In the case of any construction contract providing for the retention of a portion of the contract price, there shall be paid only the net amount remaining after deduction of any such portion. All payments made from the Project Fund shall be presumed by the Trustee to be made for the purposes certified in said statement, and the Trustee shall not be required to see to the application of any payments made from the Project Fund or to inquire into the purposes for which withdrawals are being made from the Project Fund.

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

(c) Money deposited in the Project Fund shall be paid out no more than twice per month by the Trustee in order to pay, or to reimburse the City for payment made by the City, any Project Costs and such other costs related thereto, within three (3) business days after receipt by the Trustee of a written Project Fund Draw Request.

(d) Each written Project Fund Draw Request of the City shall be prepared substantially in the form of EXHIBIT C attached hereto and shall certify:

(1) the item number of such Project Fund Draw Request, the name of the person, firm, or corporation to whom each such payment is due, each amount to be paid or reimbursed, and that such Project Costs were incurred for or in connection with the Project;

(2) that such Project Costs have been paid or incurred by the City and are presently due and payable or have been paid by the City and are reimbursable hereunder and each item thereof is a proper charge against the Project Fund and has not been previously paid or reimbursed from the proceeds of the Bonds;

(3) that such costs have not been included in any other Project Fund Draw Requests previously filed with the Trustee under the provisions hereof; and

(4) that there has not been filed with or served upon the City, any notice of any lien, right to a lien, or attachment upon or claim affecting the right of any person to receive payment of the respective amount stated in such Project Fund Draw Request unless payment is being contested.

(e) Upon receipt of each Project Fund Draw Request of the City, the Trustee shall pay the obligation set forth in such Project Fund Draw Request out of money in the Project Fund. In making such payments the Trustee may rely upon such Project Fund Draw Request. If for any reason the City should decide prior to the payment of any item in said Project Fund Draw Request not to pay such item it shall give written notice of such decision to the Trustee and upon receipt thereof the Trustee shall not make such payment if such payment has not theretofore been made. The Trustee shall not be liable to the City for any payment made pursuant to a Project Fund Draw Request prior to the Trustee's receipt of such written notice. For purposes of complying with the requirements of this Section 4.04, the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon the Project Fund Draw Request of the City, which may be submitted by email or fax. The Trustee shall not be bound to make an investigation into the facts or matters stated in any Project Fund Draw Request of the City. The Trustee shall not be responsible for determining whether the funds on hand in the Project Fund are sufficient to complete the Project. The Trustee shall not be required to collect or verify lien waivers.

(f) Upon receipt by the Trustee of any type of written request of the Authority, from time to time, amounts in the Project Fund representing Costs of Issuance shall be withdrawn and paid to the persons designated by the Authority for payment of said Costs of Issuance.

(g) The City shall deliver to the Trustee within ninety (90) days after the completion of the Project a certificate of the City certifying:

(1) that all permits necessary for the occupancy and use of the Project have been obtained and are in full force and effect;

(2) that all fixtures required for the operation of the Project have been installed and are free and clear of all liens and security interests other than Permitted Encumbrances; and

(3) that the Project has been fully paid for and no claim or claims exist against the City or against the Project out of which a lien based on furnishing labor or material exists or might, with the passage of time or the giving of notice, or both, ripen; provided, however, there may be excepted from the foregoing statement any claim or claims out of which a lien exists or might, with the passage of time or the giving of notice, or both, ripen in the event that the City intends to contest such claim or claims, in which event such claim or claims shall be described;

provided that sufficient funds are on deposit in the Project Fund and are committed by and available to the City for the Project sufficient to make payment of the full amount which might in any event be payable in order to satisfy such claim or claims.

Section 4.05. Application of Balance in Project Fund. When the City has furnished to the Trustee a Certificate of an Authorized Officer as to the Completion Date, any balance then remaining in the Project Fund (after reserving such amount as the Authorized Officer shall deem necessary for the payment of any remaining amounts due or to become due for Project Costs or Costs of Issuance, and after returning to the City any contingent funds which it may have deposited into the Project Fund as additional funds to finance total Project Costs and found to be unnecessary for such purpose) shall be transferred to the Bond Fund.

Section 4.06. Investment of Project Fund. The Trustee shall invest the money on deposit in the Project Fund at the written request of an Authorized Officer of the City in Permitted Investments which shall (i) be payable in such amounts and at such times not later than the time or times when such money will be needed to pay Project Costs, and (ii) mature or may be redeemed no later than twelve (12) months from the date of investment. The type, amount and maturity of Permitted Investments made pursuant to this Section shall conform to any instructions of the Authorized Officer. The Trustee may, from time to time, cause any such investments in the Project Fund to be sold or otherwise be converted into cash, whereupon the proceeds derived from such sale or conversion shall be deposited into the Project Fund. Any interest or profit derived from investments shall be credited to the Project Fund. Any loss derived from investments shall be debited to the Project Fund. Investments permitted under this Section may be purchased from the Trustee or from any of its affiliates. The Authority hereby covenants that no portion of the Project Fund representing proceeds of the Bonds shall be directed or permitted to be invested or used in such a manner that any of the Bonds would be "arbitrage bonds" under Section 148 of the Internal Revenue Code or regulations thereunder.

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

ARTICLE V

Disposition of Pledged Revenues

Section 5.01. Bond Fund. The Authority hereby establishes and shall maintain with the Trustee, so long as any Bonds are Outstanding, a separate Fund to be designated "Economic Development Authority for the City of St. Francis, Minnesota Public Project Lease Revenue Bonds, Series 2012A Bond Fund" (herein called the "Bond Fund"), into which the Trustee shall make the following deposits:

- (a) Proceeds of the Bonds deposited to the Bond Fund pursuant to Section 4.01(iii) hereof.
- (b) On the Business Day prior to August 1, 2012, and the Business Day prior to each February 1 and August 1 thereafter, or as soon after the due date as received from the City, all payments by the City as Lease Payments under Sections 4.2 and 4.3 of the Lease.
- (c) All other money received by the Trustee from the City when accompanied by directions of the City that such money is to be paid into the Bond Fund or used for purposes for which money in the Bond Fund may be used.
- (d) All other money required to be deposited in the Bond Fund pursuant to any provision of this Indenture, the Ground Lease, the Lease or the Bond Resolution.

The money and investments in the Bond Fund are irrevocably pledged and shall be used by the Trustee, from time to time, to the extent required:

- FIRST: For the payment of principal of, premium (if any) on and interest on the Bonds, as and when such principal, premium and interest shall become due and payable; and
- SECOND: Upon direction by the Authority, to purchase Outstanding Bonds at purchase prices not exceeding par plus accrued interest.

Section 5.02. Reserve Fund. The Authority hereby establishes and shall maintain with the Trustee, so long as any of the Bonds are Outstanding, a separate Fund to be designated "Economic Development Authority for the City of St. Francis, Minnesota Public Project Lease Revenue Bonds, Series 2012A Reserve Fund" (herein called the "Reserve Fund"), into which the Trustee shall make the following deposits:

- (a) Pursuant to Section 4.01(i), the Trustee shall deposit into the Reserve Fund money received from the Bonds in the amount of \$_____, in order to satisfy the Reserve Requirement for the Bonds.
- (b) After the Bonds have been delivered, the Trustee shall deposit into the Reserve Fund all money and income of the Trust Estate not deposited or required to be deposited in the Bond Fund, and all Additional Lease Payments pursuant to Section 4.3(g) of the Lease, as further required under this Section 5.02, in order to maintain or restore the balance on deposit in the Reserve Fund in an amount at least equal to the Reserve Requirement, as further provided in this Section.
- (c) All other funds required or permitted to be deposited into the Reserve Fund under this Indenture or the Lease.

The funds and investments in the Reserve Fund are irrevocably pledged to and shall be used by the Trustee, from time to time, as may be required, for the payment of principal of, premium (if any) on and interest on the Bonds as and when such principal, premium and interest shall become due and payable, and for those purposes only; provided that (i) the Trustee shall value the investments in the Reserve Fund at least annually on each February 1 and if cash amounts on deposit in the Reserve Fund exceed the Reserve Requirement, the Trustee shall transfer the excess to the Bond Fund and (ii) cash amounts in the Reserve Fund shall be transferred to the Bond Fund, when the money and proceeds of investments in the Reserve Fund are sufficient (with money and proceeds of investments in the Bond Fund) to pay when due the principal of and interest on all Outstanding Bonds.

