



CITY OF CLOQUET
City Council Agenda
Tuesday, February 16, 2016
7:00 p.m.
City Hall Council Chambers

CITY COUNCIL WORK SESSION

5:30 p.m. Cloquet Area Hockey Association (CAHA) Agreements
Review – Mick Maslowski, CAHA

1. **Roll Call**
2. **Pledge of Allegiance**
3. **Approval of Agenda**
 - a. Approval of February 16, 2016 Council Agenda
4. **Approval of Council Minutes**
 - a. Work Session minutes from the February 2, 2016 meeting
 - b. Regular Council minutes from the February 2, 2016 meeting
5. **Consent Agenda**

Items in the Consent Agenda are considered routine and will be approved with one motion without discussion/debate. The Mayor will ask if any Council members wish to remove an item. If no items are to be removed, the Mayor will then ask for a motion to approve the Consent Agenda.

 - a. Resolution No. 16-12, Authorizing the Payment of Bills
 - b. 2016 Business License Renewal – Waste Management
 - c. Resolution No. 16-13, A Resolution Approving Exempt Permit to Conduct a Raffle Event at Queen of Peace Parish
6. **Public Hearings**

None.
7. **Presentations**

None.



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City Council Agenda
Tuesday, February 2, 2016
7:00 p.m.
City Hall Council Chambers

8. Council Business

- a. Post Issuance of Compliance Policy

9. Public Comments

Please give your name, address, and your concern or comments. Visitors may share their concerns with the City Council on any issue, which is not already on the agenda. Each person will have 3 minutes to speak. The Mayor reserves the right to limit an individual's presentation if it becomes redundant, repetitive, irrelevant, or overly argumentative. All comments will be taken under advisement by the Council. No action will be taken at this time.

10. Council Comments, Announcements, and Updates

11. Adjournment

AGREEMENT TO FINANCE CAPITAL IMPROVEMENTS

WHEREAS, the City of Cloquet, a Minnesota municipal corporation (hereinafter referred to as the "Landlord"), and the Cloquet Amateur Hockey Association, a Minnesota non-profit corporation (the "Tenant"), or otherwise known individually as a "Party" and collectively as the "Parties", wish to enter into an agreement to provide for additional capital equipment and infrastructure improvements within the indoor ice arena located within the Pine Valley Park and Recreation Area; and

WHEREAS, the Landlord is the fee owner of the real property legally described as the Southwest Quarter of the Southeast Quarter of the Southwest Quarter of Section 23, Township 49 North, range 17 West, Carlton County, Minnesota (the "Property"); and

WHEREAS, The Parties have previously entered into a Ground Lease and three amendments to the Ground Lease that address the construction and financing of a second indoor ice arena within the Pine Valley Park and Recreation Area; and

WHEREAS, Article 9.1 of the Ground Lease states that the Tenant shall, at the Tenant's sole cost and expense, acquire and maintain on the Leased property all personal property and fixtures necessary to operate and maintain the improvements in compliance with Tenant's obligations under the lease and in compliance with all applicable legal and insurance policy requirements; and

WHEREAS, Article 10.1 of the Ground Lease details the Tenant's obligation to maintain the property, improvements, fixtures, and personal property; and

WHEREAS, the State of Minnesota has implemented new indoor clean air rules that require indoor ice arenas to meet certain standards that will require an investment in either new mechanical systems, ice cleaning equipment, or both as part of the Cloquet arena, and

WHEREAS, the Tenant has identified additional capital equipment and building infrastructure improvements that are necessary to maintain and operate the facility as a functional indoor ice arena complex and meet these new State standards; and

WHEREAS, the Tenant has approached the City as Landlord and the fee owner of the land and under the terms of the Ground Lease to seek additional financial assistance with the required improvements; and

WHEREAS, in furtherance of their joint interests, Landlord and Tenant agree to enter into the following agreement which will be referred to as the Agreement to Finance Capital Improvements:

NOW, THEREFORE, based on the foregoing recitals, which constitute good and valuable consideration herein, the parties agree as follows:

1. **Effective Date.** This Agreement shall be effective and binding on the Parties as of August 1, 2012.

2. **Improvements.** The total cost of the improvements shall be in an amount not to exceed \$174,315 broken down as follows: The Capital Building Improvement includes the purchase, labor & construction and replacement of a cooling tower and freon at a cost of \$54,000 and the Capital Equipment Improvement shall include the purchase of a new electric Zamboni at a cost of \$120,315.
3. **Terms.** The parties agree that the \$174,315 shall be re-paid to the Landlord with equal annual installment payments of \$12,451.07 beginning in 2013 and then for an additional thirteen years, ending in 2026. In the case that the purchase of the Zamboni is delayed the annual installment payments shall be adjusted and pro-rated appropriately with the payments still ending in 2026. Such payment shall be invoiced by the Landlord at the same time as the current rent payments due and payable under the existing Ground Lease and its amendments.

The monies shall only be released by the Landlord upon presentation by the Tenant to the Landlord of proper and legal invoices describing the items to be purchased and a detailed breakdown of the cost of each item. At the option of Landlord, Landlord may make payment directly to contractors and suppliers providing or installing the Capital Building Improvement.

4. **Ownership.** The Tenant agrees that the Landlord shall, on the title, be listed as co-owner of the Zamboni and the Zamboni shall not be sold or traded-in without the authorization of the Landlord. The Tenant further agrees that the Zamboni shall not be used as collateral on any other financing or debt of the Tenant without the prior written consent of the Landlord.
5. **Ground Lease.** The Parties agree that additional capital equipment and infrastructure improvements consisting of the replacement of a cooling tower, new electronic Zamboni, and Freon are required in order to maintain and operate the facility in compliance with the existing ground lease and amendments thereto and that this agreement shall not replace such agreements and shall be in addition to such previous agreements.
6. **Costs of Collection.** In the event that Landlord shall employ attorneys or incur other costs to enforce the Tenant's obligations to repay Landlord for the cost of the Capital Equipment Improvement, Tenant shall be liable for and shall pay Landlord's reasonable attorneys' fee and such other costs.
7. **Tenant's Default.** Failure to make payments on time for the cost of the Capital Equipment Improvement may result in the Tenant being deemed in Default under Article 18 of the Ground Lease Agreement. Should the Tenant be deemed to be in Default, the Landlord may invoke and enforce any remedies described in Sections 18.2 and 18.3 of the Ground Lease. In the case that the Tenant misses a payment the Landlord may also declare the entire amount of Capital Building Improvements outstanding due and payable.

IN WITNESS WHEREOF, the parties hereto have, through their duly authorized representatives, set their hands and seals the day and year first above written.

TENANT: CLOQUET AMATEUR HOCKEY ASSOCIATION

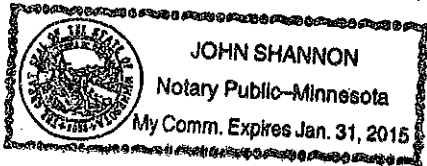
By: [Signature]
Its: PRESIDENT

By: [Signature]
Its: Secretary

STATE OF MINNESOTA

COUNTY OF CARLTON

On this 1 day of August, 2012, before me a Notary Public within and for said County, personally appeared Michael T Acheson and Jamie M Sathus Day to me personally known, who each by me duly sworn did say that they are respectively the President and Secretary of the Cloquet Amateur Hockey Association by the Authority of 0 its members, and that said President and Secretary acknowledge said instrument to be the free act and deed of said organization.



[Signature]
Notary Public

LANDLORD: CITY OF CLOQUET

BY: [Signature]
Its Mayor

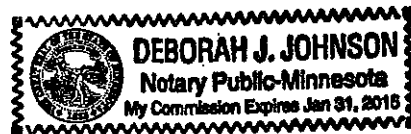
BY: [Signature]
Its City Administrator

STATE OF MINNESOTA

COUNTY OF CARLTON

On this 7th day of August, 2012, before me a Notary Public within and for said County, personally appeared Bruce Ahlgren and Brian Fritsinger, to me personally known, who being each by me duly sworn did say that they are respectively the Mayor and the City Administrator of City of Cloquet, and that said instrument was signed and sealed on behalf of said City of Cloquet by the authority of its City Council and that said Mayor and City Administrator acknowledge said instrument to be the free act and deed of said City of Cloquet.

[Signature]
Notary Public



Cooperative Hockey Lease Agreement

Agreement, made and entered into this 23rd day of November, 2015, by and among the Cloquet Hockey Association, a non-profit corporation under the laws of the State of Minnesota, herein called "Association," and the City of Cloquet, a political subdivision of the State of Minnesota, herein called "City," and Independent School District No. 94, a public corporation and political subdivision of the State of Minnesota, herein called "District."

RECITALS

1. The City is the owner of certain real property located in Cloquet, Carlton County, Minnesota, and as described as follows, to-wit:
Southwest Quarter of the Southeast Quarter of the Southwest
Quarter (sw ¼ of se ¼ of sw ¼), Section Twenty-three (23), Township
Forty-nine (49), Range Seventeen (17), West.
2. The parties hereto under terms and conditions of a lease dated July 1, 1979, with extensions dated October 27, 1981; October 23, 1984; June 23 1992; March 8, 1994; July 1, 2004; May 27, 2008; June 22, 2009; June 22, 2009; and September 28, 2012, operated a skating rink and arena on the above-described real estate.
3. That the Association has requested that a new lease agreement by and between the parties be entered into which agreement would continue to provide revenue to the Association to permit the necessary operation, improvements, and updating of the existing facility so as to permit a continued quality recreational program for the area youth.
4. That the parties hereto have agreed that the Association, in order to operate the facilities for the general public for the citizens of Cloquet and for the District for recreation programs, school programs, Hockey Association programs, open skating programs, and for other uses for the general public and the citizens of Cloquet, must receive additional rentals to enable them to meet their requirements for operation of a recreation program and improvement and maintenance of the present facility.
5. That the parties hereto have agreed that said repairs to the premises, updating of the facilities and the general usability for handicapped people in order to meet State and Federal guidelines will continue and the current lease **set to expire June 30, 2018**, and enter into a new hockey and recreation lease agreement.
6. The Association has, pursuant to the Agreement between the City and the Association, constructed on the above-described real property an ice arena, ownership of said facility to be turned over to the City at such time as the facility is no longer operated as an ice arena complex under the terms of this lease agreement or any extension thereof.
7. The parties hereto are desirous of obtaining maximum usage of the above-described real property and the ice arena located thereon by their respective residents and/or members and, in particular, are desirous of modifying the existing structure.
8. That the parties hereto have agreed that the financial contributions of the City for a community recreation program for City and general public uses and the lease agreement for the District will be modified in order to allow the Association to undertake the projects necessary to meet State guidelines for such a structure and to finance the necessary obligations for the daily operations of the structure.
9. The parties hereto desire to enter into a lease and recreation agreement to insure the foregoing.

TERMS OF AGREEMENT

1. **Subject Property.** The property being subject of this Agreement is the following described property and the ice arena located therein in Cloquet, Carlton County, Minnesota, to-wit:
Southwest Quarter of the Southeast Quarter of the Southwest
Quarter (sw ¼ of se ¼ of sw ¼), Section Twenty-three (23), Township
Forty-nine (49), Range Seventeen (17), West.
2. **Term.** The term of this lease shall be a period of three (3) years commencing July 1, 2015, and terminating June 30, 2018.

a. This lease, on its effective date, supersedes and cancels the original lease dated July 1, 1975, and any of the extensions.

3. Financial Contribution of the District. Contributions of the District upon execution hereof shall be made in accordance with the following schedule:

Hockey Lease -- Boys' and Girls' Varsity and Junior Varsity (Three Years)

January 1, 2016	\$ 118,659
January 1, 2017	\$ 123,405
January 1, 2018	\$ 128,341

4. Use of Payments. The parties hereto agree that the sums to be paid to the Association hereunder shall be used as per paragraph seven (7) of the recitals, and shall further be used for the operational and maintenance expenses of said facility during the term of this agreement.

5. Use of Facility by District. The use of the above-described facility shall be made available to the District annually during the hockey season as defined by the Minnesota State High School League. The programs for which said facility may be used shall include, but not be limited to, the following:

a. District Hockey Program:

i. The facility shall be available for a period of three (3) hours per day for Boy's and three (3) hours per day for Girls', for a total of six hours per day, five days per week with Saturdays at one and three-fourths hours ($1\frac{3}{4}$) for Boys' and one and three-fourths ($1\frac{3}{4}$) for Girls', for a total of three and one-half ($3\frac{1}{2}$) hours of practice by the District Hockey Program participants. The period, Monday through Friday, shall be from Three-thirty p.m. until six-thirty p.m. (3:30 p.m. – 6:30 p.m.) on school days, with Saturday times to be arranged. All ice time shall be scheduled equitably.

ii. The facility shall be available for purposes of playing regularly scheduled games according to the District Hockey Program schedule with the facility to be cleared for game preparation by five (5:00) o'clock p.m. The District will schedule only one (1) home game on those weekends (Friday, Saturday) that the CAHA hosts Boys' or Girls' Pee Wee, Bantam, or U-14 Girls' Tournaments. (Exception – prior written approval by Rink Manager).

b. District Intramural Program: (No cost to District)

i. The facility shall be available, either for intramural hockey or recreational skating, at times and dates to be scheduled by the Hockey Association and Scheduling Committee.

c. Physical Education Program:

i. The District may use the facility for purposes of physical education classes during school hours, for skating related or appropriate physical education activities. Specific times and dates shall be scheduled by the Hockey Association Manager to avoid scheduling conflicts with other programs.

d. The facility shall further be made available to the District for such other programs, at times and dates to be scheduled jointly with the Hockey Association Scheduling Manager.

e. The District shall conduct graduation ceremonies at said facility. The date of graduation will be set by April 1 of the previous year. Custodial related costs would be the responsibility of the District.

Should the District not use the facility for high school graduation, the Hockey Association shall give the district a \$5,000 credit against the next year's lease.

6. Use of Facility for City – District Community Education Program. (No cost to District) The use of the above-described facility shall be made available to the Community Education Program in the amount of one (1) hour per week throughout the calendar year. Such programs include, but are not limited to, figure skating and programs for senior citizens. The dates and times shall be scheduled by the Hockey Association Scheduling Committee.

7. Combined Use of Facility By Association and City. (No cost to District) The use of the above-described facility shall be made available during the ice season for the implementation of existing youth hockey programs as well as programs which may be developed. The times and dates thereof shall be scheduled by the Hockey Association Scheduling Committee.

8. Obligations of the Association. The Association shall, during the term of this Agreement, provide the following:
 - a. Modifications as per paragraph seven (7).
 - b. The care and maintenance of the ice in said facility during each calendar year.
 - c. The necessary equipment for the care and maintenance of ice during the calendar year.
 - d. Custodial services for the entire building during the term of this Agreement.
 - e. Maintenance of the facility and equipment.
 - f. All utilities during the term of this Agreement.
 - g. Insurance on said facility as below set forth.
9. Additional Responsibilities of District. During games played pursuant to its District Hockey Program Schedule, the District agrees to provide the following:
 - a. A minimum of five (5) adults per game to assist with ticket sales and collection, ushering, and door control.
 - b. One (1) scorer per game.
 - c. One (1) announcer-timer per game.
 - d. Liability insurance coverage for spectators and non-participants. This coverage may be limited to provide protection to the District against claims or suits arising out of personal injury to any spectator or non-participant in varsity games, in amounts not less than those specified in Minnesota Statutes, Chapter 466.
10. Concessions. It is understood by the parties that the concessions within said facility shall, during the terms of this agreement, be operated by the Association or its assignee.
11. Management of Facility. The facility described herein shall be subject to the supervision of the Cloquet Amateur Association.
 - a. Day-to-day management and control of the facility shall be vested in the Association
 - b. Any decision which would go beyond the terms of this Agreement shall, however, be made by the respective Board of Directors, City Council, and School Board of the parties hereto. Should a dispute or controversy arise hereunder, each of the parties shall appoint one (1) arbitrator who shall arbitrate the matter in accordance with the rules of the Minnesota Bureau of Mediation Services, and the decision of the majority thereof shall be final.
12. Insurance-Association. The Association agrees that, during the term of this Agreement, it will carry liability insurance with an approved insurance company in amounts not less than those specified in Minnesota Statutes, Chapter 466 and casualty insurance with an approved insurance company in such amounts as will cover the replacement value of the facility and related equipment. Such insurance policies shall carry the City and District as named co-insured. The insurance shall not be canceled without consent of the District and the City. Upon its failure to do so, any of the remaining parties shall be entitled, during the term of this Agreement, to purchase such insurance for the benefit of the parties, and to deduct the cost of premiums for same from the monies such party is to pay hereunder. Such insurance shall specifically include the coverage of the structures, contents, and the liquid Freon artificial ice plant, it being the intention of the parties hereto that the payment obligations hereunder shall be contingent upon the continuing availability of artificial ice.
13. Insurance-City and District. The City and District agree that, during the term of this Agreement, they will carry liability insurance in amounts not less than those specified in Minnesota Statutes, Chapter 466, naming the Association and each other as named co-insureds.
14. Limitation of Liability. It is agreed by the parties hereto that the obligations of the City and the District with regard to the described facility shall be limited as set forth herein, and under M.S.A. 466.01 et al, except as may be otherwise agreed upon in writing by the parties hereto.
15. Locker Room. The Association shall provide appropriate maintenance and adequate locker room space for both Boys' and Girls' Hockey teams during the term of this agreement. The District shall have exclusive year-long use of the locker rooms. Request for use by the Association for other purposes shall have mutual approval of the Head Varsity Hockey Coach and the Superintendent of Schools. Damages beyond normal wear and tear shall be repaired by the District's expense. The "Tobacco Free" Policy shall also be enforced.

