



Date: 2/09/09
Item: 12.b

REQUEST FOR COUNCIL ACTION

Date: 1/26/09
Item No.: 12.f

Department Approval

City Manager Approval

Item Description: Approve a 4-Year Lease Extension for the Roseville License Center

BACKGROUND

In 1999, the Roseville City Council authorized a long-term lease to relocate the License Center at the Lexington Shopping Center located immediately north of the City Hall campus. Previously the License Center was located in the Fire Station #1 building, but the success of the operation necessitated additional space. The current lease expires on January 31, 2009.

Over the past few months, City Staff has been in negotiations with the shopping center to extend the lease for an additional term. In entering into these negotiations, it was recognized that although it is in the City's best long-term interest to have the License Center in a City-owned facility, it is unlikely that such a facility will be available in the foreseeable future. At this time, there does not appear to be any community momentum to finance additional City facilities. With the current economic climate and in recognition of other high-priority needs, we do not expect this to change anytime soon.

The License Center currently occupies 3,332 square feet in the shopping center. Based on transaction volume projections, it is recommended that the License Center retain the same space.

Representatives of the Lexington Shopping Center had initially proposed a 4-year lease extension which includes a zero dollar increase in the first year of the lease, with increases thereafter. Over the 4-year term, the lease payments carried an average increase of 5% per year. However, the Council was unsatisfied with these terms and asked Staff to continue negotiations.

After further meetings with the Shopping Center representatives, Staff was able to negotiate the following terms:

- ❖ 0% increase in year 1
- ❖ 6% increase in year 2
- ❖ 4% increase in year 3
- ❖ 4% increase in year 4

Over the 4-year term, the average increase is 3.5% per year.

31 **POLICY OBJECTIVE**

32 Not applicable.

33 **FINANCIAL IMPACTS**

34 The Agreement calls for lease amounts as follows:

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36 ❖ 2009 - \$50,400 (same amount as paid in 2008)

37 ❖ 2010 - \$53,425

38 ❖ 2011 - \$55,560

39 ❖ 2012 - \$57,780

40 **STAFF RECOMMENDATION**

41 Staff recommends the Council authorize City Staff to approve a new 4-year lease extension with the owners
42 of the Lexington Shopping Center as detailed above.

43 **REQUESTED COUNCIL ACTION**

44 Motion to authorize City Staff to approve a 4-year lease extension with the Lexington Shopping Center
45 for purposes of operating the City's License Center.

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Prepared by: Chris Miller, Finance Director

Attachments: A: Original Lease Agreement with Addendums

B: Robert Willmus email

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RETAIL LEASE

THIS INDENTURE OF LEASE is made as of December 30, 1999 by and between LEXINGTON SHOPPES LIMITED PARTNERSHIP, a Minnesota limited partnership (the "Landlord"), and the City of Roseville, (the "Tenant").

WITNESSETH:

FOR AND IN CONSIDERATION of the rents and covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

DATA SHEET

The following terms shall have the meanings set forth in this section, unless otherwise specifically modified by provisions of this Lease:

(a) "Shopping Center": The integrated shopping complex in the City of Roseville, Ramsey County, Minnesota constituted or to be constructed upon the Shopping Center Tract.

(b) "Shopping Center Tract": That certain real estate located in the City of Roseville, Ramsey County, Minnesota more particularly described on Exhibit A attached hereto.

(c) "Building": The approximately 14,824 rentable square foot building located on the Shopping Center Tract. Landlord reserves the right to expand or reduce the Building and increase or decrease the number of rentable square feet of space in the Building.

(d) "Premises": The portion of the Building outlined on the floor plan of the Building attached here to as Exhibit B. For purposes of this Lease, the Premises shall be deemed to contain 2,315 square feet of space.