Notwithstanding any other provision of this Section 5.02 to the contrary, in the event of a failure by the City to make Lease Payments in the amounts or at the times required under Section 4.2 of the Lease, the Trustee shall transfer from the Reserve Fund any amount required to satisfy the deficiency. The City shall be required to restore the balance in the Reserve Fund to the Reserve Requirement by making Additional Lease Payments pursuant to Section 4.3(g) of the Lease.

The Trustee, in its discretion, is authorized to use funds and investments in the Reserve Fund to pay the amount of any rebate due the United States with respect to the Bonds under Section 148 of the Internal Revenue Code, if the City shall have failed to pay or provide for the payments thereof under Section 4.3(e) of the Lease.

If an Event of Default occurs, the Trustee may use any funds in the Reserve Fund to pay for any mortgage registration tax or other recording fees required to be paid for purposes of filing this Indenture with the Manager of Property Records and Taxation of Anoka County, Minnesota.

Section 5.03. Investment of Funds. Upon written request by an Authorized Officer of the City and to the extent authorized by applicable law, money on deposit to the credit of the Project Fund, the Bond Fund and the Reserve Fund shall be invested by the Trustee in Permitted Investments. Investments permitted under this Section may be purchased from the Trustee or from any of its affiliates. Investments so made shall be deemed at all times to be a part of the respective Fund, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to such Fund. Any interest accruing on and any profit realized from such investment shall be credited to the respective Fund, except that, so long as there shall be credited to the Reserve Fund a sum not less than the Reserve Requirement, earnings thereon shall be credited to the Bond Fund. All funds and accounts shall be marked to market by the Trustee on a semiannual basis no fewer than fifteen (15) days prior to each interest payment date. Any investments purchased with amounts on deposit in any Fund under this Indenture may be exchanged for cash or investments of equal value credited to any other Fund. The Trustee shall redeem or sell, at the best price obtainable, any investments so made, whenever it shall be necessary to do so in order to provide money to meet any payment from the respective Fund. Neither the Trustee nor the Authority shall be liable for any loss resulting from any such investment, nor from failure to preserve rights against endorsers or other prior parties to instruments evidencing any such investment. Investment of funds pursuant to this Section shall be limited as to amount and yield of investment in such manner that no part of the Outstanding Bonds shall be deemed "arbitrage bonds" under Section 148 of the Internal Revenue Code and regulations thereunder. The Trustee shall be entitled to rely on a non-arbitrage Certificate delivered in connection with the issuance of the Bonds. Investment of funds pursuant to this Section shall comply with all procedures required under applicable provisions of the Internal Revenue Code to qualify the purchase price of an investment as the fair market value of such investment.

Section 5.04. Compliance with Arbitrage Restrictions; Rebate Requirements. The Authority hereby acknowledges and confirms that the maintenance of the tax-exempt status of interest on the Bonds is dependent, among other things, on compliance with the arbitrage requirements set forth in Section 148 of the

Internal Revenue Code. In order to confirm and carry out such understanding, the City has agreed under the Lease, inter alia, to make or cause to be made periodic computations and rebate payments to the United States as and when required by said Section 148 of the Internal Revenue Code. The Authority and the City expect that the proceeds of the Bonds (other than proceeds deposited in the Reserve Fund) will be exempt from the rebate requirements of Section 148(f) of the Internal Revenue Code, for issues the gross proceeds of which will be spent within twenty-four (24) months. However, if that exception is inapplicable and no other exemption is available, the City is to cause to be computed as of each computation date all rebatable arbitrage earned with respect to nonpurpose investments made with gross proceeds of the Bonds. Payment of all rebates required to be made to the United States under Section 6.9(b) of the Lease and under this Section shall be made from payments made by the City under Section 4.3(e) of the Lease or from other available funds held under this Indenture. Such required rebate payments shall be made in the minimum amounts required by said Section 148 of the Internal Revenue Code not later than sixty (60) days after each installment computation date. Not later than sixty (60) days after the final computation date, the Trustee shall pay or cause to be paid, as directed by the Authority or the City, from the sources described in the Lease and in this Section 5.04, one hundred percent (100%) of the aggregate amount described above not theretofore paid to the United States. In construing this Section 5.04 all terms used in this Section shall have the meanings provided in Section 148 of the Internal Revenue Code. Notwithstanding any other provision of this Section 5.04, any requirements imposed hereunder may be deemed inapplicable and of no force or effect if an opinion of Bond Counsel is rendered to the Trustee to the effect that the failure to impose such requirements will not adversely effect the tax-exempt status of interest on the Bonds.

In order to comply with the provisions of this Section 5.04 or Section 6.9(b) of the Lease, the Trustee is hereby authorized to obtain such Opinions of Counsel, reports of accountants and Certificates of the City as may be necessary for the purpose, and any expenses thereof shall be borne by the City. The Trustee is also authorized to apply amounts credited to the Reserve Fund to the payment of any rebate then owing, as further provided in Section 5.02 hereof, and to establish such other fund or account hereunder as it may deem necessary or desirable in order to maintain funds for the purpose of making any payment required under this Section 5.04.

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

ARTICLE VI

Particular Covenants of the Authority

The Authority covenants and agrees, so long as any Bonds shall be Outstanding and subject to the limitations on its obligations herein set forth, that:

Section 6.01. Payment of Bonds. The Authority will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture and the Bond Resolution and in each and every Bond executed, authenticated and delivered hereunder; will pay, but solely from Lease Payments by the City and other amounts received or held by the Trustee hereunder, the principal of, premium (if any) on and interest on every Bond issued hereunder on the dates, at the places and in the manner prescribed in such Bonds in any coin or currency which, on the respective dates of payment of such principal and interest, is legal tender for the payment of public and private debts; and will cause such amounts received to be deposited with the Trustee prior to the due date of each installment of principal and interest and prior to the maturity of any Bond in amounts sufficient to pay such installment or Bond to the end that the Trustee may cause to be placed in any other bank of payment specified herein and in the Bonds, on time, money required for payment of principal, premium and interest; provided, however, that the principal of and interest on any Bond is not and shall not constitute an indebtedness of the Authority or the City, within the meaning of any state constitutional provision or statutory limitation and shall not be deemed to represent a debt or pledge the full faith or credit of the Authority or the City or grant to the Owner of any Bond any right to have the Authority or the City levy any taxes or appropriate any funds to the payment of principal of or interest on the Bonds, and the Bonds do not constitute or give rise to a charge against the general credit or taxing powers of the Authority or the City or a pecuniary liability of the Authority or the City, the payment of the Bonds to be made solely and only out of the money received pursuant to the Lease and the Funds and Accounts established and maintained with the Trustee pursuant to this Indenture and appropriated to the payment of the Bonds by this Indenture.

Section 6.02. Extensions of Payments of Bonds and Interest. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest, except as may be expressly permitted by the provisions of this Indenture. Nothing in this Section shall, however, be deemed to limit the right of the Authority to fund or refund such Bonds and claims for interest.

Section 6.03. Authority of the Authority. The Authority has undertaken, pursuant to the Constitution and laws of the State, to issue the Bonds, to use the proceeds thereof to finance the Project, to execute this Indenture and assign and pledge to the Trustee the Trust Estate, including the Lease Payments, and to make the covenants as herein provided. All necessary action and proceedings on their part to be taken for the creation and issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken, and the Bonds in the hands of the Owners thereof are and will be duly issued special, limited obligations of the Authority in accordance with their terms. The Bonds are being issued pursuant to the Act and are intended to be subject to no other general provisions of law respecting the authorization, execution and delivery of bonds.

Section 6.04. Concerning the Lease. The Authority will cooperate or cause and permit the Trustee to take such action as may be necessary or advisable to enforce the covenants, terms and conditions of the Lease if such action shall be deemed to be in the best interest of the Authority or the Owners. The Authority shall do or cause to be done all things on its part to be performed under the Lease so that the obligations of the City thereunder shall not be impaired or excused.

Section 6.05. To Observe All Covenants and Terms; Limitations on Authority's Obligations. The Authority will not issue or permit to be issued any Bonds hereunder in any manner other than in accordance with the provisions of this Indenture and the agreements in that behalf herein contained, and will not suffer or permit any Default to occur under this Indenture, but will faithfully observe and perform all the conditions, covenants and requirements hereof. It is expressly agreed that the Authority has no obligation to levy taxes for, or make any advance or payment or incur any expense or liability from its general funds in performing, any of the conditions, covenants or requirements of the Bonds or this Indenture or from any funds other than revenues and income received pursuant to the Lease or money in the Funds and Accounts provided for herein.