GROUND LEASE

RECITALS

- A. The parties to this ground lease (the "Lease") are the City of Cloquet, a Minnesota municipal corporation (the "Landlord") and Cloquet Amateur Hockey Association, a Minnesota non-profit corporation (the "Tenant"). This Lease sometimes refers to Landlord and Tenant individually as a "Party" and collectively as the "Parties".
- B. Tenant is a non-profit corporation organized to promote amateur athletics in the Cloquet area.
- C. Landlord is the fee owner of the real property legally described as the Southwest Quarter of the Southeast Quarter of the Southwest Quarter of Section 23, Township 49 North, Range 17 West, Carlton County, Minnesota (the "Property").
- D. The Property is improved with an indoor ice arena, an outdoor ice rink, surface parking facilities and other improvements (the "Existing Improvements"). Tenant constructed the Existing Improvements and currently operates the Existing Improvements, but there is no written agreement between Landlord and Tenant regarding the ownership or operation of the Existing Improvements. The term "New Improvements" as used in this Lease shall mean the improvements Tenant constructs on the Leased Property pursuant to the New Improvement Plans described in Section 7.1. The term "Improvements" shall mean the Existing Improvements, the New Improvements, any "Alterations" (as defined in Section 8.1) and any "Future Improvements" (as defined in Section 8.1).
- E. Tenant desires to construct a second indoor ice arena on the Property. Tenant has asked Landlord to issue general obligation recreational facility revenue bonds (the "Bonds") to finance a portion of the cost of constructing the New Improvements.
- F. Minnesota Statutes §§ 471.15 through 471.191 authorize Landlord to cooperate with a nonprofit corporation to acquire or lease, equip and maintain land, buildings and other recreational facilities, including skating rinks and arenas and related automobile parking facilities, to borrow and expend funds for the capital costs thereof; and to lease such facilities to the non-profit corporation for a term not exceeding 30 years.
- G. Landlord has agreed to lease the Property to Tenant, to issue Bonds in the amount of \$1,470,000 and to disburse \$1,415,000 of the Bond proceeds to finance a portion of the cost of the constructing of the New Improvements all as set forth in this Lease.

NOW THEREFORE, in furtherance of Landlord's desire to provide public recreation space to residents of the City of Cloquet and Tenant's corporate purpose, Landlord and Tenant hereby agrees to the terms and provisions of this Lease.

AGREEMENT

ARTICLE 1 - EFFECTIVE DATE

1.1 Effective Date. This Lease shall be effective and binding on the Parties as of the date the last Party to sign this Lease signs the Lease.

ARTICLE 2 - LEASED PROPERTY

2.1 Leased Property. The property which is the subject of this Lease is the Property, the Improvements, as defined in Paragraph D of the Recitals, and any Fixtures, as defined in Section 9.1, (collectively, the "Leased Property").

2.2 Condition of the Leased Property. Tenant has examined the Leased Property to the extent Tenant deems necessary and appropriate. Tenant is leasing the Leased Property "AS IS" in its present condition. Tenant waives and releases Landlord from any common law or statutory claim or cause of action against Landlord relating to the condition of the Leased Property including any defects or adverse conditions (including environmental conditions) latent or patent, matured or unmatured, known or unknown to Tenant or Landlord as of the date hereof. TENANT ACKNOWLEDGES THAT LANDLORD (WHETHER ACTING AS LANDLORD HEREUNDER OR IN ANY OTHER CAPACITY) HAS NOT MADE AND WILL NOT MAKE, NOR SHALL LANDLORD BE DEEMED TO HAVE MADE, ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THE LEASED PROPERTY, INCLUDING ANY WARRANTY OR REPRESENTATION AS TO (i) ITS FITNESS, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE, (ii) THE EXISTENCE OF ANY DEFECT, LATENT OR PATENT, (iii) VALUE, (iv) LOCATION, (v) CONDITION, (vi) THE EXISTENCE OF ANY HAZARDOUS MATERIAL OR (vii) COMPLIANCE OF THE LEASED PROPERTY WITH ANY LAW, (INCLUDING ENVIRONMENTAL LAWS) OR LEGAL REQUIREMENTS. TENANT ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY TENANT AND IS SATISFACTORY TO IT. IN THE EVENT OF ANY DEFECT OR DEFICIENCY IN THE LEASED PROPERTY OF ANY NATURE, WHETHER LATENT OR PATENT, AS BETWEEN LANDLORD AND TENANT, LANDLORD SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO OR FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT). THE PROVISIONS OF THIS SECTION 2.2 HAVE BEEN NEGOTIATED, AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES BY LANDLORD, EXPRESS OR IMPLIED, WITH RESPECT TO THE LEASED PROPERTY.

ARTICLE 3 - TERM AND POSSESSION

3.1 Term. Landlord leases the Leased Property to Tenant and Tenant leases the Leased Property from Landlord for a term of thirty (30) years (the "Term"). The Term commences on the second day of April, 1996 (the "Commencement Date") and expires on the first day of April, 2026 (the "Expiration Date"). The Term shall end before the Expiration Date only upon the automatic termination of this Lease pursuant to Sections 13.1 or 13.2 or Landlord's termination of the Lease pursuant to Section 18.3.2.

ARTICLE 4 - BASE RENT

4.1 Tenants Obligation to Pay Base Rent. As consideration for Tenant's use and occupancy of the Leased Property pursuant to the terms of this Lease, Tenant shall pay Landlord an annual base rent in an amount equal to the amount of Landlord's annual repayment obligation on the Bonds (the "Base Rent"). Tenant shall pay Base Rent to Landlord in biannual installments which shall be due 15 days prior to the date Landlord is obligated to make Landlord's biannual Bond payments. As soon as the Bonds are sold and the date and amount of Landlord's Bond payments is fixed, the Parties shall attach a schedule of the Base Rent payment dates and amounts to this Lease as Exhibit A. If there is a conflict between the amount of the biannual payments shown on Exhibit A and the amount of Landlord's biannual Bond payments, Tenant's biannual Base Rent payment shall equal Landlord's biannual payment on the Bonds, and if there is a conflict between the dates set forth on Exhibit A for Tenant's biannual payment of Base Rent and the date of Landlord's biannual Bond payments, the provisions of this Section 4.1 which require Tenant to make Tenant's biannual Base Rent payment 15 days prior to the date Landlord is obligated to make Landlord's biannual Bond payment shall control. At such time as Tenant has paid Landlord Base Rent in an amount sufficient to repay the Bonds, Tenant's obligation to pay Base Rent shall terminate, and there shall be no Base Rent due for the balance of the Term.

ARTICLE 5 - GOVERNMENTAL IMPOSITIONS AND UTILITY CHARGES

5.1 Definition of Governmental Impositions. The term "Governmental Imposition" shall mean, collectively:

5.1.1 taxes, including all real estate (and taxes in lieu of real estate taxes pursuant to Minn. Stat. 272.01 subd. 2 (1992), personal property, ad valorem, sales and use, single business, gross receipts, transaction privilege, rent or similar taxes;

5.1.2 assessments for public improvements which benefit the Leased Property;

5.1.3 fees (including license, permit, inspection, authorization and similar fees); and

5.1.4 other governmental charges,

of every character, whether general or special, ordinary or extraordinary, or foreseen or unforeseen, relating to the Leased Property, or Tenant's Personal Property (including all interest and penalties thereon due to any failure in payment by Tenant).

5.2 Tenant's Obligation to Pay Governmental Impositions.

During the Term of this Lease, Tenant shall pay all Governmental Impositions when and as the Governmental Impositions become due and before any interest, fine or penalty is added to the amount due as a result of non-payment. Tenant shall, to the fullest extent possible, cause governmental authorities to deliver notices or statements of Governmental Impositions directly to Tenant, and Tenant shall, to the fullest extent possible, tender payment of Governmental Impositions directly to the governmental authority responsible for collection of the Governmental Imposition.

5.3 Information and Reporting. Landlord and Tenant shall, upon request of the other, provide such data as maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event any applicable governmental authorities classify any property covered by this Lease as personal property, Tenant shall file all personal property tax returns in jurisdictions where it must legally so file. Each party, to the extent it possesses the same, will provide the other party, with cost and depreciation records necessary for filing returns for any property so classified as personal property.

5.4 Prorations. Except for the taxes in lieu of real estate taxes provided for in Minn. Stat. §272.01 subd 2 (1992) which shall be the sole obligation of Tenant, Landlord and Tenant shall prorate all Governmental Impositions due and payable during a year in which the Term commences, expires, terminates or is terminated whether or not the Governmental Imposition is imposed before or after the commencement, expiration or termination. Tenant's obligation to pay its prorated share thereof shall survive the expiration or termination of this Lease. If any Governmental Imposition may, at the option of the taxpayer, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may elect to pay in installments, in which event Tenant shall pay all installments (and any accrued interest on the unpaid balance of the Governmental Imposition) that are due during the Term hereof before any fine, penalty, premium, further interest or cost may be added thereto.

5.5 Tenant's Obligation to Pay Utility Charges. Tenant shall pay, when and as due, charges for all utilities and services, including without limitation, electricity, telephone, trash disposal, gas, oil, water, sewer, communication and all other utilities used in or on the Leased Property during the Term.

ARTICLE 6 - USE

6.1 Required Use. Tenant shall use the Leased Property for, and only for, the construction, operation and maintenance of two public, indoor ice arenas, one or more outdoor ice rinks and other athletic purposes. Tenant may also operate facilities customarily associated with or incidental to the operation of a public ice arenas, including skate sharpening and sales of food and non-alcoholic beverages, but Tenant is not obligated to do so. Tenant may sublease advertising space or grant licenses to advertise within the Leased Property. Tenant shall not use the Leased Property or any portion thereof for any other use without the prior written consent of Landlord, which consent Landlord may grant or withhold at Landlord's sole and absolute discretion.

6.2 Specifically Prohibited Uses. Tenant shall not use or occupy the Leased Property or permit the Leased Property to be used or occupied, nor do or permit anything to be done in or on the Leased Property, in a manner which would (i) violate or fail to comply with any federal, state, county or municipal statute, law, ordinance, rule or regulation, (ii) cause structural injury to any of the Improvements, (iii) result in the cancellation of any insurance policy covering the Leased Property, or (iv) constitute a public or private nuisance or waste. Tenant shall not allow any Hazardous Material (as defined in Section 6.3) to be used or located in, on or under the Leased Property, or incorporated into any improvements constructed on the Leased Property, except Tenant may use and store Hazardous Materials which are reasonably necessary or convenient for the construction, operation and maintenance of the Improvements on the Leased Property provided Tenant's use and storage of the Hazardous Material complies with all federal, state, county or municipal statutes, laws, ordinances, rules and regulations.

6.3 Definition of Hazardous Material. Hazardous Material means any substance:

6.3.1 which any federal, state or local statute, regulation or ordinance in effect as of the Commencement Date, or as thereafter amended, including the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §§ 9601 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.); or the Minnesota Environmental Response and Liability Act (Minn. Stat. ch. 115B) defines as a "hazardous waste", "hazardous substance" or "pollutant or contaminant";

6.3.2 which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous and which any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, or any state or any political subdivision thereof having or asserting jurisdiction over the Leased Property regulates;

6.3.3 the presence of which on any of the Leased Property causes a nuisance upon such Leased Property or to adjacent properties or poses a hazard to the health or safety of persons on or about any of the Leased Property; or

6.3.4 which is or contains gasoline, diesel fuel or other petroleum hydrocarbons, polychlorinated biphenyls (PCBS) or friable asbestos or friable asbestos-containing materials or urea formaldehyde foam insulation.

ARTICLE 7 - CONSTRUCTION OF THE NEW IMPROVEMENTS

7.1 New Improvement Plans. Attached as Exhibit B are complete plans and specifications for Tenant's construction of the New Improvements ("New Improvement Plans"). Landlord and Tenant have mutually reviewed and agreed upon the New Improvement Plans, and Tenant may not alter or supplement the New Improvement Plans except as provided in this section 7.1. Tenant may submit proposed modifications to the New Improvement Plan, to the City Administrator for review. The City Administrator shall submit the proposed modifications to the City Engineer and the City Planner for review and comment. After consultation with the City Planner and the City Engineer, the City Administrator may, at his or her discretion, place the proposed modifications on the agenda for the City Council's consideration at a regular or special City Council meeting, or if the City Administrator determines the proposed modifications are not substantive, the City Administrator may approve or reject the proposed modifications based on the recommendations of the City Planner or City Engineer. Notwithstanding the foregoing, the City Administrator shall place proposed modifications on the agenda for City Council consideration at a regular or special City Council meeting if the Tenant so requests. The City Council may approve or reject proposed modifications to the New Improvement Plans at the City Council's sole and absolute discretion.

7.2 Governmental Approvals. Tenant shall submit the New Improvement Plans to all governmental entities other than Landlord with jurisdiction over the development of the Leased Property for review. If any such governmental entity requires modifications to the New Improvement Plans, the Parties shall have thirty (30) days to agree on appropriate modifications and resubmit the New Improvement Plans to the applicable governmental entity for approval. Consideration of modifications shall follow the procedures set forth in Section 7.1. If the Parties are unable to agree upon mutually acceptable modifications within the thirty day period, either Party may terminate this Lease.

7.3 Tenant's Obligation to Construct the Project Improvements. On or before May 1, 1996 (the "Construction Start Date"), Tenant shall commence construction of the New Improvement pursuant to the New Improvement Plans, and Tenant shall diligently construct the New Improvements pursuant to the New Improvement Plans and the

construction timetable Tenant submits to Landlord pursuant to Section 7.4.4. Tenant shall complete construction of the New Improvements on or before the date September 1, 1997 from the Commencement Date (the "Construction Completion Date"). If strikes, lockouts, inability to procure materials, power failure, acts of God, Tenant's inability to obtain necessary governmental improvements from governmental entities other than Landlord, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond Tenant's control (lack of funds or financing shall not be deemed a cause beyond Tenant's control) delay Tenant's commencement or completion of construction and Tenant notifies Landlord, in writing, within seven days of the onset of such condition, the Construction Completion Date and, if applicable, the Construction Start Date, shall be extended for a number of days equal to the number of days the condition described in the notice persists, but in no event shall the Construction Start Date be extended for more than sixty 60 days and in no event shall the Construction Completion Date be extended for more than one year.

7.4 The Conditions Precedent to Tenant's Construction of Project Improvements. On or before the Construction Start Date and prior to any site preparation, grading or other construction activity relating to the construction of the New Improvements, Tenant shall deliver the documents described in Section 7.4.4 to Section 7.4.8 to Landlord. If any of instruments or documents Tenant delivers to Landlord pursuant to this Section 7.4 become inaccurate, or are amended during the course of construction, Tenant shall promptly, and in any event prior to any subsequent disbursement of Bond proceeds pursuant to Section 7.5, deliver a revised or amended instrument or document to Tenant:

7.4.1 A Total Project Cost Statement in which Tenant certifies to Landlord the total costs for the New Improvements, including construction and soft costs which shall include architectural, survey, permit and interest payments on any funds Tenant borrows in connection with the construction of the New Improvements.

7.4.2 A statement from Tenant certifying to Landlord the sources of Tenant's funds for the Construction.

7.4.3 A sworn construction statement from Tenant's general contractor identifying all construction costs and identifying all subcontractors which the general contractor will engage in connection with the construction of the New Improvements.

7.4.4 A construction timetable setting forth the estimated dates by which the New Improvements will be 25%, 50%, and 75% complete.

7.4.5 A copy of an executed AIA Standard Form of Agreement between Tenant and Tenant's architect.

7.4.6 A copy of an executed AIA Standard Form of Agreement between Tenant and the general contractor.

7.4.7 Copies of all major subcontracts for the work shown on the sworn construction statement.

7.4.8 A certificate, satisfactory to Landlord, from Tenant's insurance agent certifying to Landlord that Tenant has in force the insurance required under this Lease.