(e) "Delivery Date": February 1, 2000

(f) "Commencement Date": February 1, 2000

(g) "Expiration Date": January 31, 2003

(h) "Term": Three (3) years, with renewal options as specified in Rider 1

(i) "Security Deposit": \$ None

(j) "Permitted Use": Licensing Department

(k) Notice and payment Addresses:

Landlord: Lexington Shoppes Limited Partnership
c/o Preferred Management Services, Inc.
387 East Arlington Avenue
Suite 101
St. Paul, Minnesota 55101

Tenant: City of Roseville
2660 Civic Center Drive
Roseville, MN 55113
Attn: Edward Burrell

(l) "Lease Year": The twelve-month period commencing January 1 and ending December 31, adjusted for partial Lease Years during which the Term commences and terminates.

(m) "Landlord's Work": Improvements to the Premises to be performed by Landlord as set forth in Exhibit D attached hereto.

(n) "Tenant's Work": Improvements to the Premises to be performed by Tenant as set forth in Exhibit E attached hereto.

(o) "Broker": None

(p) "Default Rate": The lesser of (1) four percentage points in excess of the publicly announced prime rate of interest at Norwest Bank, N.A., Minneapolis, Minnesota (or Landlord's then current depository institution, if different) adjusted from time to time as such prime rate changes; or (2) the highest rate of interest permitted in the State the Shopping Center is located for similar obligations.

(q) Exhibits: The following exhibits are attached to this Lease and are incorporated herein by reference:

Exhibit A - Legal Description of Shopping Center Tract
Exhibit B - Floor Plan of the Premises
Exhibit C - Rules and Regulations
Exhibit D - Landlord's Work
Exhibit E - Tenant's Work
Rider 1 to Retail Lease

Article 1: PREMISES:

(a) Demise. Landlord hereby demises and leases to Tenant and Tenant hereby rents and takes from Landlord the Premises, for the Term and subject to and with the benefit of the terms, covenants, conditions and provisions of this Lease. Tenant shall permit Landlord (or its designees) to erect, use, maintain, replace and repair pipes, cables, conduits, plumbing, vents, and telephone, electric and other wires or other items, in, to and through the Premises, as and to the extent that Landlord may now or hereafter deem necessary or appropriate for the proper operation and maintenance of the Shopping Center, provided that any such activity does not interfere with Tenant's use of the premises for its permitted use.

(b) Common Areas. The use and occupancy by Tenant of the Premises shall include the reasonable non-exclusive use in common with others entitled thereto of the parking areas, service roads, loading facilities, sidewalks, landscaped areas, restrooms and other common areas so designated by Landlord with the Shopping Center. Landlord shall at all times have full control, management and direction of the Shopping Center subject to the rights of Tenant in the Premises, and Landlord reserves the right at any time and from time to time to reduce, increase, enclose or otherwise change the size, number and location of buildings, layout and nature of the Shopping Center and the other tenancies, premises and buildings included in the Shopping Center, to construct additional buildings and additions to any building, to increase the size of the Shopping Center by adding parcels of land to the Shopping Center and to create additional rentable areas includable in the Shopping Center Tract through use and/or enclosure of common areas or otherwise, and to place signs on the Shopping Center and to change the name, address, number or designation by which the Shopping Center is commonly known. Landlord shall have the exclusive right to use all or any part of the roof over the Premises and exterior walls of the Premises for any purpose; to erect in connection with the construction thereof temporary scaffolds and other aids to construction on the exterior of the Premises, provided that access to the Premises shall not be impaired. In addition to the foregoing, Landlord may make any use it desires of the side and rear walls of the Premises, provided that there shall be no encroachment upon the interior of the Premises and provided further that the Tenant's access to the Premises shall not be impaired.

(c) Permitted Use.

(i) The Premises shall only be used for the Permitted Use and for no other business or purpose without the prior written consent of Landlord, which shall not be unreasonably withheld by Landlord. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance or other act or thing which disturbs the tenancy of any other tenant in the Building or which could injure the reputation of the Building or is unlawful, or a violation of applicable zoning laws or ordinances or use restriction. Landlord shall have the right to grant exclusive rights to parties in the Shopping Center to conduct any particular business or undertaking therein. Tenant shall not abandon or vacate the Premises during the Term.