Section 6.06. Liens; Further Assurances. The Authority agrees that it will not mortgage, sell or otherwise encumber its interest in the Site and the Facilities during the term of the Lease, except as such liens may constitute Permitted Encumbrances.

The Authority will execute or cause to be executed any and all further instruments that may reasonably be requested by the Trustee and be authorized by law to perfect the lien of this Indenture on the property secured hereby, or to vest in the Trustee the right to receive and apply the revenues and income pledged to the payment or protection and security of the Bonds, and will execute, deliver, file or record any financing statement pursuant to the Uniform Commercial Code if such filing, registration or recording shall be necessary or convenient to effect, protect or confirm the pledge and lien of this Indenture. The City shall pay all fees and expenses in connection with the preparation of such documents and all filing and registration taxes and fees in connection therewith.

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

ARTICLE VII

Remedies on Default

Section 7.01. Events of Default. Each of the following events is hereby defined as, and is declared to be and to constitute, an “Event of Default”:

(a) If payment of the principal of any of the Bonds, or any premium thereon, when the same shall become due and payable, whether at maturity or proceedings for redemption, declaration or otherwise, shall not be made; or

(b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or

(c) If the Authority shall default in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Bonds or in this Indenture, or in any indenture supplemental hereto on the part of the Authority to be performed, and such default shall have continued for a period of sixty (60) days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the City by the Trustee, or if such notice is given to the Trustee, the Authority and the City by the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding; or

(d) If any “event of default” as that term is defined in the Lease shall occur and be continuing.

Section 7.02. Acceleration of Maturity. Upon the occurrence of an Event of Default, or if the City shall determine pursuant to Section 5.6 of the Lease not to appropriate funds for the payment of Lease Payments to become due after the then current Fiscal Year and to terminate the Lease at the end of the then current Fiscal Year, the Trustee may, upon written request of the Owners of twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding hereunder, by notice in writing delivered to the Authority and the City, declare the principal of all Bonds hereby secured then Outstanding and the interest accrued thereon immediately due and payable.

Section 7.03. Enforcement of Covenants and Conditions. In any case of Default, the Trustee may take such action or actions for the enforcement of its rights and the rights of the Owners and the rights of the Authority under the Ground Lease or the Lease as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care, anything herein contained to the contrary notwithstanding and without any request from any Owner (subject, however, to the provisions of Section 8.06 hereof).

Upon the happening and continuance of an Event of Default, the Trustee may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds the Trustee shall, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to such payment of the funds, revenues and income appropriated thereto by this Indenture and by the Bonds, to enforce rights of the Authority under the Ground Lease and the Lease, and to pursue any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Owners. Notwithstanding the foregoing, the Trustee need not proceed upon

any such written request of the Owners, as aforesaid, unless such Owners shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Upon the occurrence of an Event of Default, or if the City shall determine pursuant to Section 5.6 of the Lease not to appropriate funds for the payment of Lease Payments to become due after the then-current Fiscal Year and to terminate the Lease at the end of the then current Fiscal Year, the Trustee shall cause this Indenture to be recorded as a mortgage upon the Site, using to the extent necessary, moneys in the Trust Estate to pay for such recording prior to application of such moneys described in Section 7.05 hereof. The Trustee may (and is hereby authorized and empowered to) foreclose this Indenture by action or advertisement pursuant to the laws of the State in such case made and provided, power being expressly granted to sell the Authority's leasehold interest in the Site at public auction and convey the same to the purchaser (subject to the Ground Lease), out of the proceeds arising from such sale, to pay the Bonds secured hereby, with interest, and all legal costs and charges of such foreclosure and the maximum attorneys' fees permitted by law, which costs, charges and fees the Authority agrees to pay.

The Trustee shall have and may exercise with respect to all personal property and fixtures which are part of the Facilities all the rights and remedies accorded upon default to a secured party under the Uniform Commercial Code as in effect in the State. If notice to the Authority of the intended disposition of such property is required by law in a particular instance such notice shall be deemed commercially reasonable if given to the Authority at least ten (10) calendar days prior to the date of intended disposition.

Notwithstanding anything to the contrary in this Indenture, upon foreclosure and satisfaction of the mortgage given to the Trustee under this Indenture, all other provisions of the Indenture remain in effect and the Bonds remain Outstanding, except upon compliance with the requirements for discharge of the Indenture under Article X hereof.

Section 7.04. Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Owners of Bonds under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, issues, payments and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 7.05. Application of Money. All money received by the Trustee pursuant to any right given or action taken under the provisions of this Indenture, the Lease or the Ground Lease shall, after payment of the cost and expenses of the proceedings resulting in the collection of such money and of the expenses, liabilities and advances incurred or made by the Trustee (including, but not limited to, fees and expenses incurred to date by the Trustee and which are unpaid), be deposited in the Bond Fund, and all money then held hereunder, including but not limited to money in the Bond Fund and the Reserve Fund, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such money shall be applied:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of this Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such money shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the money shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever money is to be applied by the Trustee pursuant to the provisions of this Section, such money shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such money and of the fixing of any such date, and shall not be required to make payment to the Owner of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Trustee and the Authority have been paid, any balance remaining shall be paid to the persons entitled to receive the same; if no other person shall be entitled thereto, then the balance shall be paid to the City.

Section 7.06. Right of Trustee to Act Without Possession of Bonds. All rights of action (including the right to file proof of claim) under this Indenture, the Lease, the Ground Lease, or the Bond Resolution, or under any of the Bonds, may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners of the Bonds hereby secured, and any recovery of judgment shall be for the equal benefit of the Owners of the Outstanding Bonds, subject to the provisions of Section 6.02 hereof with respect to extended Bonds and claims for interest.

Section 7.07. Power of Majority of Owners. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of Bonds Outstanding hereunder shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken under this Indenture, the Lease, the Ground Lease, and the Bond Resolution; provided that such direction shall not be otherwise than

in accordance with the provisions of applicable law and that the Trustee shall be indemnified as provided in Section 8.06.

Section 7.08. Limitation on Suits by Owners. No Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture, or for the execution of any trust hereof or for any other remedy hereunder, unless a Default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such Default shall have become an Event of Default and the Owners of twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding hereunder shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted herein or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in Section 8.06; and such notification, request and offer of indemnity are hereby declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for enforcement or for any other remedy hereunder; it being understood and intended that no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of this Indenture by their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Owners of all Bonds Outstanding hereunder. Nothing in this Indenture shall, however, affect or impair the right of any Owner, which is absolute and unconditional, to enforce and bring suit for the payment of the principal of and interest on any Bond at and after the maturity thereof or the obligations of the Authority to pay from the sources provided herein the principal of and interest on each of the Bonds issued hereunder to the respective Owners thereof at the time and place in said Bonds expressed, in accordance with the terms of the Bonds.

Section 7.09. Waiver by Owners. The Trustee, upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding hereunder, shall waive any Event of Default hereunder and its consequences, except an Event of Default in the payment of the principal of the Bonds at the date of maturity specified therein; provided, however, that an Event of Default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. In case of any such waiver, the Authority, the Trustee and the Owners of the Bonds shall be restored to their former positions and rights hereunder respectively.

Section 7.10. Remedies Cumulative, Delay Not to Constitute Waiver. No remedy by the terms of this Indenture, the Lease, the Ground Lease, or the Bond Resolution conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder 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 or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Default or Event of Default hereunder, whether by the Trustee or by the Owners, shall extend to or shall affect any subsequent Default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 7.11. Restoration of Rights Upon Discontinuance of Proceedings. In case the Trustee or Owners shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or Owners,

then and in every such case the Authority, the City, the Trustee and the Owners shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee or Owners shall continue as if no such proceedings had been taken.