7.5 Landlord's Disbursement of Bond Proceeds. After the Tenant's delivery of the documents and instruments described in Section 7.4 to Landlord and Tenants commencement of construction of the New Improvements, Tenant may submit to Landlord, no more often than monthly, written disbursement requests for the payment of costs associated with the construction of the New Improvements (each a "Disbursement Request"). Each Disbursement Request shall specify the dollar amount Tenant is asking Landlord to disperse, identify the parties to receive the disbursement, the amount each party is to receive and the labor or materials which the disbursement will pay for. The Disbursement Request shall contain Tenants certification that the amounts requested are currently payable to the identified parties (excluding withholdings) for costs incurred in connection with construction of New Improvements. Tenant shall submit to Landlord, along with each Disbursement Request, such additional documentation or information that Landlord may reasonably request to assist Landlord in confirming that:

7.5.1 Any materials to be paid for out of the disbursement have been delivered to Property and either have been incorporated into the New Improvements or are being stored in a manner reasonably acceptable to Landlords;

7.5.2 Any labor which the disbursement will pay for has been completed in a workmanlike manner and in accordance with the New Improvement Plans;

7.5.3 The undispersed Bond proceeds and the balance of Tenant's other funds are sufficient to pay for the completion of the construction of the New Improvements in accordance with the New Improvement plans and the sworn construction statement provided pursuant to Section 7.4.3; and

7.5.4 The construction is progressing in accordance with the construction timetable provided pursuant to Section 7.4.4.

If, and only if, Landlord confirms the matters set forth in Section 7.5.1 through 7.5.4, Landlord shall disperse Bond proceeds to the parties identified in Tenant's Disbursement Request. Each party to receive a disbursement shall, as a condition of receipt of the disbursement, deliver to Landlord a executed and recordable mechanics lien waiver and any other documentation Landlord reasonably requires to evidence Landlord's payment for labor and

materials and the release of the payment recipient's lien rights. Notwithstanding anything else in this Section 7.5, the Landlord shall have the right, at its option, to refuse to make any dispersement if Landlord determines Tenant is in default in the performance of Tenants obligations under this lease.

7.6 Landlord's Right to Inspect the New Improvements and Certificate of Completion. At all times during Tenant's construction of the New Improvements, Landlord shall have the right to enter onto the Leased Property and inspect the New Improvements. Upon Tenant's completion of the New Improvements, Landlord and Tenant shall execute a certificate of completion to evidence the Parties agreement that Tenant has performed Tenant's construction obligations, and the certificate of completion shall be deemed an amendment to and a part of this Lease.

ARTICLE 8 - ALTERATIONS TO THE EXISTING IMPROVEMENTS OR THE NEW IMPROVEMENTS AND CONSTRUCTION OF FUTURE IMPROVEMENTS

8.1 Alterations or Additions to the Existing Improvements or the New Improvements and Construction of Future Improvements. Tenant may not make alterations or additions to the Existing Improvements or the New Improvements ("Alterations") or construct new improvements on the Property ("Future Improvements") without the prior written consent of Landlord which consent Landlord may grant or withhold at Landlord's sole and absolute discretion.

8.2 Construction Controls. If Landlord consents to Alterations or Future Improvements Tenant agrees that:

8.2.1 Tenant shall obtain all governmental approvals necessary for the Alteration or Future Improvements before commencing work;

8.2.2 Once Tenant begins the construction of an Alteration, or a Future Improvement Tenant shall diligently prosecute any such construction to completion in accordance with applicable insurance requirements and the laws, rules and regulations of all governmental bodies or agencies having jurisdiction over the Leased Property;

8.2.3 Landlord shall have the right at any time and from time to time to post and maintain upon the Leased Property such notices as may be necessary to protect Landlord's interest from mechanics' liens, materialmen's liens or liens of a similar nature;

8.2.4 Tenant shall not suffer or permit any mechanics' liens or any other claims or demands arising from the construction of any Alteration or Future Improvement to be enforced against the Leased Property or any part thereof, and Tenant agrees to hold Landlord and the Leased Property harmless from liability

for any such liens, claims or demands, together with all costs and expenses in connection therewith; and

8.2.5 All work in connection with an Alteration or Future Improvement shall be performed in a good and workmanlike manner.

ARTICLE 9 - PERSONAL PROPERTY AND FIXTURES

9.1 Personal Property and Fixtures. Tenant shall, at Tenant's sole cost and expense, acquire and maintain on the Leased Property all personal property and fixtures necessary to operate and maintain the Improvements in compliance with Tenant's obligations under this Lease and in compliance with all applicable legal and insurance policy requirements. All fixtures which Tenant acquires and maintains on the Leased Property shall be referred to herein as the "Fixtures". All personal property which Tenant acquires and maintains on the Leased Property or elsewhere for the construction, operation or maintenance of the Improvements shall be referred to herein as the "Personal Property".

ARTICLE 10 - MAINTENANCE AND REPAIR OF THE PROPERTY, IMPROVEMENTS, FIXTURES AND PERSONAL PROPERTY

10.1 Tenant's Obligation to Maintain the Property, Improvements, Fixtures and Personal Property. Tenant, at its expense, shall, at all times, maintain the Property, Improvements, Fixtures and Personal Property in good working order and appearance and in accordance with any applicable legal requirements. Tenant's obligation to maintain the Improvements, Fixtures and Personal Property shall include the obligation to repair and replace Improvements, Fixtures and Personal Property which Tenant cannot, for whatever reason, maintain in good working order and appearance. Tenant will not take or omit to take any action the taking or omission of which could reasonably be expected to impair the value or the usefulness of the Property, Improvements, Fixtures or Personal Property.

ARTICLE 11 - LOSS OR DAMAGE

11.1 Risk of Loss. Tenant assumes the risk of all loss or damage to or decrease in the enjoyment and beneficial use of the Leased Property, and Personal Property during the Term. Notwithstanding any loss, damage or decrease in enjoyment and beneficial use of the Leased Property or Personal Property, Tenant shall remain obligated to perform each of Tenant's obligations under this Lease, including, specifically, the obligation to Base Rent in accordance with terms the terms of this Lease.

11.2 Tenant's Obligation to Repair and Rebuild. Tenant shall promptly repair any damage or loss to the Leased Property or Personal Property during the Term, regardless of the cause or source of such loss or damage. The term "repair" as used in this

section 11.2 shall include the obligation to replace any property which can not be repaired. Tenant's repairs shall restore the Leased Property and Personal Property to the same condition as existed immediately before the damage or destruction.

ARTICLE 12 - INSURANCE

12.1 General Insurance Requirements. Tenant shall obtain and maintain, at all times during the Term, the following types of insurance:

12.1.1 property insurance insuring the Improvements, Fixtures and Personal Property and any other property located in or on the Property (the "Insured Property") against loss or damage by fire and other hazards and contingencies insurable under an "all risk" form of policy in an amount not less than the full replacement cost of the Insured Property. During the construction of New Improvements or the construction of any Future Improvements, Tenant shall maintain property insurance pursuant to a "builders risk" form of policy. Tenant shall submit the proposed form of "builders risk" policy to Landlord for review and approval before commencing any construction.

12.1.2 occurrence based comprehensive general liability insurance insuring against claims for death, bodily injury or property damage occurring on or in connection with the use of the Property, with coverage in amounts not less than 3,000,000.00 per occurrence and in aggregate.

12.1.3 Adequate worker's compensation insurance coverage for all persons employed by Tenant on the Leased Property in accordance with the requirements of applicable federal, state and local laws.

Tenant shall obtain all insurance required under this Section 12.1 from insurance companies authorized to do insurance business in the State of Minnesota. The policies providing property insurance must name Landlord as a loss payee and must include an endorsement which provides that Landlord's right to recover under the policies shall not be invalidated or in any way prejudiced by any act or neglect on the part of Tenant. The policies shall provide that all losses shall be payable jointly to Landlord and Tenant. The liability insurance policies shall identify Landlord as an additional insured party.

12.2 Form of Policies. All of the policies of insurance referred to in Section 12.1 shall be written in a form reasonably satisfactory to Landlord and by insurance companies rated not less than A-X by A.M. Best's Insurance Guide. All insurance Tenant is obligated to obtain and maintain shall have deductible amounts

which are reasonably acceptable to Landlord. Before the Commencement Date (and with respect to any renewal policy, at least 10 days prior to the expiration of the existing policy), Tenant shall pay all premiums for the policies of insurance referred to in Section 12.1 and shall deliver certificates of insurance and certified copies of all policies to Landlord. If Tenant fails to satisfy its obligations under this Article 12, Landlord shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Landlord upon written demand pursuant to Section 18.3.1. Each insurer providing insurance described in Section 12.1 shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Landlord, that it will give Landlord 30 days' written notice before the policy or policies in question shall be altered, allowed to expire or canceled.

12.3 Waiver of Claims and Waiver of Subrogation. Landlord hereby waives and releases Tenant, Tenant's agents and Tenant's employees from all claims, liabilities and causes of action for loss or damage to or destruction of the Improvements or Fixtures resulting from fire, explosion or the other insurable hazards, whether caused by the negligence of any of said persons or otherwise, to the extent Landlord and Tenant are actually reimbursed for such loss or damage from available insurance proceeds and Tenant actually applies such proceeds to reconstruct the Improvements. Tenant hereby waives and releases Landlord, Landlord's agents and Landlord's employees from all claims, liabilities and causes of action for loss or damage to, or destruction of any of Improvements, Fixtures, Personal Property, or other property whether that of Tenant or of others in to the extent the loss or damage would be covered by the insurance described in Section 12.1 whether or not Tenant has actually acquired such insurance. The insurance policies required under this Section 12 shall expressly waive any right of subrogation on the part of the insurer against the other Party provided such endorsement is obtainable without extra cost or in the event of extra, cost the Parties agree upon the payment of the extra cost.

12.4 Insurance Proceeds. All proceeds of insurance payable by reason of any loss or damage to the Improvements, Fixtures or Personal Property or any portion thereof, and insured under any policy of insurance required by Article 12 shall be paid to Landlord and Tenant jointly. All such proceeds shall be held in trust and shall be made available first for reconstruction or repair, as the case may be, of any damage to or destruction of the Improvements, Fixtures or Personal Property, or any portion thereof. Except as provided in Section 11.3, any excess insurance proceeds remaining after Tenant has repaired all damage to the Improvements, Fixtures and Personal Property as required under Article 11 shall be the property of Tenant.

12.5 Disbursement of Insurance Proceeds. Landlord and Tenant shall apply any insurance proceeds they hold towards the reasonable

costs of repairing the Improvements, Fixtures or Personal Property; provided, however, that insurance proceeds which Landlord and Tenant hold jointly shall be disbursed subject to the following requirements:

12.5.1 prior to commencement of restoration of the Improvements or Fixtures, Tenant shall submit the names of the architects and contractors and the plans and specifications to Landlord for review and approval. Landlord may not unreasonably withhold or delay approval;

12.5.2 no mechanics' or materialmen's liens shall have been filed against any of the Property and remain undischarged at the time of any disbursement;

12.5.3 disbursements shall be made from time to time in an amount not exceeding the cost of the work completed since the last disbursement, upon receipt of: satisfactory evidence, of the stage of completion, the estimated total cost of completion and performance of the work to date in a good and workmanlike manner in accordance with the contracts, plans and specifications; waivers of liens; and other evidence of cost and payment so that Landlord can verify that the amounts disbursed from time to time are represented by work that is completed, in place and free and clear of mechanics, and materialmen's lien claims;

12.5.4 each request for disbursement shall be accompanied by a certificate of Tenant, signed by the president or a vice president of Tenant, describing the work for which payment is requested, stating the cost incurred in connection therewith, stating that Tenant has not previously received payment for such work and, upon completion of the work, also stating that the work has been fully completed and complies with the applicable requirements of this Lease;

ARTICLE 13 - CONDEMNATION

13.1 Total Taking. If at any time during the Term the Leased Property is totally and permanently taken by Condemnation, this Lease shall terminate on the date of taking.

13.2 Partial Taking. If a portion of the Leased Property is taken by condemnation, this Lease shall remain in effect if the Leased Property is in a condition or may be restored to a condition which is suitable for use as an ice arena. If the Leased Property is rendered unsuitable for use as an ice arena, this Lease shall terminate on the date of taking.

13.3 Restoration. If there is a partial taking of the Leased Property and this Lease remains in full force and effect pursuant to Section 13.2, Tenant shall accomplish all necessary restoration at Tenant's sole cost and expense.

13.4 Temporary Taking. If all or a portion of the Lease Property is temporary taken by condemnation, the temporary taking shall not effect Tenant's obligations under this Lease, and Tenant shall continue to pay the Base Rent due and payable during the time of Temporary Taking.

13.5 Award-Distribution. The entire award in any Total or Partial shall belong to and be paid to Landlord, except that, upon termination of this Lease as a result of a condemnation, Tenant shall be entitled to receive from the award, if and to the extent specifically included in such award, a sum attributable to the value of Tenant's interest in this Lease as of the date of taking. In the event of temporary taking, Tenant shall be entitled to retain any portion of the reward attributable to a time period falling within the Term and Landlord shall be entitled to any portion of the award relating to a time period falling outside the Term. If Tenant is obligated to restore the Improvements, Landlord shall disburse the award to Tenant for the restoration pursuant to Section 12.5.

ARTICLE 14 - INDEMNIFICATION

14.1 Tenant's Indemnification of Landlord. Tenant will indemnify, hold harmless and defend Landlord from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including reasonable attorneys' fees and expenses), to the extent permitted by law, imposed upon or incurred by or asserted against Landlord by reason of:

14.1.1 any bodily injury to or death of persons or loss of or damage to property occurring on or about the Leased Property;

14.1.2 Tenant's or Tenant's agent's, employees, guests or invitees use, misuse, maintenance, repair, reconstruction or alteration of the Leased Property or Tenant's construction of the New Improvements or of Future Improvements;

14.1.3 any Governmental Impositions (which are the obligations of Tenant to pay pursuant to the applicable provisions of this Lease);

14.1.4 Tenant's failure to perform or comply with any of the terms of this Lease; and

14.1.5 Tenant's or Tenant's agents or employee's release or disposal of Hazardous Materials on the Leased Property or a third party's release or disposal of Hazardous Materials on the Leased Property during the Term of this Lease if Tenant could reasonably have prevented or limited the severity of the release or disposal through the exercise of due care.

14.1.6 This indemnification Provision is intended to cover claims based on Landlord's own negligence with respect to the condition of

the Leased Property, Landlord's decision to lease to Tenant and Landlord's failure to oversee, regulate or control Tenant (which duties Landlord specifically disclaims) but not to claims based on the negligent or otherwise wrongful, affirmative acts of Landlord's agents or employees on the Leased Property after the date of this Lease.

14.2 Mechanics of Indemnification. The Landlord may, at its option, demand indemnity under this Article 14 as soon as a third party threatens a claim, regardless of whether an actual loss has been suffered, so long as the Landlord determines, in good faith, that such claim is not frivolous and that Landlord may be liable for, or otherwise incur, a loss as a result thereof. Landlord shall permit Tenant, at its option and expense, to select counsel, reasonably acceptable to Landlord, assume the defense of any such claim, and to settle or otherwise dispose of the claim; provided, however, that Landlord may at all times participate in such defense at its expense; and provided further, however, that Tenant shall not, except with the prior written consent of Landlord, consent to the entry of any judgment or to enter into any settlement that does not include as an unconditional term thereof the claimant or plaintiff in question giving Landlord and its affiliates a release of all liabilities in respect of such claims, and that does not result only in the payment of money damages by Tenant. If Tenant fails to undertake such defense within 30 days after such notice, or within such shorter time as may be reasonable under the circumstances, then Landlord shall have the right to undertake the defense, compromise or settlement of such liability or claim on behalf of and for the account of Tenant.

14.3 Survival of Indemnification Obligation. Tenant's liability under this Article 14 shall survive the expiration or termination of this Lease.

ARTICLE 15 - RESTRICTIONS ON ASSIGNMENT AND SUBLETTING

15.1 General Prohibition Against Assignment of Subletting. Except as set forth in Section 15.3, Tenant may not, without the prior written consent of Landlord (which consent Landlord may grant or withhold in its sole and absolute discretion), assign, mortgage, pledge, hypothecate, encumber or otherwise transfer the Lease or any interest therein, all or any part of the Leased Property or any interest therein or suffer or permit the Lease or the leasehold estate created hereby or thereby or any other rights arising under the Lease to be assigned, transferred, mortgaged, pledged, hypothecated or encumbered, in whole or in part, whether voluntarily, involuntarily or by operation of law.

15.2 Landlord's Consent. Landlord's consent to an assignment or sublease in any particular instance shall not constitute a waiver or modification of the general prohibition described in Section 15.1.