(ii) Tenant agrees to keep its Premises adequately illuminated and continuously and generally open for business during the hours of 9:00 a.m. to 5:00 p.m. Monday through Friday (excluding holidays), and shall maintain therein a substantial stock of merchandise and sufficient number of employees for the purpose of selling said merchandise, unless prevented from doing so by strikes, fire, casualties or other causes beyond Tenant's control.

Article 2: LEASE COMMENCEMENT AND EXPIRATION DATE

(a) Delivery Date. The Delivery Date of the Term shall be the later of the date specified in the DATA SHEET or, if the Building and the Landlord's Improvements have not been completed prior to the execution hereof, the date the Premises are ready for Tenant's beneficial occupancy or for performance of Tenant's Work, as specified in a notice delivered to Tenant at least 5 days prior to the Delivery Date. If the Delivery Date is established as a later date than the Delivery Date specified in the DATA SHEET, Landlord shall confirm such date to Tenant in writing.

(b) Delayed or Early Occupancy. If Landlord is unable to give possession of the Premises within 15 days of the Delivery Date set forth in the DATA SHEET because the construction of the Shopping Center or construction of Landlord's Work in the Premises has not been sufficiently completed to make the Premises ready for Tenant's Work, or for any other reason, Tenant shall have the right at its option to terminate the Lease. If Tenant does not terminate the Lease, Tenant's obligation to pay Rent shall not commence until possession of the Premises is given and (i) Tenant has had thirty (30) days to complete Tenant's Work or (ii) the Premises are open for business, whichever is earlier, and failure to give possession on the Delivery Date set forth in the DATA SHEET shall in no way affect the validity of this Lease or the obligations of Tenant hereunder, nor be construed in any way to extend the Expiration Date of the Term. If Tenant is given and accepts possession of the Premises on a date earlier than the Delivery Date set forth in the DATA SHEET, the Rent reserved herein and all covenants, agreements and obligations herein and the term of this Lease shall commence on the earlier of (i) the Commencement Date or (ii) the date Tenant opens for business in the Premises, but in no event shall the Expiration Date be deemed modified as a result thereof. Upon establishment of the Commencement Date, Landlord shall confirm said date to Tenant in writing.

(c) Acceptance of Premises. If this Lease is entered into prior to the substantial completion of construction of the Building or substantial completion of Landlord's Work in the Premises, Tenant shall notify Landlord in writing within fifteen days after the Delivery Date of any defects or deficiencies found in the Premises after Tenant has made such inspection of the Premises as Tenant deems appropriate. Except as Tenant shall otherwise notify Landlord within such fifteen day period, Tenant shall be deemed to have accepted the Premises in their condition "as is" at that time. If as a result of such inspection Tenant discovers minor deviations or variations from the plans and specifications for Landlord's Work of a nature commonly found on a "punch list" (as that term is used in the construction industry), Tenant shall notify Landlord in writing of such deviations within such fifteen day period. Landlord shall repair actual deviations within a reasonable time. The existence of such punch list items shall not postpone the Delivery Date, the Commencement Date nor the

obligation of Tenant to pay Annual Minimum Rent or Additional Rent. Tenant waives any claims as to matters not listed in such notice.

(d) Expiration Date. This Lease shall expire on the date specified in the DATA SHEET unless sooner terminated as provided in this Lease.

Article 3: RENT

(a) Payment. Tenant covenants and agrees to pay to Landlord, without set off, deduction, or demand, at the address set out on the DATA SHEET, or at such other places Landlord may designate in writing to Tenant, rental at the following rates and times:

(i) Annual Rent. Tenant shall pay annually during the Term the amount specified on the DATA SHEET as Annual Rent, which sum shall be payable in twelve monthly installments, on or before the first day of each month, in advance. Should the term of the Lease commence or terminate on a day other than the first day of the month, the rental for such partial month shall be equal to the product obtained by multiplying the monthly Annual Minimum Rent by a fraction, the numerator of which is the number of days of the Term included in the partial month and the denominator of which is 30.