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

ARTICLE VIII

Concerning the Trustee

Section 8.01. Acceptance of Trust and Prudent Performance Thereof. The Trustee, prior to the occurrence of an Event of Default and after the curing of all such Events of Default as may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. During the existence of any Event of Default which has not been cured, the Trustee shall exercise such rights and powers, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be required to take notice or be deemed to have notice of any Default or Event of Default hereunder except Default in the deposits or payments specified, or failure by the Authority or the City to file with it any of the documents required or to deposit with it evidence of the insurance policies required hereunder or under the Lease, unless the Trustee shall be specifically notified in writing of such Default or Event of Default by the City, by the Authority or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding hereunder, and in order to be effective, all notices or other instruments required by this Indenture to be delivered to the Trustee must be delivered at the office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume that there is no Default or Event of Default except as aforesaid.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) prior to an Event of Default hereunder, and after the curing of all such Events of Default which may have occurred:

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and to the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether it conforms to the requirements of this Indenture; and

(b) at all times, regardless of whether or not any Event of Default shall exist:

(1) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of all the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 8.02. Trustee May Rely Upon Certain Documents and Opinions. Except as otherwise provided in Section 8.01,

(a) the Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, election, order, certification or demand of either of the Authority or the City shall be sufficiently evidenced by an instrument signed by an Authorized Officer of the Authority or the City, as the case may be (unless otherwise in this Indenture specifically prescribed), and any resolution of the Authority or the City may be evidenced to the Trustee by a Certified Resolution;

(c) the Trustee may consult with counsel (who may be counsel for the Authority or the City) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel; and

(d) whenever, in the administration of the trusts of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority or the City, and such Certificate shall, in the absence of negligence or bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof.

Section 8.03. Trustee Not Responsible for Indenture Statements, Validity. The Trustee shall not be responsible for any recital or statement herein, or in the Bonds (except in respect of the certificate of the Trustee endorsed on the Bonds), or for the validity of the execution by the Authority of this Indenture or the validity or execution of the Ground Lease, the Lease or the Bond Resolution or of any supplemental instrument, or for the sufficiency of the security of the Bonds issued hereunder or intended to be secured hereby, or for the value or title of any of the Trust Estate, or otherwise as to the maintenance of the security hereof; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the Authority or the City except as herein set forth, but the Trustee may require of the Authority and the City full information and advice as to the performance of the covenants, conditions and agreements aforesaid and of the condition of the physical property included in the Trust Estate. The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder.

Section 8.04. Limits on Duties and Liabilities of Trustee. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty of the Trustee and the Trustee shall be answerable only for its own negligence or willful default. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

Section 8.05. Money Held in Trust. Money held by the Trustee hereunder is held in trust but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no

liability for interest on any money received by it hereunder except as otherwise agreed with the Authority or the City.

Section 8.06. Obligation of Trustee. The Trustee shall be under no obligation to institute any suit, or to take any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall have reasonable grounds to believe that repayment of all costs and expenses, outlays and counsel fees and other reasonable disbursements in connection therewith and adequate indemnity against all risk and liability is reasonably assured to it; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it, without assurance of reimbursement or indemnity, and in such case the Trustee shall be reimbursed for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the City shall fail to make such reimbursement, the Trustee may reimburse itself from any money in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any of the Bonds Outstanding hereunder.

Section 8.07. Notice to Owners, Etc. The Trustee shall give to the Owners of the Bonds whose names and addresses are known to it written notice of all Events of Default known to the Trustee by virtue of actual knowledge of a Responsible Officer, within ten (10) days after the occurrence of the Event of Default, unless the Event of Default has been cured before the giving of such notice; provided that, except in the case of Events of Default in the payment of principal of or interest on any of the Bonds, the Trustee shall be protected in withholding such notice if and so long as its board of directors, an executive committee or trust committee of directors or the chief executive officer of the Trustee in good faith determines that the withholding of such notice is in the interest of the Owners; and further provided that no such notice shall be given unless and until any Default becomes an Event of Default.

Section 8.08. Intervention in Judicial Proceedings. In any judicial proceeding to which the Authority or the City is a party and which, in the opinion of the Trustee, based upon an Opinion of Counsel which shall be reasonably satisfactory to the City, has a substantial bearing on the interests of the Owners of Bonds issued hereunder, the Trustee may intervene on behalf of Owners and shall do so if requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding hereunder. The rights and obligations of the Trustee under this Section are subject to the approval of the court having jurisdiction in the premises.

Section 8.09. Further Investigation by Trustee. The resolutions, opinions, Certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be in full warrant, protection and authority to the Trustee for its actions hereunder; but the Trustee may, in its unrestricted discretion, and shall, if requested in writing so to do by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding hereunder, cause to be made such independent investigation as it may see fit, and in that event may decline to release any property, or pay over cash, or take other action unless satisfied by such investigation of the truth and accuracy of the matters so investigated. The expense of such investigation shall be paid by the City.

Section 8.10. Trustee to Retain Records. The Trustee shall retain all financial statements furnished by the City in accordance with this Indenture or the Lease so long as any of the Bonds shall be Outstanding.

Section 8.11. Compensation of Trustee. All advances, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trust hereby created and reasonable compensation to the Trustee for its services in the premises shall be paid by the City. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of trustees of an

express trust. If not paid by the City, the Trustee shall have a first lien, with right of payment prior to payment on account of interest on or principal of any Bond issued hereunder, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts hereby created and the exercise and performance of the powers and duties of the Trustee hereunder and for the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is finally adjudicated to have resulted from the negligence or willful misconduct of the Trustee).

Section 8.12. Trustee May Hold Bonds. The Trustee and its officers and directors may acquire and own, or become the pledgee of, Bonds and otherwise deal with the Authority or the City in the same manner and to the same extent and with like effect as though it were not Trustee hereunder.

Section 8.13. Appointment of Trustee. There shall at all times be a trustee hereunder which shall be an association or a corporation organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers, having a combined capital, surplus and undivided profits of at least Ten Million Dollars (\$10,000,000), and subject to supervision or examination by Federal or State authority. If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital, surplus and undivided profits of such corporation shall be deemed to be its combined capital as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, and another association or corporation is eligible, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.15 hereof.

Section 8.14. Merger of Trustee. Any corporation or national banking association into which the Trustee or substantially all of its corporate trust business may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or national banking association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 8.15. Resignation or Removal of Trustee. The Trustee may resign and be discharged from the trusts created by this Indenture by giving to the City thirty (30) days' notice in writing, and to the Owners notice by first class mail at their addresses as set forth on the registration books, of such resignation, specifying a date when such resignation shall take effect. Such resignation shall take effect no earlier than the date on which a successor trustee shall have been appointed as hereinafter provided.

Any Trustee hereunder may be removed at any time by an instrument or instruments in writing, appointing a successor to the Trustee so removed, filed with the Trustee and executed by either (i) the Authority and the City, or (ii) the Owners of a majority in principal amount of the Bonds hereby secured and then Outstanding.

No resignation or removal of the Trustee or any successor shall be effective until a successor Trustee shall have been appointed and such party shall have accepted the duties of Trustee hereunder.

Section 8.16. Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or otherwise shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith be created in the office

of such Trustee hereunder, and a successor may be appointed by either (i) the Authority and the City or (ii) the Owners of a majority in principal amount of the Bonds hereby secured and then Outstanding, by an instrument or instruments in writing filed with the Trustee and executed by the Authority and the City or by such Owners, as applicable, notification thereof being given to the City, but in the event the Trustee has been removed by action of the Owners, until a new Trustee shall be appointed by the Owners as herein authorized, the Authority may, subject to the provisions hereof, appoint a Trustee to fill such vacancy. After any appointment by the Authority, the Trustee so appointed shall cause notice of its appointment to be mailed within thirty (30) days after such appointment to the registered Owners of the Bonds, but any new Trustee appointed by the Authority shall immediately and without further act be superseded by a Trustee appointed in the manner above provided by the Owners of a majority in principal amount of the Bonds whenever such appointment by the Owners shall be made.

If, in a proper case, no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within six (6) months after a vacancy shall have occurred in the office of Trustee, the Owner of any Bond hereby secured or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Section 8.17. Transfer of Rights and Property to Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority and the City an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Authority or of its successor Trustee execute and deliver an instrument transferring to such successor all the estate, properties, rights, powers and trusts of such predecessor hereunder, and every predecessor Trustee shall deliver all securities and money held by it as Trustee hereunder to its successor. Should any assignment, conveyance or instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor Trustee the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor Trustee, any and all such assignments, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all assignments, conveyances and other instruments provided for in this Article shall, at the expense of the City, be forthwith filed and/or recorded by the successor Trustee in each recording office where this Indenture shall have been filed and/or recorded.