15.3 Permitted Subleases. Tenant may, upon notice to but without the prior approval of Landlord, sublease portions of the Leased Property to concessionaires or licensees to:

- 15.3.1 operate a skate sharpening shop;
- 15.3.2 operate food concessions; and
- 15.3.3 place advertisements.

Each permitted sublease of any of the Leased Property shall be subject and subordinate to the provisions of this Lease. No sublease made as permitted by Section 15.3 shall affect or reduce any of the obligations of Tenant hereunder, and all such obligations shall continue in full force and effect as if no sublease had been made. No sublease shall impose any additional obligations on Landlord under this Lease. Tenant shall, within 10 days after the execution and delivery of any sublease permitted by Section 15.3, deliver a duplicate original thereof to Landlord.

ARTICLE 16 - ESTOPPEL CERTIFICATES

16.1 Estoppel certificates. Within 10 days of Tenant's receipt of a written request from Landlord, Tenant shall furnish to Landlord or to any third party that Landlord designates an estoppel certificate certifying that:

- 16.1.1 the Lease is unmodified and in full force and effect (or that the Lease is in full force and effect as modified and setting forth the modifications);
- 16.1.2 the dates to which the Base Rent has been paid;
- 16.1.3 to the best of Tenant's knowledge, Landlord is not in default in the performance of any covenant, agreement or condition contained in this Lease or, if Landlord is in default, specifying each such default of which Tenant may have knowledge;
- 16.1.4 that, except as otherwise specified, there are no proceedings pending or, to the knowledge of the signatory, threatened, against Tenant before or by any court or administrative agency which, if adversely decided, would materially and adversely affect the financial condition and operations of Tenant; and
- 16.1.5 responding to other questions or statements which Landlord shall reasonably request.

Tenant's failure to deliver such statement within such time period shall constitute Tenant's acknowledgment that this Lease is unmodified and in full force and effect except as may be represented to the contrary by Landlord, that Landlord is not in

default in the performance of any covenant, agreement or condition contained in this Lease and that any other matters set forth in such request are true and correct.

16.2 Environmental Statements. Immediately upon Tenant's learning, or having reasonable cause to believe, that any Hazardous Material in a quantity sufficient to require remediation or reporting under any applicable law is located in, on or under the Leased Property or any adjacent property, Tenant shall notify Landlord in writing of (a) any enforcement, cleanup, removal, or other governmental or regulatory action instituted, completed or threatened; (b) any claim made or threatened by any person against Tenant or the Leased Property relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from or claimed to result from any Hazardous Material; and (c) any reports made to any federal, state or local environmental agency arising out of or in connection with any Hazardous Material in or removed from the Leased Property, including any complaints, notices, warnings or asserted violations in connection therewith.

ARTICLE 17 - QUIET ENJOYMENT AND LANDLORD ENCUMBRANCES

17.1 Quiet Enjoyment. So long as Tenant shall pay all Base Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder, Tenant shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Landlord or anyone claiming by, through or under Landlord, but subject to all liens and encumbrances of record as of the date hereof and any Landlord's Encumbrances, as defined below.

17.2 Landlord Encumbrances. Subject to Section 17.3, Landlord may, without the consent of Tenant, directly or indirectly, create or otherwise cause to exist any mortgage, lien or encumbrance ("Landlord's Encumbrance") upon the Leased Property, or any portion thereof or interest therein, whether to secure any borrowing or other means of financing or refinancing. Subject to Section 17.3, this Lease is and at all times shall be subject and subordinate to any mortgage or other, which may now or hereafter encumber the Leased Property and to all renewals, modifications, consolidations, replacements and extensions of any lease, mortgage, trust deed or like encumbrance. This clause shall be self-operative and no further instrument of subordination shall be required.

17.3 Tenant's Non-Disturbance Rights. So long as Tenant shall pay all Base Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder, none of Tenant's rights under this Lease shall be disturbed by the holder of any Landlord's Encumbrance which is created or otherwise comes into existence after the Commencement Date.

17.4 Subordination and Attornment Agreement. Within 10 days of Tenant's receipt of a written request from Landlord, Tenant shall execute an agreement in favor of the holder of any Landlord Encumbrance acknowledging the subordination of this Lease to the Landlord's Encumbrance and agreeing to attorn to the holder of the Landlord's Encumbrance if such holder should become the owner of the property through the foreclosure of the Landlord's Encumbrance, but Tenant shall have no obligation to provide such agreement unless the holder of the Landlord's Encumbrance acknowledges, in the agreement, Tenant's rights under Section 17.3.

ARTICLE 18 - TENANT'S DEFAULT

18.1 Events of Default. The occurrence of one or more of the following events shall be deemed an "Event of Default":

18.1.1 Tenant's failure to fully observe or perform any term, covenant or restriction set forth in this Lease;

18.1.2 Tenant's:

18.1.2.1 admission, in writing, of its inability to pay its debts generally as they become due;

18.1.2.2 filing of a petition in bankruptcy or a petition to take advantage of any insolvency act;

18.1.2.3 assignment of substantially all of its assets for the benefit of its creditors;

18.1.2.4 failure or inability to pay its debts as they mature;

18.1.2.5 consent to the appointment of a receiver of itself or of the whole or any substantial part of its property;

18.1.3 A third party's filing of a petition in bankruptcy against Tenant, a court of competent jurisdiction determines that Tenant is bankrupt or enters an order or decree appointing a receiver of Tenant or of the whole or substantially all of Tenant's assets or approves a petition filed against Tenant seeking reorganization of Tenant under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree is not vacated or set aside or stayed within 60 days from the date of the entry thereof;

18.1.4 Tenant's liquidation or dissolution, or the beginning of proceedings toward such liquidation or dissolution;

18.1.5 Tenant's interest in the Leased Property or any part thereof is levied upon or attached in any proceeding and the same is not vacated or discharged within the later of ninety (90) days after commencement thereof; applicable law; or

18.1.6 If, except as a result of damage, destruction or a partial or complete condemnation, Tenant voluntarily ceases operations on the Leased Property for a period in excess of thirty (30) consecutive days.

18.2 Tenant's Right to Notice and an Opportunity to Cure. If an Event of Default occurs, Landlord may not exercise the remedies described in Section 18.3 until Landlord serves upon Tenant and upon all creditors having a legal or equitable lien of record upon the Leased Property or any part thereof, a written notice that Tenant is in default and that Landlord reserves the right to enforce its remedies as provided in Section 18.3 unless Tenant or another party in interest cures the Event(s) of Default described in the notice (and any Events of Default occurring subsequent to the date of the notice and prior to the cure of the Event(s) of Default described in the notice) within 30 days after service of the notice, and Tenant or other parties in interest do not cure the Event of Default within the 30 day period. This notice shall also serve to satisfy the requirements of Minn. Stat. § 504.02.

18.3 Remedies. If an Event of Default occurs, Landlord may, in addition to Landlord's rights under Section 18.2, seek the following remedies;

18.3.1 Landlord may, without releasing Tenant from Tenant's obligations or waiving any of Landlord's other remedies, at any time thereafter cure the Event of Default, and Landlord may enter upon the Leased Property for such purpose and take all such action thereon as, in Landlord's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Tenant. Tenant shall pay Landlord, on demand, all sums Landlord pays and all costs and expenses (including reasonable attorneys' fees and expenses) Landlord incurs to cure the Event of Default.

18.3.2 Landlord may terminate this Lease. Landlord's termination of the Lease shall be effective upon, and only upon, Landlord's delivery of a written notice to Tenant expressly stating Landlord's intent to terminate the Lease. A termination of the Lease may not be implied from Landlord's conduct. Neither the passage of time after the occurrence of the Event of Default nor Landlord's exercise of any other remedy with regard to an Event of Default shall limit Landlord's right to terminate the Lease. Termination of the Lease shall not terminate Tenant's obligations under Section 14.1 or Landlord's right to sue Tenant for damages Landlord suffered or incurred or will suffer or incur as a result of

Tenant's failure to perform Tenant's obligations under this Lease.

18.3.3 Landlord may, whether or not Landlord has terminated this Lease, immediately commence Unlawful Detainer Proceedings to obtain possession of the Leased Property. Upon Landlord's acquisition of a Writ of Restitution in an Unlawful Detainer Proceeding, the Sheriff shall remove Tenant and all other persons from possession of the Leased Property pursuant to the terms of the writ. Landlord may exercise Landlord's right to reenter upon and repossess the Leased Property pursuant to this subsection without being guilty of trespass, conversion or constructive eviction and without becoming liable to Tenant for any loss or damage Tenant may suffer. Landlord's reentry upon and repossession of the Leased Property shall not be deemed to be an implied or express termination of the Lease.

18.3.4 If Landlord reenters upon and obtains possession of the Leased Property, without terminating this Lease, each of Tenant's obligations under this Lease shall survive and continue. Tenant shall fulfill Tenant's obligation under this Lease within the time periods set forth in this Lease and if there is no time period set forth for Tenant's performance within a reasonable time. To satisfy Tenant's obligations under Section 10.1, Tenant shall hire and pay competent third parties reasonably acceptable to Landlord.

18.3.5 If Landlord terminates this Lease, Landlord shall be entitled to recover from Tenant, as damages, all amounts which Tenant owed to Landlord under this Lease as of the date of Termination and the difference between the present value of the Base Rent Tenant is obligated to pay under the terms of this Lease for the period between the date of Termination and the Expiration Date, and the fair? rental value of the Leased Property for the period from the Termination Date through the date Landlord is obligated to make Landlord's last payment on the Bonds.

18.3.6 Landlord may seek a Court Order compelling Tenant to specifically perform Tenant's obligations under this Lease.

18.3.7 Landlord may pursue any other rights or remedies which Landlord may have at law or in equity.

18.4 Waiver. If Landlord commences summary proceedings to recover possession of the Leased Property as a result of an Event of Default, Tenant waives, to the extent permitted by applicable law any right to a trial by jury in such summary proceedings

18.5 Payment of Costs. Tenant shall reimburse Landlord, on demand, for all costs and expenses Landlord incurs, including reasonable attorneys' fees and expenses, as a result of any Event of Default.

ARTICLE 19 - OWNERSHIP OF IMPROVEMENTS AND FIXTURES UPON EXPIRATION OR TERMINATION

19.1 Ownership Upon Expiration or Termination. From and after the Construction Start Date, Landlord shall own the Improvements and the Fixtures subject to Tenant's rights under this Lease. Upon the expiration of the Term, the automatic termination of the Lease pursuant to Sections 13.1 or 13.2 or Landlord's termination of the Lease pursuant to Section 18.3.2, Landlord shall own the Improvements and the Fixtures free of any interest or claim of Tenant.

ARTICLE 20 - HOLDING OVER

20.1 Holding Over. If Tenant shall for any reason remain in possession of the Leased Property after the expiration of the Term or earlier termination of the Term hereof, such possession shall be as a month-to-month tenant during which time Tenant shall pay as Rent, on a monthly basis, 150% of the monthly fair rental value of the Leased Property and Project Improvements plus all other sums, if any, payable by Tenant pursuant to the provisions of this Lease with respect to the Leased Property. During such period of month-to-month tenancy, Tenant shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to month-to-month tenancies, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Landlord to the holding over of Tenant after the expiration or earlier termination of this Lease.

ARTICLE 21 - MISCELLANEOUS

21.1 Waiver. Neither Landlord's failure to insist upon Tenant's strict performance of any obligation or strict compliance with any restriction set forth in the Lease nor Landlord's failure to exercise any right, power or remedy available to Landlord upon the occurrence of an Event of Default and Landlord's acceptance of full or partial payment of Rent during the continuance of any such Event of Default, shall constitute a waiver of any such event of Default or of any of Landlord's remedies. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

21.2 Remedies Cumulative. To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Landlord now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy. The exercise or beginning of the exercise by Landlord of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Landlord of any or all of such other rights, powers and remedies.

21.3 Surrender of the Leased Property. No act or omission of Landlord other than Landlord's execution and delivery to Tenant of an express written acceptance of surrender shall be interpreted as Landlord's implied or express acceptance of Tenant's surrender of the Leased Property to Landlord before the expiration or termination of the Lease.

21.4 No Merger of Interests. There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

21.5 Notices. All notices, demands, requests, consents, approvals and other communications hereunder shall be in writing and delivered or mailed (by registered or certified mail, return receipt requested and postage prepaid), addressed to the respective Parties as follows:

To Landlord: City of Cloquet
1307 Cloquet Avenue
Cloquet, Minnesota 55720
Attention: City Administrator

To Tenant: Cloquet Amateur Hockey Association
1102 Olympic Drive
c/o Box 228
Cloquet, Minnesota 55720

21.6 Survival of Claims. All claims against, and liabilities of, Tenant or Landlord arising prior to the expiration or termination of this Lease shall survive such expiration or termination.

21.7 Invalidity of Terms or Provisions. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby.

21.8 Amendments to Lease. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Landlord and Tenant.

21.9 Successors and Assigns. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto. All permitted assignees or sublessee shall be subject to the terms and provisions of this Lease.

21.10 Titles. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

21.11 Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of Minnesota.

21.12 Memorandum of Lease. Landlord and Tenant shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form and substance satisfactory to Landlord and suitable for recording. Tenant shall pay all costs and expenses of recording such Memorandum of Lease.

21.13 Attorneys' Fees. In the event of any dispute between the parties hereto involving the covenants or conditions contained in this Lease or arising out of the subject matter of this Lease, the prevailing party shall be entitled to recover against the other party reasonable attorneys' fees and court costs.

21.14 No Relationship. Landlord shall in no event be construed for any purpose to be a partner, joint venturer or associate of Tenant or of any subtenant, operator, concessionaire or licensee of Tenant with respect to the Leased Property or any other Leased Properties or otherwise in the conduct of their respective businesses.

21.15 Mechanic's Liens. Nothing contained in this Lease and no action or inaction by Landlord shall be construed as (i) constituting the consent or request of Landlord expressed or implied to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alternation, addition, repair or demolition of or to the Leased Property, Project Improvements, Tenant Improvements and Personal Property or any part thereof; or (ii) giving Tenant any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property, in either case, in such fashion as would permit the making or any claim against Landlord in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Landlord in the Leased Property, Project Improvements, Tenant Improvements or Personal Property, or any portion thereof.

ARTICLE 22 - TAX COVENANTS

22.1 Tax Covenants Relating to the Bonds. In order to ensure that the interest on the Bonds to be issued by the Landlord to finance the Ice Arena to be leased to Tenant shall at all times be excluded from federal gross income, the Tenant specifically represents, warrants and covenants with the Landlord and all holders of the Bonds, as follows:

22.1.1 The Tenant is an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code"), exempt from the payment of federal income taxes under Section 501(a) of the Code, and no revenues derived from any portion of the

leased facilities does or shall constitute "unrelated business income" within the meaning of Section 513(a) of the Code, except as may be specifically permitted by Section 145(a) of the Code in amounts that would not require the interest on the Bonds to become includable in gross income, for purposes of Federal income taxation.

22.1.2 As of the date hereof, it is the only "principal user" of the facilities financed by the Bonds and it will not permit any person to become a "principal user" of those facilities if such action would cause the interest on the Bonds to become includable in federal gross income in the hands of the holders thereof.

22.1.3 It shall provide the Landlord all information required to satisfy the informational requirements set forth in Section 149(e) of the Internal Revenue Code of 1986, as amended ("the Code"), including the information necessary to complete IRS Form 8038.

22.1.4 The sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all other tax-exempt nonhospital bonds issued on behalf of or for the benefit of the Tenant and all organizations under common management or control with the Tenant (other than qualified hospital bonds), within the meaning of Section 145 of the Code, do not exceed \$150,000,000.

22.1.5 It will comply with and fulfill all other requirements and conditions of the Code and Treasury Regulations and rulings issued pursuant thereto relating to the acquisition, construction and operation of the facilities financed by the Bonds to the end that interest on the Bonds shall at all times be excludable from federal gross income.

22.1.6 Neither it nor any "related person", as defined in Treasury Regulations, Section 1.103-13(h)(2)(iv), shall, pursuant to an arrangement, formal or informal, purchase the Bonds.

22.1.7 The Tenant covenants that it shall make no use of the leased facilities, including but not limited to entering into any agreement for the management of the leased facilities or any similar agreement, the effect of which would cause the Bonds not to constitute "qualified 501(c)(3) bonds," within the meaning of Section 145 and related Sections of the Code, and any management-type agreement to be entered into with respect to the leased facilities (unless entered into with an organization described in Section 501(c)(3) of the Internal Revenue Code) shall constitute a "qualified management agreement" within the meaning of all pertinent provisions of law, including all relevant provisions of the Code and

regulations, rulings and revenue procedures thereunder, including Revenue Procedure 93-19.