(ii) Other Charges. Tenant shall pay as Other Charges any tax or excise on rents, gross receipts tax, or other tax, however described (other than Landlord's income taxes) which is levied or assessed by the United States of America or the State in which the Shopping Center is located or any political subdivision thereof, against Landlord in respect to the Annual Rent or Other Charges reserved under this Lease or as a result of receipt of such rents accruing under this Lease.

Annual Rent and Other Charges may, cumulatively, be referred to herein as "Rent". Tenants covenants to pay Rent are independent of any other covenant, condition or provision of this Lease.

(b) Late Payment. Any amount due from Tenant to Landlord under this Lease which is not paid when due shall bear interest at the Default Rate from the date due until paid.

Article 4: QUIET ENJOYMENT

Landlord covenants that upon Tenant's paying the Annual Rent and observing and performing all the terms, covenants and conditions of this Lease on its part to be observed and performed, Tenant may peaceably and quietly enjoy the Premises, subject, however, to the terms and conditions of this Lease.

Article 5: INSURANCE, INDEMNITY AND RELEASES

(a) Landlord's Insurance.

(i) Landlord shall keep the Shopping Center Tract insured for the benefit of Landlord in an amount equivalent to the full replacement value thereof (excluding foundation, grading and excavation costs and deductibles and coinsurance) against loss or damage by fire, windstorms, hail, explosion, vandalism, malicious mischief, civil commotion, and such other risk or risks of a similar or dissimilar nature and such other coverage as is now, or may in the future be, customarily covered with respect to buildings and improvements similar in construction, general location, use, occupancy and design to the Shopping Center.

(ii) Landlord shall maintain, for its benefit and the benefit of its managing agent, general public liability insurance against claims for personal injury, death or property damage occurring upon, in or about the Shopping Center, such insurance to afford protection to Landlord and its managing agent.

These insurance provisions shall in no way limit or modify any of the obligations of Tenant under any provision of this Lease. Any and all insurance premiums paid by Landlord with respect to the Shopping Center shall be considered "Common Area Maintenance Expenses".

(b) Tenant's Insurance.

(i) Tenant shall keep all of its machinery, equipment, furniture, fixtures, personal property (including also property under the care, custody, or control of Tenant) and business interests which may be located in, upon, or about the Premises insured for the benefit of Tenant in an amount equivalent to the full replacement value or insurable value thereof against loss or damage by fire, and such other risk or risks of a similar or dissimilar nature as are now, or may in the future be, customarily covered with respect to a tenant's machinery, equipment, furniture, fixtures, personal property and business located in a building similar in construction, general location, use, occupancy and design to the Shopping Center, including, but without limiting the generality of the foregoing, windstorms, hail, explosions, vandalism, theft, malicious mischief, civil commotion, water leakage and damage of any kind from any nature whatsoever, sprinkler leakage and such other coverage as Tenant may deem appropriate or necessary.

(ii) Tenant shall at its sole cost and expense maintain general public liability insurance against claims for personal injury, death or property damage (including contractual liability coverage applicable to this Lease and insuring Tenant's indemnification obligations provided for herein), occurring upon, in or about the Premises, such insurance to afford protection to Landlord, its managing agent and Tenant to the limit of not less than \$1,000,000 (single combined limit for injuries to all parties), and to the limit of not less than \$500,000 in respect to any property damage.

(c) Releases.

(i) Landlord and Tenant each agree that such policy or policies of insurance for loss or damage by fire or other risks shall permit releases of liability as herein provided and include waiver of subrogation clauses as to Tenant and Landlord respectively. Each party hereto waives, releases and discharges the other party from all claims or demands

whatsoever which the waiving party may have arising out of damage to or destruction of the waiving party's property or loss of use thereof occasioned by fire or other casualty or cause, which such claim or demand may arise because of the negligence or fault of the other party, its agents, employees, customers or business invitees, or to otherwise the waiving party agrees to look only to its insurance coverage in the event of such loss. Notwithstanding the foregoing, in the event any damage to the Shopping Center results from any act or omission of Tenant, its agents, employees or invitees, and all or any portion of Landlord's loss is "deductible", Tenant shall pay to Landlord the amount of such deductible loss (not to exceed \$1,000 per event).