Section 8.18. Appointment of Successor or Alternate Paying Agents. In the event the initial Trustee shall also have been appointed paying agent for any Bonds, a successor Trustee shall become successor paying agent with respect to such Bonds unless otherwise provided in the instrument appointing such successor Trustee. If any paying agent other than the initial Trustee shall resign or become incapable of acting, or shall be removed under a supplemental indenture entered into pursuant to the terms hereof, the Trustee may appoint a successor paying agent which is a bank or trust company qualified to act as paying agent under the Act and which is willing to accept the office on reasonable and customary terms approved by an Authorized Officer of the City. The Trustee may appoint successor paying agents. "Paying agent" as used in this Section refers to the bank or trust company named in the form of Bond provided for the Bonds in the recitals hereof, where principal of and interest on Bonds may be paid.

ARTICLE IX

Concerning the Owners

Section 9.01. Execution of Instruments by Owners. Any request, direction, consent or other instrument in writing required by this Indenture to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by agent duly appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments of deeds to be recorded within such jurisdiction, to the effect that the person signing such instrument acknowledged the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Bonds shall be proved by the registration records kept under the provisions of this Indenture.

Nothing contained in this Article shall be construed as limiting the Trustee to the proof above specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which to it may seem sufficient.

Section 9.02. Waiver of Notice. Any notice or other communication required by this Indenture to be given by delivery, publication or otherwise to the Owners or any one or more thereof may be waived, at any time before such notice or communication is so required to be given, by a writing mailed or delivered to the Trustee by the Owner or Owners of all of the Bonds entitled to such notice or communication.

Section 9.03. Determination of Owner Concurrence. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the Authority or the City shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the Authority or the City. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 9.04. Owners' Meeting. A meeting of the Owners may be called at any time and from time to time for any of the following purposes:

(1) to give any notice to the Authority or to the Trustee, or to give any direction to the Trustee, or to make any request of the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Owners pursuant to any of the provisions of Article VII hereof;

(2) to remove the Trustee or appoint a successor Trustee pursuant to the provisions of Article VIII hereof;

(3) subject to Article XI hereof, to consent to the execution of an indenture or indentures supplemental hereto;

(4) subject to Article XII hereof, to consent to any amendment of the Lease or the Ground Lease or to any instrument supplemental thereto; or

(5) to take any other action authorized to be taken by or on behalf of the Owners of any percentage of the Outstanding Bonds under any other provisions of this Indenture or under applicable law.

Any Owners' meeting may be called and held as follows:

(a) A meeting of Owners may be held at such place within the city where the Trustee has its principal office as the Trustee or, in case of its failure to act, the Authority or Owners calling the meeting shall prescribe.

(b) Notice of every meeting of Owners, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be mailed, postage prepaid, to each Owner of Bonds and to the City. Any failure of the Trustee to mail such notice, or any defect therein shall not, however, in any way impair or affect the validity of any such meeting.

(c) In case at any time the Authority or the City, pursuant to a Certified Resolution, or the Owners of at least ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, shall have requested the Trustee to call a meeting of the Owners, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have given notice of such meeting within 20 days after receipt of such request, then the Authority or the Owners of Bonds in the amount above specified may call such meeting to take any action authorized in this Section by giving notice thereof as provided in paragraph (b) of this Section.

(d) Only an Owner of one or more Bonds or a person appointed as proxy by an instrument in writing of such Owner shall be entitled to vote at or to participate with their counsel and the representatives of the Trustee, the City or the Authority in such meeting. Each Owner shall be entitled to one vote for each \$5,000 in principal amount of Outstanding Bonds held.

(e) The Trustee or, in case of its failure to act, the Authority, the City or Owners calling or requesting the meeting, may make such reasonable regulations as it may deem advisable for any meeting of Owners in regard to proof of the holding of Bonds and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

(f) At any meeting of Owners, the presence of persons holding or representing Bonds in an aggregate principal amount sufficient under the appropriate provision of this Indenture to take action upon the business for the transaction of which such meeting was called shall constitute a quorum. Any meeting of Owners duly called pursuant to this Section may be adjourned from time to time by vote of the Owners (or proxies for the Owners) of a majority of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present; and the meeting may be held as so adjourned without further notice.

(g) The vote upon any resolution submitted to any meeting of Owners shall be by written ballots on which shall be subscribed the signatures of the Owners of Bonds or of their representatives by proxy and the serial number or numbers of the Bonds held or represented by them. The chair of the meeting shall

appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each meeting of Owners shall be prepared by the secretary of the meeting, and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in paragraph (b) hereof. Each copy shall be signed and verified by the affidavits of the chair and secretary of the meeting and one such copy shall be delivered to the City and the Authority and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.05. Revocation by Owners. At any time prior to (but not after) the evidencing to the Trustee of the taking of any action by the Owners of the percentage in aggregate principal amount of the Bonds specified in this Indenture in connection with such action, any Owner of any such Bond may, by filing written notice with the Trustee at its principal office revoke any consent given by such Owner or the predecessor Owner of such Bond. Except as aforesaid, any such consent given by the Owner of any Bond shall be conclusive and binding upon such Owner and upon all future Owners of such Bond and of any Bond issued in exchange therefor or in lieu thereof, irrespective of whether any notation in regard thereto is made upon such Bond. Any action taken by the Owners of the percentage in aggregate principal amount of Bonds specified in this Indenture in connection with such action shall be conclusively binding upon the Authority, the City, the Trustee and the Owners of all the Bonds.

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

ARTICLE X

Payment, Defeasance and Release

Section 10.01. Payment and Discharge of Indenture. If the City or the Authority, their successors or assigns shall:

(a) pay or cause to be paid the principal of and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and herein, or

(b) provide for the payment of principal and premium, if any, of the Bonds and interest thereon by depositing with the Trustee at or at any time before maturity amounts sufficient either in cash or direct obligations of or obligations fully guaranteed by the United States of America, the principal and interest on which when due and payable (or redeemable at the option of the holder thereof but not at the option of the issuer thereof) and without consideration of any reinvestment thereof shall be sufficient, to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds Outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of the Outstanding callable Bonds not surrendered or to be surrendered to it for cancellation has been given or waived as provided in Article III hereof, or that arrangements satisfactory to the Trustee have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Owners of all Outstanding callable Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, as provided in said Article III, the entire amount of the redemption price, including accrued interest and premium, if any, either in cash or in direct obligations of or obligations fully guaranteed by the United States of America (which are not redeemable at the option of the issuer) in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of such redemption price on the date such Bonds are to be redeemed and on such prior dates when principal of and interest on the Outstanding Bonds is due and payable, and

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided, and shall also pay all other sums due and payable hereunder by the Authority or the City, provided that if Bonds are to be defeased under either paragraph (b) or (c) above, an Opinion of Bond Counsel is rendered to the Trustee to the effect that the tax-exempt status of interest on the Bonds will not be impaired thereby, then and in that case, all the Trust Estate shall revert to the Authority and the City as their interests may appear, and the entire estate, right, title and interest of the Trustee and of the registered Owners of the Bonds in respect thereof shall thereupon cease, determine and become void; and the Trustee in such case, upon the cancellation of all Bonds for the payment of which cash or securities shall not have been deposited in accordance with the provisions of this Indenture, shall, upon receipt of a written request of the Authority and of a Certificate of the Authority and an Opinion of Counsel as to compliance with conditions precedent, and at the City's cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of this Indenture and surrender to the Authority and the City, as their interests appear, all cash and deposited securities, if any (other than cash or securities for the payment of the Bonds and interest thereon), which shall then be held hereunder as a part of the Trust Estate.

Nothing contained in this Section 10.01 shall be construed to prohibit the defeasance of one or more, but not all, Bonds by any of the methods set forth in clause (a), (b) or (c) above. The Trustee may, at its discretion, require a verification report with respect to the sufficiency of a deposit under this Section.

Section 10.02. Bonds Deemed Not Outstanding After Deposits. When there shall have been deposited at any time with the Trustee in trust, cash or direct obligations of or obligations fully guaranteed by the United States of America the principal and interest on which shall be sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof, and to pay all interest with respect thereto at the due dates for such interest to maturity or to the date fixed for redemption, for the use and benefit of the Owners thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of this Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be Outstanding hereunder; and it shall be the duty of the Trustee to hold the cash and securities so deposited for the benefit of the Owners of such Bonds, and from and after such date, redemption date or maturity, interest on such Bonds called for redemption shall cease to accrue.