22.1.8 Subject to the \$100,000 "de minimis" exception of Treasury Regulation § 1.150-2(f)(1), the Tenant will not request a disbursement of proceeds of the Bonds in order to reimburse costs paid prior to the issuance of the Bonds.

EXECUTION PAGE

LANDLORD: CITY OF CLOQUET

Dated: 4/10/96

By: [Signature]

Its: Mayor

Dated: 4/9/96

By: [Signature]

Its: City Clerk

TENANT: CLOQUET AMATEUR
HOCKEY ASSOCIATION CENTER

Dated: 4/22/96

By: [Signature]

Its: President

EXHIBIT A
BASE RENT SCHEDULE

<u>BASE RENT AMOUNT</u>	<u>DATE DUE</u>
182,391.67	1/17/1997
31,560.00	7/17/1997
156,560.00	1/17/1998
28,685.00	7/17/1998
158,685.00	1/17/1999
25,695.00	7/17/1999
160,695.00	1/17/2000
22,556.25	7/17/2000
162,556.25	1/17/2001
19,301.25	7/17/2001
164,301.25	1/17/2002
15,930.00	7/17/2002
170,930.00	1/17/2003
12,326.25	7/17/2003
177,326.25	1/17/2004
8,490.00	7/17/2004
178,490.00	1/17/2005
4,410.00	7/17/2005
184,410.00	1/17/2006

EXHIBIT B
NEW IMPROVEMENT PLANS AND SPECIFICATIONS

AMENDMENT TO GROUND LEASE

RECITALS

A. The parties to this amendment to ground lease (the "Amendment") are the City of Cloquet, a Minnesota municipal corporation (the "Landlord") and Cloquet Amateur Hockey Association, a Minnesota non-profit corporation (the "Tenant"). This Amendment sometimes refers to Landlord and Tenant individually as a "Party" and collectively as the "Parties".

B. Tenant is a non-profit corporation organized to promote amateur athletics in the Cloquet area.

C. Landlord is the fee owner of the real property legally described as the Southwest Quarter of the Southeast Quarter of the Southwest Quarter of Section 23, Township 49 North, Range 17 West, Carlton County, Minnesota (the "Property").

D. Landlord and Tenant are parties to a ground lease (the "Lease") dated April 22, 1996.

E. Landlord and Tenant executed the Lease in connection with Tenant's construction of an indoor ice arena (the "New Improvements") on the Property. Landlord issued general obligation recreational facility revenue bonds in the amount of \$1,470,000 (the "Original Bonds") and disbursed \$1,415,000 of the Original Bond proceeds to Tenant pursuant to the Lease to finance a portion of the cost of constructing the New Improvements.

F. Tenant needs additional funds to complete construction of the New Improvements.

G. Minnesota Statutes §§ 471.15 through 471.191 authorize Landlord to cooperate with a nonprofit corporation to acquire or lease, equip and maintain land, buildings and other recreational facilities, including skating rinks and arenas and related automobile parking facilities, to borrow and expend funds for the capital costs thereof; and to lease such facilities to the non-profit corporation for a term not exceeding 30 years.

H. Landlord has agreed to issue additional general obligation recreational facility revenue bonds (the "New Bonds") in the amount of \$630,000 and to disburse \$605,000 of the New Bond proceeds to finance a portion of the cost of completing construction of the New Improvements all as set forth in this Amendment.

NOW THEREFORE, in furtherance of Landlord's desire to provide public recreation space to residents of the City of Cloquet and

Tenant's corporate purpose, Landlord and Tenant hereby agrees to the terms and provisions of this Amendment.

AGREEMENT

ARTICLE

1 - EFFECTIVE DATE

1.1 Effective Date. This Amendment shall be effective and binding on the Parties as of the date the last Party to sign this Amendment signs the Amendment.

ARTICLE 2 - MODIFICATION OF ARTICLE 4 - BASE RENT

2.1 Modification of Section 4.1. Section 4.1 of the Lease is hereby deleted in its entirety and replaced with the following:

4.1 Tenant's Obligation to Pay Base Rent. As consideration for Tenant's use and occupancy of the Leased Property Pursuant to the terms of this Lease, Tenant must pay Landlord an annual base rent in an amount equal to the amount of Landlord's annual repayment obligations under Landlord's General Obligation Recreational Facility Revenue Bonds, Series 1996 in the amount of \$1,470,000 (the "Original Bonds") and under Landlord's General Obligation Recreational Facility Revenue Bonds, Series 1997 in the amount of \$630,000 (the "New Bonds") until such time as the Original Bonds and the New Bonds are paid in full and thereafter in an amount of ~~\$84,000~~ \$80,100.00 per year for 10 years (the "Base Rent"). Until such time as the Original Bonds and the New Bonds are paid in full, Tenant must pay Base Rent to Landlord in biannual installments that are due 15 days prior to the date Landlord is obligated to make Landlord's biannual payments on the Original Bonds and the New Bonds. As soon as the New Bonds are sold and the date and the amount of Landlord's payments under the New Bonds is fixed, the parties must attach a schedule of the Base Rent payment dates and amounts to this Amendment as Exhibit A (the Exhibit A attached to this Amendment replaces, in its entirety, Exhibit A attached to the Lease). If there is a conflict between the amount of the biannual payment shown on Exhibit A and the amount of Landlord's biannual payments under the Original Bonds and the New Bonds, Tenant's biannual Base Rent payment is equal to Landlord's biannual payment on the Original Bonds and the New Bonds, and if there is a conflict between the date set forth on Exhibit A for Tenant's biannual payment of Base Rent and the date of Landlord's biannual payments on the Original Bonds and the New Bonds, the provisions this Section 4.1 that require Tenant to make Tenant's biannual Base Rent payment fifteen (15) days prior to the date Landlord is obligated to make Landlord's biannual payments on the Original Bonds and

the New Bonds controls. After Tenant has paid Landlord Base Rent in an amount sufficient to repay the Original Bonds and the New Bonds, Tenant is obligated to pay Landlord Base Rent in the amount of ~~\$84,000~~ \$80,100 per year for ten (10) years. The Base Rent payments of ~~\$84,000~~ \$80,100 per year are due and payable on December 31st of each year. After Tenant has paid Base Rent in an amount sufficient to pay the Original Bonds and the New Bonds and has paid an additional Base Rent of ~~\$84,000~~ \$80,100 a year for ten (10) years, Tenant's obligation to pay Base Rent terminates and there is no Base Rent due for the balance of the Term.

**ARTICLE 3 - AMENDMENT TO SECTION 7.3 - TENANT'S OBLIGATION
TO CONSTRUCT THE PROJECT IMPROVEMENTS**

3.1 Modification of Construction Completion Date. The Construction Completion Date, as defined in Section 7.3, is hereby changed from September 1, 1997 to September 1, 1998.

**ARTICLE 4 - LANDLORD'S AGREEMENT TO DISBURSE
NEW BOND PROCEEDS**

Section 7.5 of the Lease is hereby deleted in its entirety and replaced with the following:

7.5 Landlord's Disbursement of Bond Proceeds. Tenant may submit to Landlord, no more often than monthly, written disbursement requests for the payment of costs associated with the construction of the New Improvements (each a "Disbursement Request"). Each Disbursement Request must specify the dollar amount Tenant is asking Landlord to disburse, identify the parties to receive the disbursement, the amount each party is to receive and the labor or materials which the disbursement will pay for. The Disbursement Request must contain Tenants certification that the amounts requested are currently payable to the identified parties (excluding withholdings) for costs incurred in connection with construction of New Improvements. Tenant must submit to Landlord, along with each Disbursement Request, such additional documentation or information that Landlord may reasonably request to assist Landlord in confirming that:

7.5.1 Any materials to be paid for out of the disbursement have been delivered to Property and either have been incorporated into the New Improvements or are being stored in a manner reasonably acceptable to Landlords;

7.5.2 Any labor which the disbursement will pay for has been completed in a workmanlike manner and in accordance with the New Improvement Plans;

7.5.3 The undispersed proceeds of the New Bonds and the balance of Tenant's other funds are sufficient to pay for the completion of the construction of the New Improvements in accordance with the New Improvement plans and the sworn construction statement provided pursuant to Section 7.4.3; and

7.5.4 The construction is progressing in accordance with the construction timetable provided pursuant to Section 7.4.4.

If, and only if, Landlord confirms the matters set forth in Section 7.5.1 through 7.5.4, Landlord must disperse proceeds of the New Bonds to the parties identified in Tenant's Dispersement Request. Landlord is not obligated to disburse more than \$1,415,000 of Original Bond proceeds or more than \$605,000 of the New Bond proceeds to Tenant. Each party to receive a dispersement must, as a condition of receipt of the dispersement, deliver to Landlord a executed and recordable mechanic's lien waiver and any other documentation Landlord reasonably requires to evidence Landlord's payment for labor and materials and the release of the payment recipient's lien rights. Notwithstanding anything else in this Section 7.5, the Landlord shall have the right, at its option, to refuse to make any dispersement if Landlord determines Tenant is in default in the performance of Tenants obligations under this lease.

ARTICLE 5 - MISCELLANEOUS

5.1 Correction of Typographic Error. There is a typographical error in Section 18.3.5. The word "fair" appears as "fair?" The word "fair?" is hereby deleted and replaced with the word "fair".

5.2 Tax Covenants. As used in Article 22 of the Lease, the term "Bonds" means the Original Bonds and the New Bonds.

5.3 Defined Terms. The capitalized terms used in this Amendment and not otherwise defined in this Amendment have the meaning set forth in the Lease.

5.4 Status of the Lease. Except as specifically modified in this Amendment, the Lease remains unmodified and in full force and effect.


LANDLORD: CITY OF CLOQUET

Dated: 4/8/98

By 

Its: Mayor

Dated: 4/8/98

By 

Its: City Clerk

Dated: 3-30-98

TENANT: CLOQUET AMATEUR
HOCKEY ASSOCIATION CENTER

By: 

Its: President

EXHIBIT A

SCHEDULE OF BASE RENT PAYMENTS AND PAYMENT DATES

<u>Payment Date</u>	<u>Payment Amount</u>
<u>02/01/97</u>	<u>\$182,391.67</u>
<u>08/01/97</u>	<u>31,560.00</u>
<u>02/01/98</u>	<u>156,560.00</u>
<u>08/01/98</u>	<u>44,773.75</u>
<u>02/01/99</u>	<u>217,410.00</u>
<u>08/01/99</u>	<u>38,542.50</u>
<u>02/01/2000</u>	<u>228,542.50</u>
<u>08/01/2000</u>	<u>34,303.75</u>
<u>02/01/2001</u>	<u>229,303.75</u>
<u>08/01/2001</u>	<u>29,921.25</u>
<u>02/01/2002</u>	<u>234,921.25</u>
<u>08/01/2002</u>	<u>25,290.00</u>
<u>02/01/2003</u>	<u>240,290.00</u>
<u>08/01/2003</u>	<u>20,396.25</u>
<u>02/01/2004</u>	<u>250,396.35</u>
<u>08/01/2004</u>	<u>15,130.00</u>
<u>02/01/2005</u>	<u>250,130.00</u>
<u>08/01/2005</u>	<u>9,587.50</u>
<u>02/01/2006</u>	<u>259,587.50</u>
<u>08/01/2006</u>	<u>3,585.00</u>
<u>02/01/2007</u>	<u>78,585.00</u>
<u>08/01/2007</u>	<u>1,860.00</u>
<u>02/01/2008</u>	<u>81,860.00</u>
<u>08/01/2008</u>	

<u>02/01/2009</u>	<u>80,100.00</u>
<u>08/01/2009</u>	
<u>02/01/2010</u>	<u>80,100.00</u>
<u>08/01/2010</u>	
<u>02/01/2011</u>	<u>80,100.00</u>
<u>08/01/2011</u>	
<u>02/01/2012</u>	<u>80,100.00</u>
<u>08/01/2012</u>	
<u>02/01/2013</u>	<u>80,100.00</u>
<u>08/01/2013</u>	
<u>02/01/2014</u>	<u>80,100.00</u>
<u>08/01/2014</u>	
<u>02/01/2015</u>	<u>80,100.00</u>
<u>08/01/2015</u>	
<u>02/01/2016</u>	<u>80,100.00</u>
<u>08/01/2016</u>	
<u>02/01/2017</u>	<u>80,100.00</u>
<u>08/01/2017</u>	
<u>02/01/2018</u>	<u>80,100.00</u>

SECOND AMENDMENT TO GROUND LEASE

RECITALS

A. The parties to this Second Amendment to Ground Lease (the "Second Amendment") are the City of Cloquet, a Minnesota municipal corporation (the "Landlord") and Cloquet Amateur Hockey Association, a Minnesota non-profit corporation (the "Tenant"). This Second Amendment sometimes refers to Landlord and Tenant individually as a "Party" and collectively as the "Parties".

B. Tenant is a non-profit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, organized to promote amateur athletics in the Cloquet area.

C. Landlord is the fee owner of the real property legally described as the Southwest Quarter of the Southeast Quarter of the Southwest Quarter of Section 23, Township 49 North, Range 17 West, Carlton County, Minnesota (the "Property").

D. Minnesota Statutes §§ 471.15 through 471.191 authorize Landlord to cooperate with a nonprofit corporation to acquire or lease, equip and maintain land, buildings and other recreational facilities, including skating rinks and arenas and related automobile parking facilities, to borrow and expend funds for the capital costs thereof; and to lease such facilities to the non-profit corporation for a term not exceeding 30 years.

E. Landlord and Tenant are parties to a Ground Lease (the "Original Lease") dated April 22, 1996 and an Amendment to Ground Lease dated April 8, 1998 (the "Amendment" and, together with the Original Lease, the "Lease").

F. Landlord and Tenant executed the Lease in connection with Tenant's construction of an indoor ice arena (the "Ice Arena") on the Property.

G. Landlord issued its General Obligation Recreational Facility Revenue Bonds, Series 1996, dated April 1, 1996 (the "Prior 1996 Bonds"); and General Obligation Recreational Facility Bonds, Series 1997, dated December 30, 1997 (the "Prior 1997 Bonds" and, together with the Prior 1996 Bonds, the "Prior Bonds") and disbursed a portion of the Prior Bond proceeds to Tenant pursuant to the Lease to finance a portion of the cost of constructing the Ice Arena.

H. Landlord has determined that it is necessary and expedient to issue its General Obligation Recreational Facility Revenue Refunding Bonds, Series 2003B (the "Bonds") in the amount of \$655,000 to provide moneys for a current refunding of the Prior Bonds.

I. Landlord and Tenant each wish to amend the Lease as provided in this Second Amendment to provide for Base Rent under the Lease sufficient to pay the debt service on the Bonds.

NOW THEREFORE, in furtherance of Landlord's desire to provide public recreation space to residents of the City of Cloquet and Tenant's corporate purpose, Landlord and Tenant hereby agrees to the terms and provisions of this Second Amendment.

AGREEMENT

1. **Effective Date.** This Second Amendment shall be effective and binding on the Parties as of the date of issuance of the Bonds.

2. **Modification of Section 4.1.** Section 4.1 of the Lease is hereby deleted in its entirety and replaced with the following:

"Tenant's Obligation to Pay Base Rent. As consideration for Tenant's use and occupancy of the Leased Property Pursuant to the terms of this Lease, Tenant must pay Landlord an annual base rent in an amount equal to the amount of Landlord's annual repayment obligations under Landlord's General Obligation Recreational Facility Revenue Refunding Bonds, Series 2003B in the amount of \$655,000 (the "Bonds") until such time as the Bonds are paid in full and thereafter in an amount of \$80,100.00 per year for 10 years (the "Base Rent"). Until such time as the Bonds are paid in full, Tenant must pay Base Rent to Landlord in biannual installments that are due 15 days prior to the date Landlord is obligated to make Landlord's biannual payments on the Bonds in accordance with the schedule of the Base Rent payment dates and amounts attached as Exhibit A to this Second Amendment (the Exhibit A attached to this Second Amendment replaces, in its entirety, Exhibit A attached to the Original Lease and the Amendment). If there is a conflict between the amount of the biannual payment shown on Exhibit A and the amount of Landlord's biannual payments under the Bonds, Tenant's biannual Base Rent payment is equal to Landlord's biannual payment on the Bonds, and if there is a conflict between the date set forth on Exhibit A for Tenant's biannual payment of Base Rent and the date of Landlord's biannual payments on the Bonds, the provisions this Section 4.1 that require Tenant to make Tenant's biannual Base Rent payment fifteen (15) days prior to the date Landlord is obligated to make Landlord's biannual payments on the Bonds controls. After Tenant has paid Landlord Base Rent in an amount sufficient to repay the Bonds in full, Tenant is obligated to pay Landlord Base Rent in the amount of \$80,100 per year for ten (10) years. The Base Rent payments of \$80,100 per year are due and payable on January 17 of each year. After Tenant has paid Base Rent in an amount sufficient to pay the Bonds in full and has paid an additional Base Rent of \$80,100 a year for ten (10) years, Tenant's obligation to pay Base Rent terminates and there is no Base Rent due for the balance of the Term.