(ii) All property in the Shopping Center or on the Premises belonging to Tenant, its agents, employees, invitees or otherwise located at the Premises, shall be at the sole risk of Tenant, and Landlord shall not be liable for damage thereto or theft, misappropriation or loss thereof and Tenant agrees to defend and hold harmless and indemnify them against claims and liability for injuries to such property.

Article 6: COVENANTS OF TENANT

Tenant agrees, for itself, its employees, agents and invitees, that it shall:

(a) Rules and Regulations. Comply with the Rules and Regulations attached hereto as Exhibit C.

(b) Landlord's Right of Access. Give Landlord, its agents, employees, lessors and mortgagees and any other person or persons authorized by Landlord, access to the Premises at all reasonable times, and at any time in the event of an emergency, without charge or diminution of rent, to enable them to inspect, examine, show for lease or sale, and to make such repairs, additions and alterations to the Premises as Landlord may deem advisable, so long as any such activity does not interfere with Tenant's use of the premises for its permitted use.

(c) Repair. Keep the Premises in good order and condition, not damage or deface the Premises or the Building or Shopping Center or commit waste therein, and make all repairs which are not expressly Landlord's obligation pursuant to this Lease.

(d) Quit and Remove. Upon the termination of this Lease for any reason, quit and deliver up the Premises to Landlord peaceably and quietly in as good order and condition as the Premises are now or may be improved by Landlord or Tenant, reasonable use and wear, and repairs which are Landlord's express obligations hereunder excepted, and, if Tenant is not in default under the terms of this Lease, remove Tenant's goods and effects and those of any other persons claiming under Tenant. Goods and effects not removed by Tenant at the termination of this Lease (or within 48 hours after a termination by reason of Tenant's default), shall be considered abandoned and Landlord may dispose of the same as it deems expedient.

(e) Advertising. Not place in or on the Premises, signs, lettering, displays, advertising or pictures which are visible from outside the Premises (including windows or doors) except upon the prior written approval of Landlord which approval shall not be unreasonably withheld or delayed.

(f) Liens. At its expense, cause to be discharged, within ten days of the filing thereof, any construction lien claim filed against the Premises or the Shopping Center Tract for work claimed to have been done for, or materials claimed to have been furnished to, or on behalf of Tenant.

(g) Comply With Laws. At its expense, comply with all laws, orders, ordinances and regulations of federal, state, county and municipal authorities and with any direction made pursuant to law of any public officer or officers, which shall, with respect to the use of the Premises or to any abatement of nuisance, impose any violation, order or duty upon Landlord or Tenant arising from Tenant's use of the Premises or from conditions which have been created by or at the instance of Tenant or required by reason of a breach of any of Tenant's covenants or agreements hereunder.

(h) Not Invalidate Insurance. Not do or permit to be done any act or thing upon the Premises which will invalidate or be in conflict with the Certificate of Occupancy or the terms of the standard form of fire, boiler, sprinkler, water damage or other insurance policies available in the state the Shopping Center is located covering the Building and Shopping Center and the fixtures and property therein or do or permit anything to be done in or upon the Premises or bring or keep anything therein or use the Premises in a manner which may make insurance unavailable or increase the premium for insurance upon the Building and Shopping Center or on any property or equipment located therein.

Article 7: CERTAIN RIGHTS RESERVED TO LANDLORD

Landlord reserves the following rights exercisable without notice and without liability to Tenant and without effecting an eviction, constructive or actual, or disturbance of Tenant's use of possession, or giving rise to any claim for setoff or abatement of rent:

(a) Signs. To control, install, affix and maintain any and all signs on the Property, or on the exterior of the Building otherwise located in the Shopping Center and in the corridors, entrances and other common areas thereof, except those signs within the Premises not visible from outside the Premises.

(b) Designation of Service Contractors. To reasonably designate, limit, restrict and control any service in or to the Shopping Center, including but not limited to the designation of sources from which Tenant may obtain sign painting and lettering. Any restriction, designation, limitation or control imposed by reason of this subparagraph shall be imposed uniformly on Tenant and other tenants occupying space in the Shopping Center.