Section 10.03. Unclaimed Money to Be Returned. Any money deposited with the Trustee pursuant to the terms of this Indenture, for the payment or redemption of Bonds and remaining unclaimed by the Owners of such Bonds on the date fixed for redemption of the same, as the case may be, for a period of three (3) years after the due date, shall, upon the written request of the City, and if the Authority or any successor to the obligations of the Authority under this Indenture and the Bonds shall not at the time, to the knowledge of the Trustee, be in default with respect to any of the terms and conditions contained in this Indenture or in such Bonds, be paid to the City, and such Owners of the Bonds shall thereafter look only to the City for payment and then only to the extent of the amounts so received without interest thereon; PROVIDED, HOWEVER, that within thirty (30) days prior to the expiration of the three (3) year period mentioned above, the Trustee, before being required to make any such repayment, may, at the expense of the City cause to be published in a Financial Journal, a notice that after a date named therein said money will be returned to the City. If the City does not request that the money be returned to the City, the Trustee shall pay the money over to the applicable party in accordance with applicable law.

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

ARTICLE XI

Supplemental Indentures

Section 11.01. Purposes for Which Supplemental Indentures May Be Executed. The Authority, upon resolution, and the Trustee from time to time and at any time, subject to the conditions and restrictions contained in this Indenture, may enter into such indentures supplemental hereto as may or shall by them be deemed necessary or desirable, without the consent of any Owner, for any one or more of the following purposes:

(a) To correct the description of any property hereby pledged or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee, subject to such liens or other encumbrances as shall be therein specifically described, additional property or properties of the Authority or the City for the equal and proportional benefit and security of the Owners of all Bonds at any time issued and Outstanding under this Indenture, subject, however, to the provisions hereinabove set forth with respect to extended Bonds;

(b) To add to the covenants and agreements of the Authority in this Indenture other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Authority or to or upon any successor;

(c) To evidence the succession or successive successions of any other department, agency, body or corporation to the Authority and the assumption by such successor of the covenants, agreements and obligations of the predecessor Authority in the Bonds hereby secured and in this Indenture and in any and every supplemental indenture contained or the succession, removal or appointment of any trustee or paying agent hereunder;

(d) To cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indentures which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of this Indenture or any supplemental indenture and which shall not impair the security of the same;

(e) To modify, eliminate and/or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, and to add to this Indenture such other provisions as may be expressly permitted by the Trust Indenture Act of 1939, excluding, however, the provisions referred to in Section 316(a)(2) of the Trust Indenture Act of 1939; and

(f) To modify the legal description in Exhibit A as permitted pursuant to Sections 6.5.

Section 11.02. Execution of Supplemental Indenture. The Trustee is authorized to join with the Authority in the execution of any such supplemental indenture, to make the further agreements and stipulations which may be therein contained, and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its rights, duties or immunities under this Indenture.

Section 11.03. Discretion of Trustee. In each and every case provided for in this Article (other than a supplemental indenture approved by the Owners of a majority in aggregate principal amount of the Bonds pursuant to Section 11.04 hereof), the Trustee shall be entitled to exercise its unrestricted discretion in

determining whether or not any proposed supplemental indenture or any term or provisions therein contained is necessary or desirable, having in view the needs of the Authority and the respective rights and interests of the Owners of Bonds theretofore issued hereunder; and the Trustee shall be under no responsibility or liability to the Authority or to the City or to any Owner of any such Bond, or to anyone whatever, for any act or thing which it may do or decline to do in good faith subject to the provisions of this Article, in the exercise of such discretion.

Section 11.04. Modification of Indenture with Consent of Owners. Subject to the terms and provisions contained in this Section, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; PROVIDED, HOWEVER, that nothing herein contained shall permit or be construed as permitting, without the consent of the Owners of all Outstanding Bonds, (a) an extension of the maturity of any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by this Indenture, or (d) a preference or priority of any Bond or Bonds over any others, or (e) a reduction in the aggregate principal amount of the Bonds required to consent to supplemental indentures or amendments to the Lease or the Ground Lease or (f) a reduction in the aggregate principal amount of the Bonds required to waive an Event of Default.

Whenever the Authority shall deliver to the Trustee a resolution of Owners adopted at an Owners' meeting approved by, or an instrument or instruments purporting to be executed by, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which resolution or instrument or instruments shall refer to the proposed supplemental indenture and shall specifically consent to and approve the execution thereof, the Authority and the Trustee may execute such supplemental indenture without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

If the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to the execution of such supplemental indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Section 11.05. Supplemental Indentures to Be Part of Indenture. Any supplemental indenture executed in accordance with any of the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such supplemental indenture as to any provisions authorized to be contained therein shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments. If deemed necessary or desirable by the Trustee, reference to any such supplemental indenture or any of such terms or conditions thereof may be set forth in a reasonable and customary manner in the text of the Bonds or in a legend stamped on the Bonds.

Section 11.06. Rights of City Unaffected. Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XI which adversely affects the rights of the City under the Lease,

the Ground Lease or this Indenture, so long as the Lease, the Ground Lease and this Indenture are in effect, shall not become effective unless and until the City shall have consented to the execution and delivery of such supplemental indenture. The Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture (to the execution and delivery of which the City has not already consented), together with a copy of the proposed supplemental indenture, to be mailed to the City at least thirty (30) days prior to the proposed date of execution and delivery of any such supplemental indenture.

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

ARTICLE XII

Amendments to the Lease and the Ground Lease

Section 12.01. Amendments to the Lease and the Ground Lease Not Requiring Consent of Owners. The Authority, the City and the Trustee shall, without the consent of or notice to the Owners, consent to any amendment, change or modification of the Lease or the Ground Lease as may be required (i) by the provisions of the Lease, the Ground Lease, or this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, or (iii) in connection with any other change in the Lease or the Ground Lease which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners of the Bonds. If necessary, the Trustee shall promptly execute any and all documents necessary to amend the Lease or the Ground Lease as permitted by Section 6.5 of the Lease.

Section 12.02. Amendments to the Lease and the Ground Lease Requiring Consent of Owners. Except for amendments, changes or modifications as provided in Section 12.01 hereof, neither the Authority nor the City nor the Trustee shall consent to any other amendment, change or modification of the Lease or the Ground Lease without the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as in this Section provided; provided, however, that no such amendment, change or modification shall ever affect the obligation of the City to make Lease Payments as they become due and payable. If the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding hereunder at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee, the Authority or the City from executing the same or from taking any action pursuant to the provisions thereof.

Section 12.03. Rights of Authority. The Authority has no duty or obligation to consent to any proposed amendment to the Lease or the Ground Lease and may, at the expense of the City, request and receive an opinion of such counsel as the Authority may select in connection with any matter relating to a proposed amendment.

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

ARTICLE XIII

Miscellaneous

Section 13.01. Covenants of Authority Bind Successors and Assigns. All the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the Authority, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

Section 13.02. Immunity of Officers. No recourse for the payment of any part of the principal or interest on any Bond or for the satisfaction of any liability arising from, founded upon or existing by reason of the issue, purchase or ownership of the Bonds shall be had against any officer, member or agent of the Authority or the State, as such, all such liability being hereby expressly released and waived as a condition of and as a part of the consideration for the execution of this Indenture and the issuance of the Bonds.

Section 13.03. No Benefits to Outside Parties. Nothing in this Indenture, express or implied, is intended or shall be construed to confer upon or to give to any person or corporation, other than the City, the parties hereto and the Owners of the Bonds issued hereunder, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation thereof; and the covenants, stipulations and agreements in this Indenture are and shall be for the sole and exclusive benefit of the City, the parties hereto, their successors and assigns, and the Owners of the Bonds.

Section 13.04. Separability of Indenture Provisions. In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Indenture, but this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 13.05. Execution of Indenture in Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which, when so executed, shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument.

Section 13.06. Headings Not Controlling. The headings of the several Articles and Sections hereof are inserted for the convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 13.07. Notices to Trustee, Authority, City and Original Purchaser. Any request, demand, authorization, direction, notice, consent of Owners or other document provided or permitted by this Indenture shall be sufficient for any purpose under this Indenture, the Lease or the Ground Lease, when hand delivered or mailed by first class mail, postage prepaid (except as otherwise provided in this Indenture) (with a copy to the other parties) at the following addresses (or such other address as may be provided by any party by notice) and shall be deemed to be effective upon receipt:

To the Authority: Economic Development Authority for the City of St. Francis, Minnesota
23340 Cree Street NW
St. Francis, MN 55070
Attention: Executive Director

To the Trustee: U.S. Bank National Association
EP-MN-WS3C
60 Livingston Avenue
Saint Paul, MN 55107
Attention: Corporate Trust Services

To the City: City of St. Francis
23340 Cree Street NW
St. Francis, MN 55070
Attention: City Administrator

To the Original Purchaser: Northland Securities, Inc.
45 South Seventh Street
Suite 2000
Minneapolis, MN 55402
Attention: Public Finance

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

IN WITNESS WHEREOF, the Authority has caused this Indenture to be signed in its name by its duly authorized officers and such Indenture shall be effective as of January __, 2012.