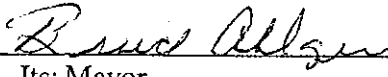
3. **Tax Covenants.** As used in Article 22 of the Lease, the term "Bonds" means Landlord's General Obligation Recreational Facility Revenue Refunding Bonds, Series 2003B.

4. **Defined Terms.** The capitalized terms used in this Second Amendment and not otherwise defined in this Second Amendment have the meaning set forth in the Lease.

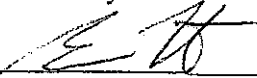
5. **Status of the Lease.** Except as specifically modified in this Second Amendment, the Lease remains unmodified and in full force and effect.

LANDLORD: CITY OF CLOQUET

Dated: 1-18-04

By 
Its: Mayor

Dated: 1-18-04

By 
Its: City Administrator

**TENANT: CLOQUET AMATEUR
HOCKEY ASSOCIATION CENTER**

Dated: 1-11-04


By: 
Its: President

EXHIBIT A

SCHEDULE OF BASE RENT PAYMENTS AND PAYMENT DATES

Payment Date	Payment Amount
01/17/2004	250,396.35
07/17/2004	7,198.11
01/17/2005	250,916.25
07/17/2005	4,140.00
01/17/2006	259,140.00
07/17/2006	1,781.25
01/17/2007	76,781.25
07/17/2007	975.00
01/17/2008	75,975.00
01/17/2009	80,100.00
01/17/2010	80,100.00
01/17/2011	80,100.00
01/17/2012	80,100.00
01/17/2013	80,100.00
01/17/2014	80,100.00
01/17/2015	80,100.00
01/17/2016	80,100.00
01/17/2017	80,100.00
01/17/2018	80,100.00

THIRD AMENDMENT TO GROUND LEASE

WHEREAS, the City of Cloquet, a Minnesota Municipal Corporation (hereinafter referred to as the "Landlord"), and the Cloquet Amateur Hockey Association, a Minnesota non-profit corporation (the "Tenant") wish to modify the terms of the existing ground lease to provide the Tenant with additional time and more favorable financing terms such that Tenant can continue to meet its obligations to the Landlord; and,

WHEREAS, in furtherance of their joint interests, Landlord and Tenant agree to enter into the following agreement which will be referred to as the Third Amendment to Ground Lease:

- A. The parties to this Third Amendment to Ground Lease (the "Third Amendment") are the Landlord and Tenant. This Third Amendment sometimes refers to Landlord and Tenant individually as a "Party" and collectively as the "Parties".
- B. Tenant is a non-profit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, organized to promote amateur athletics in the Cloquet area.
- C. Landlord is the fee owner of the real property legally described as the Southwest Quarter of the Southeast Quarter of the Southwest Quarter of Section 23, Township 49 North, range 17 West, Carlton County, Minnesota (the "Property").
- D. Minnesota Statutes §§ 471.15 through 471.191 authorize Landlord to cooperate with a non-profit corporation to acquire or lease, equip and maintain land, buildings and other recreational facilities, including skating rinks, arenas and related automobile parking facilities, to borrow and expend funds for the capital costs thereof; and to lease such facilities to the non-profit corporation for a term not exceeding 30 years.
- E. Landlord and Tenant are parties to a Ground Lease (the "Original Lease") dated April 22, 1996; an Amendment to Ground Lease dated April 8, 1998 (the "amendment"); a Second Amendment to Ground Lease dated January 18, 2004 (the "2nd amendment"); and together with the Original Lease, the "Lease".
- F. Landlord and Tenant executed the Lease in connection with Tenant's construction of an indoor ice arena (the "ice arena") which is located on the Property.
- G. Landlord issued its General Obligation Recreational Facility Revenue Bonds, Series 1996, dated April 1, 1996 (the "prior 1996 Bonds"); and General Obligation Recreational Facility Bonds, Series 1997, dated December 30, 1997 (the "Prior 1997 Bonds"); and together with the Prior 1996 Bonds, the "Prior Bonds") disbursed a portion of the Prior Bond proceeds to Tenant pursuant to the Lease to finance a portion of the cost of constructing the Ice Arena.
- H. Landlord further issued General Obligation Recreational Facility Revenue Refunding Bonds, Series 2003B (the "Bonds") in the amount of \$655,000 to provide moneys for a current refunding of the Prior Bonds.

Landlord and Tenant each wish to amend the Lease as provided in this Third Amendment to modify the present arrangement and to provide for Base Rent under the Lease sufficient to pay the debt service on the Bonds but with the intent of allowing the Tenant more time and more favorable terms such that Tenant can more easily meet its financial obligations.

NOW, THEREFORE, based on the foregoing recitals, which constitute good and valuable consideration herein, the parties agree as follows:

1. **Effective Date.** This Third Amendment shall be effective and binding on the Parties as of October 18, 2009.

2. **Modification of Section 4.1.** Section 4.1 of the Lease is hereby deleted in its entirety and by agreement is replaced with the following:

Tenants Obligation to Pay Base Rent. As consideration for Tenant's use and occupancy of the Leased Property pursuant to the terms of this Lease, Tenant must pay landlord an annual base rent in an amount equal to the outstanding balance of the General Obligation Recreational Facility Revenue Refunding Bonds, Series 2003B (the "Bonds") in the amount of \$81,800 and the future Base Rent of \$801,000.

As a result, the Tenant agrees it shall annually pay to the Landlord an amount sufficient to repay the bonds in full and the future Base Rent. The Tenant therefore agrees and is obligated to pay to the Landlord Base Rent in the amount of \$51,930 per year for seventeen (17) years. The Base Rent payments of \$51,930 per year are due and payable on February 1st of each year. Late payments shall accrue a penalty of five (5%) percent per annum. After Tenant has paid Base Rent in an amount sufficient to pay the Bonds in full and has paid the additional future Base Rent of \$51,930 for a period of seventeen (17) years, Tenant's obligation to pay Base Rent terminates and there is no Base Rent due for the balance of the Term.

3. **Tax Covenants.** As used in Article 22 of the Lease, the term "Bonds" means Landlord's General Obligation Recreational Facility Revenue Refunding Bonds, Series 2003B.

4. **Defined Terms.** The capitalized terms used in this Third Amendment and not otherwise defined in this Third Amendment have the meaning set forth in the Lease.

5. **Status of the Lease.** Except as specifically modified in this Third Amendment, the Lease remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have, through their duly authorized representatives, set their hands and seals the day and year first above written.

TENANT: CLOQUET AMATEUR HOCKEY ASSOCIATION

By: Michael J. Becken

By: Clara W. Kagan

Its: PRESIDENT

Its: Secretary

STATE OF MINNESOTA

COUNTY OF CARLTON

On this day of , 2009, before me a Notary Public within and for said County, personally appeared _____ and _____, to me personally known, who each by me duly sworn did say that they are respectively the _____ and _____ of the Cloquet Amateur Hockey Association by the Authority of its members, and that said _____ and _____ acknowledge said instrument to be the free act and deed of said organization.

Notary Public

LANDLORD: CITY OF CLOQUET

BY: Bruce Ahlgren
Its Mayor

BY: [Signature]
Its City Administrator

STATE OF MINNESOTA

COUNTY OF CARLTON

On this 6 day of Oct., 2009, before me a Notary Public within and for said County, personally appeared Bruce Ahlgren and Brian Fritsinger, to me personally known, who being each by me duly sworn did say that they are respectively the Mayor and the City Administrator of City of Cloquet, and that said instrument was signed and sealed on behalf of said City of Cloquet by the authority of its City Council and that said Mayor and City Administrator acknowledge said instrument to be the free act and deed of said City of Cloquet.



Nancy Klassen
Notary Public

CAHA BOND/RENT PAYMENTS FOR CARC (as of 9/21/09)

	Bond Obligations	Payments Received **	Current Lease & Bonds Outstanding	Payments Under Lease 3rd Amend
2004	\$ 250,396.35	\$ 250,396.35	\$ -	
2005	\$ 250,916.25	\$ 250,916.25	\$ -	
2006	\$ 259,140.00	\$ 252,140.00	\$ 7,000.00	
2007	\$ 76,781.25	\$ 76,781.25	\$ -	
2008	\$ 74,800.00	\$ -	\$ 74,800.00	
2009	\$ 80,100.00	\$ -	\$ 80,100.00	
2010	\$ 80,100.00	\$ -	\$ 80,100.00	\$ 51,920.00
2011	\$ 80,100.00	\$ -	\$ 80,100.00	\$ 51,930.00
2012	\$ 80,100.00	\$ -	\$ 80,100.00	\$ 51,930.00
2013	\$ 80,100.00	\$ -	\$ 80,100.00	\$ 51,930.00
2014	\$ 80,100.00	\$ -	\$ 80,100.00	\$ 51,930.00
2015	\$ 80,100.00	\$ -	\$ 80,100.00	\$ 51,930.00
2016	\$ 80,100.00	\$ -	\$ 80,100.00	\$ 51,930.00
2017	\$ 80,100.00	\$ -	\$ 80,100.00	\$ 51,930.00
2018	\$ 80,100.00	\$ -	\$ 80,100.00	\$ 51,930.00
2019				\$ 51,930.00
2020				\$ 51,930.00
2021				\$ 51,930.00
2022				\$ 51,930.00
2023				\$ 51,930.00
2024				\$ 51,930.00
2025				\$ 51,930.00
2026				\$ 51,930.00
2027				\$ 51,930.00
2028				
2029				
2030				
Total	\$ 1,713,033.85	\$ 830,233.85	\$ 882,800.00	882,800.00

** The \$40k payment made in 2008 and the \$50,000 payment in 2009 were applied against the 2006 outstanding balance.

FOURTH AMENDMENT TO GROUND LEASE

WHEREAS, the City of Cloquet, a Minnesota Municipal Corporation (hereinafter referred to as the "Landlord"), and the Cloquet Amateur Hockey Association, a Minnesota non-profit corporation (the "Tenant") wish to modify the terms of the existing ground lease as it relates to the tenants obligations to the Landlord related to the Tenant conducting lawful gambling on the site; and

WHEREAS, in furtherance of their joint interests, Landlord and Tenant agree to enter into the following agreement which will be referred to as the Fourth Amendment to Ground Lease:

- A. The parties to this Fourth Amendment to Ground Lease (the "Fourth Amendment") are the Landlord and Tenant. This Fourth Amendment sometimes refers to Landlord and Tenant individually as a "Party" and collectively as the "Parties".
- B. Tenant is a non-profit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, organized to promote amateur athletics in the Cloquet area.
- C. Landlord is the fee owner of the real property legally described as the Southwest Quarter of the Southeast Quarter of the Southwest Quarter of Section 23, Township 49 North, Range 17 West, Carlton County, Minnesota (the "Property").
- D. Minnesota Statutes § 349.11 through § 349.22 regulates lawful gambling to insure integrity of operations and to provide for the use of net profits only for lawful purposes; Minnesota Statutes § 349.18 addresses the premises used for gambling and Minnesota Statutes § 609.75 addresses illegal gambling.
- E. Landlord and Tenant are parties to a Ground Lease (the "Original Lease") dated April 22, 1996; an Amendment to Ground Lease dated April 8, 1998 (the "amendment"); a Second Amendment to Ground Lease dated January 18, 2004 (the "second amendment"); a Third Amendment to the Ground Lease dated October 18, 2009 (the "third amendment"); and together with the Original Lease (the "Lease").
- F. Landlord and Tenant executed the Lease in connection with Tenant's construction of an indoor ice arena (the "ice arena") which is located on the Property.
- G. Landlord and Tenant each wish to amend the Lease as provided in this Fourth Amendment to modify the present arrangement to address the terms of gambling on the premises.

NOW, THEREFORE, based on the foregoing recitals, which constitute good and valuable consideration herein, the parties agree as follows:

1. Effective Date. This Fourth Amendment shall be effective and binding on the Parties as of October 1, 2013.
2. Modification of Section 6.1. Section 6.1 of the Lease is hereby amended to add the following:

Upon consideration and approval of a Premise Permit Application by the Landlord and the Minnesota Gambling Control Board, the Tenant may use the leased property to conduct lawful gambling as defined under Minnesota Statutes § 349.11 through § 349.22. The Landlord may place, at any time during the terms of the Ground Lease, reasonable conditions related to lawful gambling including the type, time or location of gambling within the premise upon the Tenant as part of the Premise Permit.
3. Modification of Section 4.1. Section 4.1 of the Lease is hereby amended to add the following:

Unless otherwise negotiated between the parties, the Tenant shall not pay to the Landlord any additional base or monthly rent for any lawful gambling conducted on the Property. The Tenant is required to follow and meet all financial obligations related to trade area expenditures and 10% donation to the Landlord as required under Section 6.7 of the City Code.
4. Addition of Section 21.16. Section 21.16 Termination of Lawful Gambling Premise Permit be added to the lease which reads as follows:

Section 21.16. Termination of Lawful Gambling Premise Permit. The lease allowing the Tenant to conduct lawful gambling can be terminated by either party, for any reason, with 30 days notice to the other party. The lease shall also be automatically terminated in the situation that the Tenant is in violation of any statutory obligations related to charitable gambling, non-compliance with Section 6.7 of the City Code, or upon termination of the Premise Permit by the State.
5. Status of the Lease. Except as specifically modified in this Fourth Amendment, the original Ground Lease and its subsequent Amendments shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have, through their duly authorized representatives, set their hands and seals the day and year first above written.

TENANT: CLOQUET AMATEUR HOCKEY ASSOCIATION

By: *Mick Maslowski*

By: *Allan Schmitz*

Its: *President*

Its: *Gambling Manager*

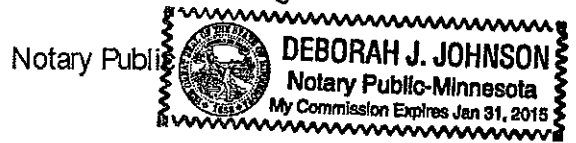
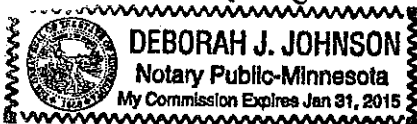
STATE OF MINNESOTA)

COUNTY OF CARLTON)

On this *23* day of *Oct.*, 2013, before me a Notary Public within and for said County, personally appeared *Mick Maslowski* and *Allan Schmitz*, to me personally known, who each by me duly sworn did say that they are respectively the *President* and *Gambling Manager* of the Cloquet Amateur Hockey Association by the Authority of its members, and that said *Mick Maslowski* and *Allan Schmitz* acknowledge said instrument to be the free act and deed of said organization.

Deborah J. Johnson

Deborah J. Johnson



LANDLORD: CITY OF CLOQUET

BY: *Bruce Ahlgren*
Its Mayor

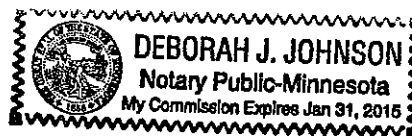
BY: *Brian Fritsinger*
Its City Administrator

STATE OF MINNESOTA)

COUNTY OF CARLTON)

On this *23* day of *Oct.*, 2013, before me a Notary Public within and for said County, personally appeared *Bruce Ahlgren* and *Brian Fritsinger*, to me personally known, who each by me duly sworn did say that they are respectively the Mayor and the City Administrator of City of Cloquet, and that said instrument was signed and sealed on behalf of said City of Cloquet by the authority of its City Council and that said Mayor and City Administrator acknowledge said instrument to be the free act and deed of said City of Cloquet.

Deborah J. Johnson
Notary Public



CLOQUET CITY COUNCIL WORK SESSION

Tuesday, February 2, 2016

Present: Bjerkness, Kolodge, Langley, Maki, Wilkinson, Rock, Mayor Hallback

Staff: Fritsinger, Klassen, C. Peterson

Other: Jamie Lund, Pine Journal; Parks Commission Members: Barb Wyman, Amy Louhela, John Badger, Tim Krohn, Tom Urbanski, Rick Stowell, Michael Krick; SEH Representatives Michael Kraemer, Gregg Calpino and Dan Hinzman; Ruth Reeves

Joint Meeting with Parks Commission

Introductions were made by everyone in attendance. Mr. Fritsinger stated that the Council and Parks Commission meet annually to discuss the year's activities and items of mutual interest. Mr. Fritsinger felt it appropriate to include SEH at tonight's meeting to present the preliminary design concepts for Fauley and Veteran's Parks, which are this summer's larger projects.