(c) Keys. To retain at all times and to use in appropriate, instances keys to all doors within and into the Premises. No locks shall be changed without the prior written consent of

Landlord. This provision shall not apply to Tenant's safes, or other areas maintained by Tenant for the safety and security of monies, securities, negotiable instruments or like items.

(d) Control of Shopping Center. To make repairs, alterations, additions, or improvements, whether structural or otherwise, in and about the Shopping Center, or any part thereof, and for such purposes to enter upon the Premises, and during the continuation of any of said work, to temporarily close doors, entryways, public spaces, and corridors in the Shopping Center and to interrupt or temporarily suspend services and facilities.

(e) Restrict Vending Machines. To restrict or limit vending or dispensing machines of any kind in or about the Premises.

(f) Approve Fixtures. To approve the weight, size and location of safes and other heavy equipment and articles in and about the Premises and the Shopping Center and to require all such items to be moved into and out of the Shopping Center and the Premises only at such times and in such manner as Landlord shall direct in writing.

Article 8: ALTERATIONS AND IMPROVEMENTS

(a) Tenant shall not make any improvements, alterations, additions or installations in or to the Premises including but not limited to the initial Tenant's Work (hereinafter collectively referred to as the "Work") without Landlord's prior written consent. Along with any request for Landlord's consent and before commencement of the Work or delivery of any materials to be used in the Work to the Premises or into the Shopping Center, Tenant shall furnish Landlord with plans and specifications, names and addresses of contractors, copies of contracts, necessary permits and licenses.

(b) All Work shall be done only by contractors or mechanics reasonably approved by Landlord.

(c) Tenant shall pay the cost of all such improvements, alterations, additions or installations (including a reasonable charge for Landlord's services and for Landlord's inspection and engineering time), and also the cost of painting, restoring or repairing the Premises and the Building and Shopping Center occasioned by such improvements, alterations, additions or installations. Upon completion of the Work, Tenant shall furnish Landlord with contractor's affidavits and full and final waivers of liens, and receipted bills covering all labor and materials expended and used.

(d) The Work shall comply with all insurance requirements and all laws, ordinances, rules and regulations of all governmental authorities and shall be constructed in a good and workmanlike manner. Tenant shall permit Landlord to inspect construction operations in connection with the Work.

Article 9: REPAIRS

(a) Tenant shall, during the term of this Lease, at Tenant's expense, keep the Premises in as good order, condition and repair as they were at the time Tenant took possession of the same, reasonable wear and tear and damage from fire and other casualties excepted. Tenant shall keep the Premises in a neat and sanitary condition and shall not commit any nuisance or waste on the Premises or in, on, or about the Shopping Center throw foreign substances in the plumbing facilities, or waste any of the utilities furnished by the Landlord. Notwithstanding the provisions of Article 7 to the contrary, all damage or injury to the Premises, or to the Shopping Center caused by the Tenant moving furniture, fixtures, equipment, or other devices in or out of the Premises or Shopping Center or by installation or removal of furniture, fixtures, equipment, devices or other property of Tenant, its agents, contractors, servants or employees, due to carelessness, omission, neglect, improper conduct, or other cause of Tenant, its servants, employees, agents, visitors, or licensees, shall be repaired, restored and replaced promptly by Tenant at its sole cost and expense to the satisfaction of Landlord. All repairs, restorations and replacements shall be in quality and class equal to the original work.

(b) Landlord or its employees, or agents, shall have the right to enter the Premises at any reasonable time or times for the purpose of inspection, cleaning, repairs, altering, or improving the same but nothing contained herein shall be construed as imposing any obligation on Landlord to make any repairs, alterations or improvements which are the obligation of Tenant.

(c) Tenant shall give written notice to Landlord at least thirty (30) days prior to vacating the Premises for the express purpose of arranging a meeting with Landlord for a joint inspection of the Premises. In the event of Tenant's failure to give such notice and arrange such joint inspection, Landlord's inspection at or after Tenant's vacation of the Premises shall be conclusively deemed correct for purposes of determining Tenant's responsibility for repairs and restoration hereunder.