ECONOMIC DEVELOPMENT AUTHORITY FOR THE CITY OF ST. FRANCIS, MINNESOTA

By _____
Its President

By _____
Its Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

On this ____ day of _____, 20__, before me, a Notary Public within and for said County, personally appeared Chris McClish, to me personally known, who, being by me duly sworn, did say that he is the President of the Economic Development Authority for the City of St. Francis, Minnesota, the Authority referred to in the foregoing instrument, and that he acknowledged this Indenture to be the free act and deed of said Authority.

Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

On this ____ day of _____, 20__, before me, a Notary Public within and for said County, personally appeared Matthew Hysten, to me personally known, who, being by me duly sworn, did say that he is the Executive Director of the Economic Development Authority for the City of St. Francis, Minnesota, the Authority referred to in the foregoing instrument, and that he acknowledged this Indenture to be the free act and deed of said Authority.

Notary Public

EXHIBIT A
LEGAL DESCRIPTION OF SITE

[Insert legal description]

EXHIBIT B
FORM OF BOND

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF ANOKA
CITY OF ST. FRANCIS

ECONOMIC DEVELOPMENT AUTHORITY
FOR THE CITY OF ST. FRANCIS

No. R-_____ \$ _____

PUBLIC PROJECT LEASE REVENUE BOND
SERIES 2012A

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
	February 1, 20__	January 1, 2012	

Registered Owner: CEDE & CO.

Principal Amount: _____ DOLLARS

The Economic Development Authority for the City of St. Francis, Minnesota, a public body corporate and politic and political subdivision of the State of Minnesota (the "Authority"), for value received, hereby promises to pay, but solely from the sources hereinafter described, to the Registered Owner specified above or registered assigns, the Principal Amount set forth above on the Maturity date specified above, upon the presentation and surrender hereof, and to pay to the Registered Owner hereof interest on such Principal Amount from such sources at the Interest Rate specified above from the Date of Original Issue set forth above, or the most recent interest payment date to which interest has been paid or duly provided for as specified below, on February 1 and August 1 of each year, commencing August 1, 2012, until said principal amount is paid. Principal and the redemption price are payable in lawful money of the United States of America at the office of U.S. Bank National Association, Saint Paul, Minnesota, as Trustee under the Indenture hereinafter described or of its successor as Trustee. Interest shall be paid on each interest payment date by check or draft mailed to the person in whose name this Bond is registered at the close of business on the fifteenth (15th) day of the month immediately preceding such interest payment date (whether or not a business day) at the Owner's address as set forth on the registration records maintained by the Trustee. Any such interest not punctually paid or provided for will cease to be payable on such regular record dates and such defaulted interest may be paid to the person in whose name this Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by the Trustee pursuant to the Indenture.

This Bond is issued pursuant to Minnesota Statutes, Sections 469.090 to 469.1082, as amended (herein called the "Act"), and in conformity with the provisions, restrictions and limitations thereof. This Bond does not constitute or give rise to a charge against the general credit or properties or taxing powers of the Authority or the City of St. Francis, Minnesota (the "City") and does not grant to the Owner of this Bond any right to have the Authority or the City levy any taxes or appropriate any funds for the payment of the

principal hereof or interest hereon, nor is this Bond a general obligation or a pecuniary liability of the Authority or the City or the individual officers or agents thereof. This Bond does not constitute an indebtedness of the Authority or the City, within the meaning of any state constitutional provision or statutory or charter limitation. The principal of this Bond and interest hereon are payable solely from Lease Payments to be paid by the City pursuant to a Lease-Purchase Agreement dated as of January 1, 2012 (the "Lease"), from the Authority to the City, or other money appropriated to the payment of the Bonds under the Mortgage and Security Agreement and Trust Indenture, dated as of January 1, 2012 (the "Indenture") and held by the Trustee in a Fund or Account established thereunder.

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS PURSUANT TO THE LEASE IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY COUNCIL OF THE CITY. IN THE EVENT THE CITY COUNCIL DETERMINES NOT TO APPROPRIATE MONEY FOR THE PAYMENT OF LEASE PAYMENTS DUE IN A FISCAL YEAR, THE LEASE WILL TERMINATE AT THE END OF THE THEN CURRENT FISCAL YEAR, AND THE CITY WILL HAVE NO FURTHER OBLIGATION TO MAKE LEASE PAYMENTS PURSUANT TO THE LEASE.

This Bond is one of a duly authorized series of special, limited obligation Bonds (the "Bonds") in an aggregate principal amount of \$8,200,000 in denominations of \$5,000 or integral multiples thereof not exceeding the principal amount maturing in any year, and numbered from R-1 upwards, and of like tenor and effect except as to serial number, denomination, interest rate, maturity and right of prior redemption, all of which have been authorized by law to be issued and have been issued or are to be issued by the Authority pursuant to a Bond Resolution adopted by the Authority, on December 19, 2011 (the "Bond Resolution"), to provide financing for the acquisition and construction of the Site and Facilities described in the Lease. The Bonds are equally and ratably secured by the Indenture and the Lease. Pursuant to the Indenture, the Authority has assigned and mortgaged to the Trustee all of its right, title and interest (other than certain rights to indemnity and payment of expenses) in and to the Site, the Facilities, the Lease and the Ground Lease, dated as of January 1, 2012 (the "Ground Lease") from the City to the Authority. Reference is hereby made to the Ground Lease, the Lease, the Indenture, the Bond Resolution, and any amendments or supplements thereto for a description and limitation of the property, revenues and funds pledged and appropriated to the payment of the Bonds, the nature and extent of the security thereby created, the rights of the Owners of the Bonds, the rights, duties and immunities of the Trustee, and the rights, immunities and obligations of the Authority and the City thereunder. Certified copies of the Bond Resolution and executed counterparts of the Indenture, the Ground Lease and the Lease are on file at the office of the Trustee.

Extraordinary Redemption. The Bonds are subject to extraordinary redemption on any Business Day in whole or in part in certain events of damage to or destruction or condemnation of the Site or the Facilities, or a change of law as provided in the Lease, at a redemption price equal to par plus accrued interest.

Optional Redemption. The Bonds maturing on or after February 1, 2021 are subject to optional redemption, at the election of the City, in whole or in part, and if in part in such manner as the City shall determine, on February 1, 2020, and any date thereafter, at a redemption price of par plus accrued interest.

Mandatory Redemption. Term Bonds due are subject to Mandatory Sinking Fund Redemption in the years and amounts described in the Indenture.

Notice of any such redemption shall be given to the registered Owner of each such Bond by first class mail, addressed to the Owner's registered address, not later than thirty (30) days prior to the date fixed for redemption. Prior to the date fixed for redemption, funds shall be deposited with the Trustee sufficient to pay the Bonds called and accrued interest thereon, plus premium, if any. Upon the happening of the above conditions, Bonds thus called shall not bear interest on or after the call date and, except for the purpose of payment from the funds so deposited, shall no longer be protected by the Indenture.

This Bond is transferable, as provided in the Indenture, only upon the registration records maintained by the Trustee by the Registered Owner hereof in person or by the Owner's duly authorized attorney, upon surrender of this Bond for transfer at the office of the Trustee, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by, the Registered Owner hereof or the Owner's duly authorized attorney, and, upon payment of any tax, fee or other governmental charge required to be paid with respect to such transfer, one or more Bonds of the same maturity, aggregate principal amount and interest rate will be issued to the designated transferee or transferees.

The Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof not exceeding the principal amount maturing in any year. As provided in the Indenture and subject to certain limitations set forth therein, the Bonds are exchangeable for a like aggregate principal amount of Bonds of the same maturity and interest rate, of different authorized denominations, as requested by the Registered Owner or the Owner's duly authorized attorney upon surrender thereof to the Trustee.

In case an Event of Default as defined in the Indenture or the Lease occurs, or in the event of non-appropriation by the City Council of the City, the principal of this Bond and all other Bonds Outstanding may be declared or may become due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture, but no Owner of any Bond shall have any right to enforce the provisions of the Indenture, the Lease or the Ground Lease except as provided in the Indenture.