Gregg Calpino from SEH reviewed the tentative time frame for these park projects. Looking at April/May for contractor bids and for the start of construction in August. Other highlights of the discussion are as follows:

- Review of the 10 guiding principles that were used to create the master plans. Vets Park will primarily be a festival park, looking at the Highway 33 and Cloquet Avenue intersection as a gateway, but being mindful of changes in future years.
- There are 13 elements for the full plan with the main element being connectivity from Cloquet Avenue to Vets Park using walking trails.
- Fauley Park includes more operational items such as addressing ATV trails, using ornamental fencing to positively reinforce where ATVs should go.
- Caleb and SEH met with local veterans to review what items in phase 1 will go forward and what they would like to see. Options discussed were a water wall south of the memorial circle or a monumental wall. They will reconvene next week to decide what they would like on the wall, art or names. If art is what they would like, the veterans will reach out to artists.
- Mr. Bjerkness questioned how many phases are budgeted for this project? 10 years, with the shelter being the next phase. Utilizing some of the sales tax monies in as many of the parks that are identified for improvements without putting it all into one or two parks.
- Mr. Peterson stated the veterans are doing some of their own fundraising to bring money to the table. One item they feel strongly about is lighting along the path and entry monuments.
- Brian encouraged both Council and Park Commission that this is the time for project input and to provide feedback.
- Barb Wyman commented that it's encouraging that the veteran's group wants to work together on this project.
- Fauley Park items identified are lighting on the train, a pedestrian entry, stairway renovation, pedestrian walks, landscaping, ATV route and parking, stormwater and drainage improvements.

- Main consideration of the council was to make this area have the highest visual impact as possible. It has been captured by addressing the centerpiece at Vet's Park and the train on the corner, which achieves this mission.
- Concern regarding the missing component of the stage construction in this phase. Is this a missing link to moving forward for the park being used as that purpose? SEH is confident this is a solid plan even without the stage construction. One thought was the use of a portable stage during this time may help to determine the actual need for a permanent one.
- Ms. Louhela questioned aesthetics vs. function, i.e. bathrooms. SEH noted that bathrooms will come during the second phase and that aesthetics and function are both being considered.
- Mr. Fritsinger commented there is approximately \$50,000 that can go back into the parks from the memorial brick fundraiser.
- Ms. Wyman stressed the importance of the stage.
- Discussion of the possibility of a memorial tree program to help with landscaping. This also would give the City an opportunity to make the community aware we are interested in getting people involved. There never has been a formal program to encourage that.
- The next step is to finalize the plan and come up with the funding.
- Construction will have to be scheduled around the 2 larger events held at Veteran's Park, 4th of July and the Wood City music festival. Construction can start the day after the concert with an end date depending on weather. Most of it can be completed in the fall.

Other Discussion

- Caleb stated the skate park needs attention. There are funds set aside to get it done and the City has a fiscal responsibility.
- John Badger said he has met with the skate park group and location is their biggest issue. The group has a designer in mind and they are working on grants. He encouraged them to start a Go Fund account. They also have community support with some of the local businesses.
- Location options are the new Middle School site or Athletic Park.
- The group is getting a Skate Park Board together and are electing officers as well as recently getting a tax ID number.
- Ms. Wilkinson stated we are going to be at an impasse if the City doesn't move forward. Can the City designate Athletic as their space?
- Mr. Peterson stated the City has not been the driving force for this project and has not been directed to move forward. Staff is going to have to step up and push it forward, find space, get designer.
- Mr. Fritsinger commented that two problems the City will come into is that a designer will ask how much is budgeted and base the design on that number, and second, a design concept is needed on paper in order for the group to try for grants.
- Mr. Rock asked how the City donation of \$100,000 was decided? Mr. Fritsinger answered that it was a show of support from the City to the group and the number stuck.
- Mr. Rock stressed the importance of constructing the skate park correctly and making it something to have pride in.
- Mr. Fritsinger reiterated Mr. Peterson's suggestion that the City get back into the driver's seat and get this project moving forward. The question is whether the Council wants to do that or not, but it's time for a commitment.

- Mr. Bjerkness commented that he has never been so impressed other than by youth than this group. They've worked hard and the City needs to work something out for them.
- Mr. Peterson stated the message he's receiving is to step up on this project and get things going. \$250,000 to be used as a starting place, considering amenities will be needed as well. Money will come from sales tax dollars.
- Mr. Kolodge asked if the Planning Commission has been in any part of the conversations, will a Conditional Use permit be needed? There will be opposition to this and many issues to be discussed. Conditions need to be reviewed annually, e., times, noise, fencing, monitoring the park, safety, etc.
- Mr. Peterson said he'll start talking with designers as it sounds like everyone is in agreement on the Athletic Park location.
- Comment made that the City needs to take more ownership in the park from start to finish, this may help with keeping control. We need to always work to make sure it's a safe place for kids and neighbors.

There being no further business, the meeting adjourned at 7:00 p.m.

Respectfully Submitted,

Brian Fritsinger
City Administrator

Regular Meeting

 **DRAFT**

Roll Call

Councilors Present: Bjerkness, Kolodge, Langley, Maki, Rock, Wilkinson, Mayor Hallback

Councilors Absent: None.

Pledge of Allegiance

AGENDA

MOTION: Councilor Langley moved and Councilor Wilkinson seconded the motion to approve the February 2, 2016 agenda. The motion carried unanimously (7-0).

MINUTES

MOTION: Councilor Wilkinson moved and Councilor Maki seconded the motion to approve the minutes of the Work Session and Regular Meeting of January 19, 2016. The motion carried unanimously (7-0).

CONSENT AGENDA

MOTION: Councilor Kolodge moved and Councilor Langley seconded the motion to adopt the consent agenda of February 2, 2016 approving the necessary motions and resolutions. The motion carried unanimously (7-0).

- a. Resolution No. 16-09, Authorizing the Payment of Bills and Payroll

PUBLIC HEARINGS2016 SLATE STREET SIDEWALK EXTENSION

Mayor Hallback announced that now is the time and place for a public hearing on the proposed improvement and preparation of plans and specifications for the Slate Street Sidewalk Extension. Assistant City Engineer Peterson reviewed the scope of the project and background. Hearing no comments from the public, the hearing was closed.

MOTION: Councilor Kolodge moved and Councilor Rock seconded the motion to adopt **RESOLUTION NO. 16-07, ORDERING THE IMPROVEMENT AND PREPARATION OF PLANS AND SPECIFICATIONS FOR THE 2016 SLATE STREET SIDEWALK EXTENSION**. The motion carried (6-1). Councilor Langley opposed.

WHEREAS, The City of Cloquet, as the local road authority, applied for and received federal funding through the Safe Routes to School Program to construct a new sidewalk from Churchill School through Sunnyside Park and east along Slate Street to Jackson Avenue; and

WHEREAS, The proposed sidewalk extension was included as part of the City of Cloquet's Capital Improvement Program and approved budget; and

WHEREAS, The City has completed an engineering study to construct a new sidewalk from Churchill School through Sunnyside Park and east along Slate Street to Jackson Avenue; and

WHEREAS, Mailed notice of the public hearing was given and the hearing was held thereon on the 2nd day of February 2016, at which time all persons desiring to be heard were given an opportunity to be heard.

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

1. Such improvement is necessary, cost effective, and feasible as detailed in the City's engineering study.

2. The City Engineer is hereby designated as the engineer for this improvement and shall prepare plans and specifications for the making of such improvement.
3. Such improvement is hereby ordered and the City Engineer is hereby authorized to solicit bids for construction.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CLOQUET THIS 2ND DAY OF FEBRUARY, 2016.

PRESENTATIONS

- a. Cloquet Community Education, Ruth Reeves

Ms. Reeves presented a Power Point presentation related to the Community Education services provided by contract to the City of Cloquet.

2016 BOND REFUNDING

MOTION: Councilor Bjerkness moved and Councilor Wilkinson seconded the motion to adopt **RESOLUTION NO. 16-11, PROVIDING FOR THE SALE OF \$1,115,000 GENERAL OBLIGATION TAX ABATEMENT REFUNDING BONDS, SERIES 2016A.** The motion carried unanimously (7-0).

WHEREAS, The City Council of the City of Cloquet, Minnesota has heretofore determined that it is necessary and expedient to issue the City's \$1,115,000 General Obligation Tax Abatement Refunding Bonds, Series 2016A (the "Bonds"), to crossover refund the City's outstanding GO Tax Abatement Bonds, Series 2009A for an interest cost savings; and

WHEREAS, The City has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent municipal advisor for the Bonds in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9);

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

1. Authorization; Findings. The City Council hereby authorizes Ehlers to assist the City for the sale of the bonds.
2. Meeting; Proposal Opening. The City council shall meet at 7:00 p.m. on March 2, 2016, for the purpose of considering proposals for and awarding the sale of the Bonds.
3. Official Statement. In connection with said sale, the officers or employees of the City are hereby authorized to cooperate with Ehlers and participate in the preparation of an official statement for the Bonds and to execute and deliver it on behalf of the City upon its completion.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CLOQUET THIS 2ND DAY OF FEBRUARY, 2016.

COMMUNITY VISION OPTIONS

Council is asked to continue its discussion on the Community Vision Process. At its January 19, 2016 City Council meeting, Council directed staff to develop a Request for Proposal (RFP) to be considered by the end of first quarter 2016. City Administrator Fritsinger reviewed a draft RFP focusing on a community driven process. The document expands on recent staff reports and City Council discussion and includes a detailed scope of work by an outside consultant.

MOTION: Councilor Wilkinson moved and Councilor Kolodge seconded the motion directing the City Administrator to proceed with the issuance of the RFP for the development of a Community Vision Plan. The motion carried (6-1). Councilor Rock opposed.

SETTING PUBLIC HEARING -- PROPOSED 2016 3RD STREET IMPROVEMENTS

MOTION: Councilor Maki moved and Councilor Bjerkness seconded the motion to adopt **RESOLUTION NO. 16-08, ACCEPTING THE FEASIBILITY STUDY AND SETTING A PUBLIC HEARING DATE ON THE PROPOSED 2016 IMPROVEMENT OF 3RD STREET FROM CARLTON AVENUE TO CLOQUET AVENUE.** The motion carried unanimously (7-0).

WHEREAS, In accordance with the City of Cloquet's Capital Improvement Program and approved budget, preliminary plans and a feasibility study have been prepared for the improvement of 3rd Street from Carlton Avenue to Cloquet Avenue; and

WHEREAS, The feasibility study provides information regarding whether the proposed improvements are necessary, cost-effective and feasible; and

WHEREAS, It is anticipated that benefitted properties will be assessed for a portion of the project costs, pursuant to Minnesota Statutes, Chapter 429 and Chapter 12 of City Code.

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

1. That the Council will consider the reconstruction of 3rd Street in accordance with said feasibility study and the possible assessment of abutting property for a portion of the cost of the improvements pursuant to Minnesota Statute, Chapter 429 at an estimated total cost of \$1,182,000.
2. A public hearing shall be held on March 2, 2016, in the City Council Chambers at 7:00 p.m.
3. The City Administrator shall give mailed and published notice of such hearing and improvement as required by law.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CLOQUET THIS 2nd DAY OF FEBRUARY, 2016.

SETTING PUBLIC HEARING – PROPOSED 2016 IMPROVEMENTS OF CARL STREET

MOTION: Councilor Rock moved and Councilor Bjerkness seconded the motion to adopt **RESOLUTION NO. 16-10, ACCEPTING THE FEASIBILITY STUDY AND SETTING A PUBLIC HEARING DATE ON THE PROPOSED 2016 IMPROVEMENTS OF CARL STREET FROM THE SOUTH HWY 33 FRONTAGE ROAD TO WALTER STREET.** The motion carried unanimously (7-0).

WHEREAS, The City Administrator's Office received a petition signed by four of seven property owners along Carl Street, requesting a bituminous overlay of their block from the South Highway 33 frontage road, west to Walter Street; and

WHEREAS, The feasibility study provides information regarding whether the proposed improvements are necessary, cost-effective and feasible; and

WHEREAS, It is anticipated that benefitted properties will be assessed for a portion of the project costs, pursuant to Minnesota Statutes, Chapter 429 and Chapter 12 of City Code.

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

1. That the Council will consider the improvement of Carl Street in accordance with said feasibility study and the possible assessment of abutting property for a portion of the cost of the improvements pursuant to Minnesota Statute, Chapter 429 at an estimated total cost of \$29,000.
2. A public hearing shall be held on March 2, 2016, in the City Council Chambers at 7:00 p.m.
3. The City Administrator shall give mailed and published notice of such hearing and improvement as required by law.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CLOQUET THIS 2nd DAY OF FEBRUARY, 2016.

PURCHASE OF TWO TRACTOR/MOWERS AND ATTACHMENTS

MOTION: Councilor Kolodge moved and Councilor Langley seconded the motion to authorize the purchase of two Tractor/mowers for the Public Works Department in the amount of \$81,721.91. The motion carried unanimously (7-0).

OVERVIEW OF CITY ADMINISTRATOR PERFORMANCE EVALUATION AND EMPLOYMENT AGREEMENT AMENDMENT

Mr. Fritsinger explained that at its January 19, 2016 meeting, the City Council held a closed meeting for the purpose of conducting his performance evaluation.

MOTION: Councilor Bjerkness moved and Councilor Maki seconded the motion, based upon the satisfactory performance of the City Administrator, to amend his employment contract to include a wage adjustment based upon a movement to Step 9 of the 2016 pay plan and that the goals identified are incorporated into his 2016 work plan. The motion carried unanimously (7-0).

PUBLIC COMMENTS

Dana Unolock, 1001 15th Street, addressed the Council regarding Council wages and were the Councilors being paid twice for attending meetings? He encouraged the Council to consider the impacts of any adjustments to those residents that can least afford it.

COUNCIL COMMENTS/UPDATES

Councilor Langley questioned whether a plowed trail could be completed across Sunnyside Park to allow for easier access to the skating rink. Assistant City Engineer Peterson responded that he would address it with City staff.

On a motion duly carried by a unanimous yea vote of all members present on roll call, the Council adjourned.

Brian Fritsinger, City Administrator



ADMINISTRATIVE OFFICES

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REQUEST FOR COUNCIL ACTION

To: Mayor and City Council
From: Brian Fritsinger, City Administrator
Date: February 10, 2016



ITEM DESCRIPTION: Approval of 2016 Business License Renewal

Proposed Action

Staff recommends the City Council move to approve the renewal of Waste Management's Solid Waste/Recycling business license identified on the attached 2016 license renewal list subject to submittal of all licensing requirements.

Background/Overview

Attached the City Council will find one business license renewal recently received for 2016 for Solid Waste and Recycling.

Staff has solicited renewals from each of our current license holders. Most have completed the necessary paperwork and submitted the required information. Staff has found everything in order. The license that is ready to be renewed by the Council is indicated on the attached list.

Policy Objectives

Approval of these various licenses is required under Chapter 6 of the Municipal Code. There is no limit on the number of licenses issued in any one year for any of these licenses.

Financial/Budget/Grant Considerations

The City's fee schedule varies for each of these licenses as set by the City Council. The applicant has all paid the required fees.

Advisory Committee/Commission Action

None.

Supporting Documentation Attached

- Business License Listing

**2016 Business License Renewals
(February 16, 2016 meeting)**


<u>License #</u>	<u>Applicant Name</u>	<u>Name of Business</u>	<u>Business Address</u>	<u>License Period</u>	<u>Type of License</u>
3	Jim Borash	Waste Management	3101 West Superior St, Duluth	1/01/06 - 12/31/16	Solid Waste -Recycling



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REQUEST FOR COUNCIL ACTION

To: Mayor and City Council
From: Brian Fritsinger, City Administrator 
Date: February 11, 2016

ITEM DESCRIPTION: Approval of Raffle Permit at Queen of Peace Parish

Proposed Action

Staff recommends the City Council move to adopt **RESOLUTION NO. 16-16, A RESOLUTION APPROVING EXEMPT PERMIT TO CONDUCT A RAFFLE EVENT AT QUEEN OF PEACE PARISH.**

Background/Overview

The City has received an application from Queen of Peace Parish, 102 - 4th Street, for a raffle event to be held on April 2, 2016, at Queen of Peace Parish, 102 - 4th Street.

Policy Objectives

Approval of application by local community is required under MN Statutes.

Financial/Budget/Grant Considerations

There is no cost to the City regarding the approval of the application nor does the City retain any fees for its consideration.

Advisory Committee/Commission Action

None.