Article 10: ASSIGNMENT AND SUBLETTING

(a) Tenant shall not, without the prior written consent of Landlord, (i) transfer, pledge, mortgage or assign this Lease or any interest hereunder; (ii) permit any assignment of this Lease by voluntary act, operation of law or otherwise; (iii) sublet the Premises or any part thereof; or (iv) permit the use of the Premises by any parties other than Tenant, its agents and employees. Tenant shall seek such written consent of Landlord by a written request therefor, setting forth such information as Landlord may deem necessary. Tenant shall, by notice in writing, advise Landlord of its intention from, on and after a stated date (which shall not be less than 30 days after date of Tenant's notice), to assign this Lease or to sublet any part or all of the Premises for the balance or any part of the term. Tenant's notice shall include all of the terms of the proposed assignment or sublease and shall state the consideration therefor. In such event, Landlord shall have the right to be exercised by giving written notice to Tenant within thirty (30) days after receipt of Tenant's notice, to recapture the space described in Tenant's notice and such recapture notice shall, if given, cancel and terminate this Lease with respect to the space therein described as of the date stated in Tenant's notice. Tenant's notice shall state the name and address of the

proposed assignee or subtenant and a true and complete copy of the proposed assignment or sublease shall be delivered to Landlord with Tenant's notice. If Tenant's notice shall cover all of the Premises, and Landlord shall have exercised its foregoing recapture right, the Term of this Lease shall expire and end on the date stated in Tenant's notice as fully and completely as if that date had been herein definitely fixed for the expiration of the Term. If, however, this Lease is canceled with respect to less than the entire Premises, the Annual Minimum Rent shall be equitably adjusted by Landlord with due consideration of the size, location, type and quality of the portion of the Premises so remaining after the "recapture" and such Rent shall be reduced accordingly from and after the termination date for said portion, and this Lease as so amended shall continue thereafter in full force and effect. The rent adjustment provided for herein shall be evidenced by an amendment to Lease executed by Landlord and Tenant. If this Lease is terminated in the manner aforesaid, either as to the entire Premises or only a portion thereof, to such extent the term of this Lease shall end upon the appropriate effective date of the proposed sublease or assignment as if that date had been originally fixed in this Lease for such expiration, and in the event of a termination affecting less than the entire Premises, Tenant shall comply with the provisions of this Lease with respect to the surrender of such portion of the Premises affected thereby.

(b) If Landlord, upon receiving Tenant's notice with respect to any such space, does not exercise its right to recapture, Landlord will not unreasonably withhold its consent to Tenant's assignment of the Lease or subletting such space to the party identified in Tenant's notice.

(c) For purposes of the foregoing, any change in the partners of Tenant, if Tenant is a partnership, or, if Tenant is a corporation, any transfer of any or all of the shares of stock of Tenant by sale, assignment, operation of law or otherwise resulting in a change in the present control of such corporation by the person or persons owning a majority of such shares as of the date of this Lease, shall be deemed to be an assignment within the meaning of this Article. The foregoing provision shall not apply if Tenant is a corporation and the outstanding voting stock thereof is listed on a recognized securities exchange.

(d) Any subletting or assignment hereunder shall not release or discharge Tenant of or from any liability, whether past, present or future, under this Lease, and Tenant shall continue fully liable thereunder. The subtenant or subtenants or assignee shall agree in a form satisfactory to Landlord to comply with and be bound by all of the terms, covenants, conditions, provisions and agreements of this Lease to the extent of the space sublet or assigned, and Tenant shall deliver to Landlord promptly after execution an executed copy of each such sublease or assignment and an agreement of compliance by each such subtenant or assignee. Consent by Landlord to any assignment of this Lease or to any subletting of the Premises shall not be a waiver of Landlord's rights under this Article as to any subsequent assignment or subletting.

(e) Any sale, assignment, mortgage, transfer, or subletting of this Lease which is not in compliance with the provisions of this Article shall be of no effect and void. Landlord's right to assign its interest in this Lease shall remain unqualified. Landlord may make a reasonable

charge to Tenant for any reasonable attorney's fees or expenses incident to a review of any documentation related to any proposed assignment or subletting by Tenant.