With the consent of the Authority and the Trustee, and to the extent permitted by and as provided in the Indenture, the terms and provisions of the Indenture, the Lease and the Ground Lease, or of any instrument supplemental thereto, may be modified or altered by the assent or authority of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding thereunder.

It is hereby certified and recited and the Authority has found: that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have been properly done, have happened and have been performed in regular and due time, form and manner as required by law; and that this Bond does not constitute a debt of the Authority within the meaning of any constitutional or statutory limitation.

This Bond shall not be valid or become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

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

IN WITNESS WHEREOF, the Economic Development Authority for the City of St. Francis, Minnesota has caused this Bond to be executed in its name by the facsimile signatures of its duly authorized officers, all as of the Date of Original Issue specified above.

**ECONOMIC DEVELOPMENT AUTHORITY FOR
THE CITY OF ST. FRANCIS, MINNESOTA**

(Facsimile)
President

(Facsimile)
Executive Director

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Date: _____

By _____
Authorized Signature

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(Please Print or Typewrite Name and Address of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Insert Social Security Number or Other Identifying Number of Assignee

Notice: The signature to this assignment must correspond with the name as it appears on the face of this Bond in every particular, without alteration or any change whatever.

PROVISIONS AS TO REGISTRATION

The ownership of the principal of and interest on the within Bond has been registered on the books of the Trustee in the name of the person last noted below.

Date of Registration	Registered Owner	Signature of Trustee
	Cede & Co. Federal ID #13-2555119	

EXHIBIT C

PROJECT FUND DRAW REQUEST

WRITTEN REQUEST NO. __

The undersigned, being the duly elected and qualified City Administrator (the "Representative") of the City of St. Francis, Minnesota (the "City"), pursuant to Section 4.04 of that certain Mortgage and Security Agreement and Trust Indenture, dated as of January 1, 2012 (the "Indenture"), by and between the Economic Development Authority for the City of St. Francis, Minnesota (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"), hereby requests on behalf of the Authority that you, as Trustee, pay to the Representative the Project Costs (as defined in the Indenture) with respect to the Project (as defined in the Indenture) authorized to be disbursed by the terms of the Indenture, within three (3) business days after receipt hereof by you, in the aggregate amount of \$ _____ from the Project Fund. I hereby further certify as follows:

The Representative requests reimbursement for the following incurred Project Costs:

<u>DATE</u>	<u>PAYEE</u>	<u>TYPE OF COST</u>	<u>AMOUNT</u>
			\$

Such Project Costs have been incurred by the City, as lessee under that certain Lease-Purchase Agreement, dated as of January 1, 2012, by and between the City and the Authority, and (i) are presently due and payable and have not been paid; OR (ii) have been previously paid by the City, and each item thereof is a proper charge against the Project Fund;

Such Project Costs have not been included in any other Project Fund Draw Request previously filed with the Trustee under Section 4.04 of the Indenture;

Any necessary permits and approvals, if any, required for the portion of the Project for which such withdrawal is to be made have been issued and are in full force and effect;

There has not been filed with or served upon the Authority or the City any notice of any lien, right to a lien or attachment upon or claim affecting the right of any person, firm or corporation to receive payment of the respective amount stated in this Project Fund Draw Request unless such payment is being contested;

The withdrawal and use of the Project Fund money for the purposes intended will not cause any of the representations or certifications contained in the Indenture or any certificate delivered by the Authority on the Closing Date to be untrue;

The amount of money which will remain on deposit in the Project Fund after the withdrawal in question is made, together with the Authority's reasonable estimate of investment income to be earned thereon and on other funds created under the Indenture and held by the Trustee which income is required to be deposited in the Project Fund, and the amount of money, if any, committed by and available to the

Authority for payment of the Project Costs of the Project will, after payment of the amounts then requested, be sufficient to pay the cost of completing the Project.

Capitalized terms used and not otherwise defined herein are defined as in the Indenture.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Project Fund Draw Request as of the ____ day of _____, _____.

CITY OF ST. FRANCIS, MINNESOTA

By _____
Its: City Administrator

CITY OF ST. FRANCIS
ST. FRANCIS, MN

RESOLUTION 2011-48

A RESOLUTION ADOPTING THE
LICENSE RENEWALS FOR 2012

(See Attached Exhibit A)

ADOPTED BY THE CITY COUNCIL OF THE CITY OF ST. FRANCIS THIS 19th
DAY OF DECEMBER 2011.

APPROVED:

Jerry Tveit
Mayor of St. Francis

ATTEST:

Barbara I. Held
City Clerk

Exhibit A
LICENSE RENEWALS FOR 2012

<u>LIQUOR LICENSES:</u>	<u>REGULAR</u>	<u>SUNDAY</u>
(1) Billy's Neighborhood Bar & Grill	\$ 4,000.00	\$ 200.00
(2) Patriot Lanes	4,000.00	200.00
(3) Rum River Inn	4,000.00	200.00
(4) St. Francis American Legion	4,000.00	200.00

<u>WINE/BEER LICENSES:</u>	
(1) Mansetti's	200.00
(2) Tasty Pizza	200.00

<u>TOBACCO LICENSES:</u>	
(1) Billy's	150.00
(2) Casey's General Store	150.00
(3) County Market	150.00
(4) St. Francis Foods	150.00
(5) St. Francis Bottle Shop	150.00
(6) Reliance USS	150.00

<u>AMUSEMENT MACHINES</u>	<u># OF MACHINES</u>	<u>TOTAL</u>
(1) Billy's	8	\$135.00
(2) Mansetti's	3	60.00
(3) Patriot Lanes	10	165.00
(4) Rum River Inn	2	45.00
(5) St. Francis American Legion	4	75.00
(6) Tasty Pizza	1	30.00

<u>REFUSE HAULERS:</u>	<u># OF TRUCKS</u>	
(1) Ace Solid Waste Management	3	\$225.00
(2) Allied Waste Services	4	250.00
(3) East Central Sanitation	3	225.00

<u>TOWING LICENSE:</u>	
(1) Gerdin's	150.00

AGENDA REPORT

TO: City Administrator
FROM: Dean Kapler, Fire Chief
SUBJECT: Fire Code Inspections Process
DATE: December 19, 2011

INTRODUCTION

Inspections within the business community must be a partnership between the enforcement agency and the businesses. The Fire Chief is proposing to evaluate the effectiveness of the current inspection process beginning January 1, 2012 for a period of 4 months.

BACKGROUND

The Fire Chief will assume the duties of Fire Marshal effective January 1, 2012 to make the evaluation as efficient and productive as possible. Businesses to be visited and will be prioritized by hazard with only the highest level being visited during this time.

RECOMMENDATION

Recommend Fire Chief taking on duties of Fire Marshal for a period of 4 months to conduct an evaluation of current inspection process.

BUDGET IMPACT

It is estimated that this activity can be done under the current Fire Chief's contract. If activity increases to a point that additional assistance is needed, the City Administrator will be consulted prior to any additional costs being incurred.

S:\FORMS\AGENDA REPORT.doc

Attachments:

1. NONE

AGENDA REPORT

TO: City Council
FROM: Matt Hylan, Administrator
SUBJECT: Building Official
DATE: December 15, 2011

INTRODUCTION

In October of 2011, the City Council terminated the contract with Metro West Inspections, Inc. to pursue a higher customer service level, in part with technological advancements in our permits and records.

BACKGROUND

Since October, the City has opened this part-time position to applicants, reviewed applications, interviewed and now has a recommendation for the Council. In November, I reported to Council there are other communities and other private contracts that are available in inspection services. I also reported I was not "final" in my recommendation to the City Council until I learned more about these options.

As staff researched a contract service verses having our own employee, we kept discussing code enforcement as part of the Building Inspection department. Currently, we have an eclectic combination of our police, city planner, contract building inspector, office staff and our city attorney handling cases. This could be simplified with proper computer software tied to our building inspections. Records could be kept on the frequency of complaint on individual property owners for ease in eventual civil fines or criminal prosecution. The monies "saved" may not necessarily be from the building inspection department, but cross departments and ultimately customer satisfaction.

RECOMMENDATION

After much deliberation on the best alternative for Building Inspection service for the City I recommend the following: The City hires Andrew Schreder as our Part-Time Building Official at \$23.19 per hour. Additionally, to set the part-time building official pay steps at \$23.19, \$24.03, \$24.90, \$25.80, \$26.74, \$28.72.

BUDGET IMPACT

As previously reported, this should be budget neutral.

S:\FORMS\AGENDA REPORT.doc

Attachments:
1. NONE