Supporting Documentation Attached

- Resolution 16-16
- LG220 Application for Exempt Permit

**CITY OF CLOQUET
COUNTY OF CARLTON
STATE OF MINNESOTA**

RESOLUTION NO. 16-16

**A RESOLUTION APPROVING EXEMPT PERMIT
TO CONDUCT A RAFFLE EVENT
AT QUEEN OF PEACE PARISH**

WHEREAS, The City of Cloquet received an application from Queen of Peace Parish, 102 - 4th Street, for an Exempt Permit to conduct a raffle event on April 2, 2016 at Queen of Peace Parish, 102 - 4th Street.

NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF CLOQUET, MINNESOTA, That the City Council has reviewed the application of Queen of Peace Parish, 102 - 4th Street, for an Exempt Permit to conduct a raffle event on April 2, 2016 at Queen of Peace Parish, 102 - 4th Street, and has no objection to the Minnesota Gambling Control Board's issuance of such permit.

BE IT FURTHER RESOLVED, That the Cloquet City Council hereby waives the normally required thirty day waiting period for the issuance of said permit.

**PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CLOQUET
THIS 17TH DAY OF NOVEMBER 2015.**

Dave Hallback, Mayor

ATTEST:

Brian Fritsinger, City Administrator

LG220 Application for Exempt Permit

An exempt permit may be issued to a nonprofit organization that:
 - conducts lawful gambling on five or fewer days, and
 - awards less than \$50,000 in prizes during a calendar year.

Application fee	
If application postmarked or received:	
less than 30 days before the event	more than 30 days before the event
\$100	\$50

ORGANIZATION INFORMATION		Check# _____ \$ _____
Organization name <i>Queen of Peace</i>	Previous gambling permit number <i>X-04657-16-020</i>	
Minnesota tax ID number, if any	Federal employer ID number, if any <i>41-0721655</i>	
Type of nonprofit organization. Check one. <input type="checkbox"/> Fraternal <input checked="" type="checkbox"/> Religious <input type="checkbox"/> Veterans <input type="checkbox"/> Other nonprofit organization		
Mailing address <i>102 4th Street Cloquet Mn</i>	City <i>Cloquet Mn</i>	State Zip Code County <i>55720 Carlton</i>
Name of chief executive officer (CEO) <i>Father Justin Fish</i>	Daytime phone number <i>218 879 6793</i>	Email address
Attach a copy of ONE of the following for proof of nonprofit status.		
Do not attach a sales tax exempt status or federal employer ID number as they are not proof of nonprofit status.		
<input type="checkbox"/> Nonprofit Articles of Incorporation OR a current Certificate of Good Standing . Don't have a copy? This certificate must be obtained each year from: Secretary of State, Business Services Div., 180 State Office Building, St. Paul, MN 55155 Phone: 651-296-2803		
<input type="checkbox"/> IRS income tax exemption [501(c)] letter in your organization's name. Don't have a copy? To obtain a copy of your federal income tax exempt letter, have an organization officer contact the IRS at 877-829-5500.		
<input type="checkbox"/> IRS - Affiliate of national, statewide, or international parent nonprofit organization (charter) If your organization falls under a parent organization, attach copies of <u>both</u> of the following: a. IRS letter showing your parent organization is a nonprofit 501(c) organization with a group ruling, and b. the charter or letter from your parent organization recognizing your organization as a subordinate.		
GAMBLING PREMISES INFORMATION		
Name of premises where the gambling event will be conducted. For raffles, list the site where the drawing will take place. <i>102 4th st cloquet 55720 Carlton</i>		
Address (do not use PO box) <i>cloquet mn 55720</i>	City or township <i>Cloquet Mn</i>	Zip Code County <i>55720 Carlton</i>
Date(s) of activity (for raffles, indicate the date of the drawing) <i>4-2-2016 Youth Event</i>		
Check the box or boxes that indicate the type of gambling activity your organization will conduct:		
Bingo* <i>yes</i>	Raffles	Paddlewheels* Pull-Tabs* Tipboards*
* Gambling equipment for pull-tabs, bingo paper, tipboards, and paddlewheels must be obtained from a distributor licensed by the Gambling Control Board. EXCEPTION: Bingo hard cards and bingo number selection devices may be borrowed from another organization authorized to conduct bingo. To find a licensed distributor, go to www.gcb.state.mn.us and click on List of Licensed Distributors, or call 651-639-4000.		

Mardi Gras

LOCAL UNIT OF GOVERNMENT ACKNOWLEDGMENT

If the gambling premises is within city limits, a city official must check the action that the city is taking on this application and sign the application.

___ The application is acknowledged with no waiting period.

___ The application is acknowledged with a 30 day waiting period, and allows the Board to issue a permit after 30 days (60 days for a 1st class city).

___ The application is denied.

Print city name _____

On behalf of the city, I acknowledge this application.
Signature of city personnel receiving application

Title _____ Date _____

If the gambling premises is located in a township, a county official must check the action that the county is taking on this application and sign the application.
A township official is not required to sign the application.

___ The application is acknowledged with no waiting period.

___ The application is acknowledged with a 30 day waiting period, and allows the Board to issue a permit after 30 days.

___ The application is denied.

Print county name _____

On behalf of the county, I acknowledge this application.
Signature of county personnel receiving application

Title _____ Date _____

(Optional) TOWNSHIP: *On behalf of the township, I acknowledge that the organization is applying for exempted gambling activity within the township limits. [A township has no statutory authority to approve or deny an application [Minnesota Statute 349.166]]*

Print township name _____

Signature of township official acknowledging application

Title _____ Date _____

CHIEF EXECUTIVE OFFICER'S SIGNATURE Print form and have GEO sign

The information provided in this application is complete and accurate to the best of my knowledge. I acknowledge that the financial report will be completed and returned to the Board within 30 days of the date of our gambling activity.

Chief executive officer's signature *for Justin Fish* Date *2-10-16*
Father Justin Fish

Complete a separate application for each gambling event:

- one day of gambling activity
- two or more consecutive days of gambling activity
- each day a raffle drawing is held

Send application with:

- a copy of your proof of nonprofit status, and
- application fee for each event

Make check payable to "State of Minnesota."

To: Gambling Control Board
 1711 West County Road B, Suite 300 South
 Roseville, MN 55113

Financial report and recordkeeping required

A financial report form and instructions will be sent with your permit, or use the online fill-in form available at www.gcb.state.mn.us. Within 30 days of the activity date, complete and return the financial report form to the Gambling Control Board.

Questions?
 Call the Licensing Section of the Gambling Control Board at 651-639-4000.

This form will be made available in alternative format (i.e. large print, Braille) upon request.

Data privacy notice: The information requested on this form (and any attachments) will be used by the Gambling Control Board (Board) to determine your organization's qualifications to be involved in lawful gambling activities in Minnesota. Your organization has the right to refuse to supply the information; however, if your organization refuses to supply this information, the Board may not be able to determine your organization's qualifications and, as a consequence, may refuse to issue a permit. If your organization supplies the information requested, the Board will be able to process your organization's application.

Your organization's name and address will be public information when received by the Board. All other information provided will be private data about your organization until the Board issues the permit. When the Board issues the permit, all information provided will become public. If the Board does not issue a permit, all information provided remains private, with the exception of your organization's name and address which will remain public.

Private data about your organization are available to: Board members, Board staff whose work requires access to the information; Minnesota's Department of Public Safety; Attorney General; Commissioners of Administration, Minnesota Management & Budget, and Revenue; Legislative Auditor, national and international gambling regulatory agencies; anyone pursuant to court order; other individuals and agencies specifically authorized by state or federal law to have access to the information; individuals and agencies for which law or legal order authorizes a new use or sharing of information after this notice was given; and anyone with your written consent.





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REQUEST FOR COUNCIL ACTION

To: Mayor and City Council
From: Nancy Klassen, Finance Director *nk*
Reviewed/Approved by: Brian Fritsinger, City Administrator *BF*
Date: February 9, 2016

ITEM DESCRIPTION: Post-Issuance Debt Compliance Policy and Procedures

Proposed Action

Staff recommends the Council move to approve the City of Cloquet's Post-Issuance Debt Compliance Policy and Procedures.

Background/Overview

The Council approved the issuance of refunding bonds for the Pinehurst Pond Bonds. The IRS has revised its form 8038-G which is required for tax-exempt obligations. The IRS asks issuers if they have written Post-Issuance Debt Compliance Policy and Procedures. There is no statutory requirement to have written procedures but disclosing the absence of such procedures could prompt an IRS examination.

Policy Objectives

Written policy and procedures to monitor compliance with arbitrage and private activity IRS rules and regulations.

Financial/Budget/Grant Considerations

The City management's policies and procedures can have a direct effect on the ratings of bond issues. Having the proper policies and procedures can reduce the cost of issuing debt.

Advisory Committee/Commission Action

Not applicable.

Supporting Documents Attached

City of Cloquet's Post-Issuance Debt Compliance Policy and Procedures.



POST-ISSUANCE DEBT COMPLIANCE

POLICY AND PROCEDURES

FOR

CITY OF CLOQUET

1307 Cloquet Ave., Phone (218)879-3347, Fax (218)879-6555

Approved by Council February 16, 2016.

Purpose

These procedures are adopted by the Issuer to ensure that interest on tax-exempt bonds of the Issuer (or "Bonds") remains excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

These written procedures are intended to formally memorialize certain policies and practices of the Issuer previously adopted or followed by the Issuer in connection with its issuance of Bonds. The Issuer reserves the right to use its discretion as necessary and appropriate to make exceptions to these procedures as facts and circumstances warrant.

1. General Post-Issuance Compliance

- a. Ensure written procedures and/or guidelines have been put in place for individuals to follow when more than one person is responsible for ensuring compliance with Post-Issuance Procedures.
- b. Ensure training and/or educational resources for post-issuance compliance have been approved and obtained.
- c. The Finance Director understands that there are options for voluntarily correcting failures to comply with post-issuance compliance requirements (i.e. Treasury Regulations 1.141-12 remedial actions, Tax-Exempt Bonds Voluntary Closing Agreement Program and the ability to enter into a closing agreement under the Tax-Exempt Bonds Voluntary Closing Agreement Program described in Notice 2001-60).

2. General Recordkeeping

- a. Retain records and documents for this tax-exempt debt obligation for a period of at least three years following the final payment of the obligation of the final payment of any tax-exempt refunding debt obligation unless otherwise directed by Bond Counsel.
 - b. Retain both paper and electron versions of records and documents for this tax-exempt debt obligation.
 - c. General Records and Documentation to be Assembled and Retained
 - i. Description of the purpose of the tax-exempt debt obligation (referred to as the project) and the state statute authorizing the project.
 - ii. Record of tax-exempt status or revocation of tax-exempt status.
 - iii. Any correspondence between the City of Cloquet and the IRS.
 - iv. Audited financial statements.
 - v. Bond transcripts, official statements and other offering documents of tax-exempt debt obligations.
 - vi. Minutes and resolutions authorizing the issuance of tax-exempt debt obligations.
 - vii. Certifications of the issue price of tax-exempt debt obligations.
 - viii. Any formal elections for tax-exempt debt obligations (i.e. election to employ an accounting methodology other than the specific tracing method).
 - ix. Appraisals, demand surveys, or feasibility studies for property financed by tax-exempt debt obligations.
-

- x. Documents related to governmental grants, associated with construction, renovations or purchase of property financed with tax-exempt debt obligations.
- xi. Reports of any prior IRS examinations of the City of Cloquet or City's tax-exempt debt obligations.

3. Arbitrage Yield Restrictions and Rebate Recordkeeping

- a. Investment and Arbitrage Documentation to be Assembled and Retained.
 - i. An accounting of all deposits, expenditures, interest income and asset balances associated with each fund established in connection with each tax-exempt debt obligations. This includes an accounting of all monies deposited to the Debt Service Account to make debt service payments on the tax-exempt debt obligations, regardless of the source derived. Accounting for expenditure and assets is described in further detail in Section 3b.
 - ii. Statements prepared by Trustee or Investment Provider.
 - iii. Documentation of at least quarterly allocations of investments and investment earnings to each tax-exempt debt obligation (i.e. uncommingling analysis).
 - iv. Documentation for investments made with tax-exempt proceeds such as:
 - 1. Investment contracts (i.e. guaranteed investment contracts).
 - 2. Credit enhancement transactions (i.e. bond issuance contracts).
 - 3. Financial derivatives (swaps, caps, etc).
 - 4. Bidding of financial products.
 - a. Investments acquired with tax-exempt proceeds are purchased at fair market value (i.e. three bids for open market securities needed in advance refunding escrows).
- b. Computations of the arbitrage yield.
- c. Computations of yield restriction and rebate amounts including but not limited to:
 - i. Compliance in meeting the "Temporary Period from Yield Restriction Exception" and limiting the investment of funds after the temporary period expires.
 - ii. Compliance in meeting the "Rebate Exception".
 - 1. Qualifying for the "Small Issuer Exception".
 - 2. Qualifying for a "Spending Exception".
 - 6 Month Spending Exception
 - 18 Month Spending Exception
 - 24 Month Spending Exception
 - 3. Qualifying for the "Bona Fide Debt Service Fund Exception".
 - 4. Quantifying arbitrage on all funds established in connection with the tax-exempt debt obligations in lieu of satisfying arbitrage exceptions (including Reserve Funds and Debt Service Funds).
- d. Computations of yield restriction and rebate payments.
- e. Timely Tax Form 8038-T filing, if applicable.
 - i. Remit any arbitrage liability associated with this tax-exempt debt obligation to the IRS at each five year anniversary date of the obligation, and the date in which the obligation is no longer outstanding (redemption or maturity date), whichever comes sooner, within 60 days of said date.

- f. Timely Tax Form 8038-R filing, if applicable.
- g. Procedures or guidelines for monitoring instances where compliance with applicable yield restriction requirements depends on subsequent reinvestment of tax-exempt proceeds in lower yielding investments (i.e. reinvestment in zero coupon SLGS).

4. Expenditure and Asset Documentation to be Assembled and Retained

- a. Documentation of allocations of tax-exempt proceeds to expenditures (i.e. allocation of proceeds to expenditures for the construction, renovation or purchase of facilities owned and used in the performance of exempt purposes).
- b. Documentation of allocations of tax-exempt proceeds to issuance costs.
- c. Copies of requisitions, draw schedules, draw requests, invoices, bills and cancelled checks related to tax-exempt proceed expenditures during the construction period.
- d. Copies of all contracts entered into for the construction, renovation or purchase of facilities financed with tax-exempt proceeds.
- e. Records of expenditures reimbursements incurred prior to issuing bonds for facilities financed with tax-exempt proceeds (Declaration of Official Intent/Reimbursement Resolutions including all modifications).
- f. List of all facilities and equipment financed with tax-exempt proceeds.
- g. Depreciation schedules for depreciable property financed with tax-exempt proceeds.
- h. Documentation that tracks the purchase and sale of assets financed with tax-exempt proceeds.
- i. Documentation of timely payment of principal and interest payments on the tax-exempt debt obligation.
- j. Tracking of all issue proceeds and the transfer of proceeds into the debt service fund as appropriate.
- k. Documentation that excess earnings from a Reserve Fund is transferred to the Debt Service Fund on an annual basis. Excess earnings are balances in a Reserve Fund that exceed the Reserve Fund requirement.

5. Miscellaneous Documentation to be Assembled and Retained

- a. Procedures to ensure that the project, while the tax-exempt debt obligation is outstanding, will avoid IRS private business concerns.
- b. Changes in the project that impact the terms or commitments of the tax-exempt debt obligation are properly documented and necessary certificates or opinions are on file.

6. Additional Undertaking and Activities that Support Sections 1 through 4 above

- a. The Finance Director will notify the Bond Counsel, Financial Advisor and Arbitrage Provider of any survey or inquiry by the IRS immediately upon receipt (Usually responses require the review of the above mentioned data and must be in writing. As much-time-as-possible-is-helpful-in-preparing-the-response).
-

- b. The Finance Director will consult with the City's Bond Counsel, Financial Advisor and Arbitrage Provider before engaging in post-issuance credit enhancement transactions (i.e. bond insurance, letter of credit, or hedging transactions (i.e. interest rate swap, cap).
- c. The Finance Director will monitor all "qualified tax-exempt debt obligations" within the first calendar year to determine if the limit is exceeded, and if exceeded, will address accordingly. The limit is currently \$10,000,000.
- d. Comply with Continuing Disclosure Requirements
 - i. If applicable, the timely filing of annual information agreed to in the Continuing Disclosure Certificate.
 - ii. Give notice of any Material Event.
- e. Identify any post-issuance change to terms of bonds which could be treated as a current refunding of "old" bonds by "new" bonds, often referred to as a "reissuance".
- f. Confirm whether any "remedial action" in connection with a "change of use" must be treated as a "reissuance".

7. Compliance with Future Requirements

- a. Take measure to comply with any future requirements issued beyond the date of these Post-Issuance Debt Compliance Procedures which are essential to preserving the tax-exempt status of this tax-exempt debt obligation.
-