Article 11: DAMAGE BY FIRE OR OTHER CASUALTY

(a) If fire or other casualty shall render the whole or any material portion of Premises untenable, and the Landlord determines that the Premises can reasonably be expected to be made tenantable within sixty (60) days from the date of such event without resorting to overtime pay for labor and Landlord elects to effect such repairs or restoration, Landlord shall repair and restore the Premises and the Building to as near their condition prior to the fire or other casualty as is reasonably possible within such period (subject to delays for causes beyond Landlord's reasonable control) and notify Tenant that it shall be doing so, such notice to be mailed within ten (10) days from the date of such damage or destruction, and this Lease shall remain in full force and effect, but the rent for the period during which the Premises are untenable shall be abated pro rata (based upon the portion of the Premises which is untenable).

(b) (i) If fire or other casualty shall render the whole or any material part of the Premises untenable and Landlord determines that the Premises cannot reasonably be expected to be made tenantable within sixty (60) days from the date of such event, then either party, by notice in writing to the other mailed within ten (10) days from the date of such damage or destruction, may terminate this Lease effective upon a date within ten (10) days from the date of such notice. In the event that more than fifty percent (50%) of the value of the Shopping Center Tract is damaged or destroyed by fire or other casualty and irrespective of whether damage or destruction can be made tenantable with one hundred sixty (60) days thereafter, or if Landlord elects not to repair or restore, then at Landlord's option, by written notice to Tenant, mailed within fifteen (15) days from the date of such damage or destruction, Landlord may terminate this Lease effective upon a date within ninety (90) days from the date of such notice to Tenant.

(ii) If this Lease is not terminated pursuant to this Article, Landlord shall repair and restore the Premises and the Shopping Center Tract to as near their condition prior to the fire or other casualty as is reasonably possible with all due diligence and speed (subject to delays for causes beyond Landlord's reasonable control) and the Rent for the period during which the Premises are untenable shall be abated pro rata (based upon the portion of Premises which is untenable). In no event shall Landlord be obligated to repair or restore any special equipment, fixtures or improvements installed by Tenant at Tenant's expense.

(c) In the event of a termination of this Lease pursuant to this Article, rent shall be apportioned on a per diem basis and paid to the date of the fire or other casualty.

Article 12: EMINENT DOMAIN

(a) If the whole or any part of the Premises shall be taken under the power of eminent domain so that the remaining portion of the Premises is unsuitable for the purposes intended hereunder, this Lease shall terminate as of the date possession of same is taken.

(b) If thirty percent (30%) of the area of the Building or thirty percent (30%) of the value of the Shopping Center Tract is taken by eminent domain, then, at Landlord's option, by written notice to Tenant mailed with sixty (60) days from the date possession is taken, Landlord may terminate the Lease effective on a date within ninety (90) days of the date possession is taken.

(c) The term "eminent domain" shall include the exercise of any similar governmental power and any purchase for other acquisition in lieu of condemnation. All damages awarded for any taking of the fee and leasehold interests shall belong to and be the property of Landlord, and Tenant hereby assigns any interest therein to Landlord, if any, in such award. Tenant shall, in any event, have the right to prove in any proceedings, and to receive, a separate award for damages to Tenant for condemnation of movable trade fixtures and equipment and for relocation or moving expenses.

Article 13: DEFAULT BY TENANT AND RIGHTS OF LANDLORD

(a) Bankruptcy or Insolvency. Tenant or Tenant's guarantor shall not cause or give cause for the appointment of a trustee or a receiver of the assets of Tenant or Tenant's guarantor, if any, and shall not make any assignment for the benefit of creditors, or be adjudicated insolvent. The allowance of any petition under any insolvency law except under the U. S. Federal Bankruptcy Code by the appointment of a trustee or receiver of Tenant or Tenant's guarantor, if any, or of the assets of either of them, shall be conclusive of the evidence of the petition, by the appointment of a trustee or receiver unless same is vacated within thirty (30) days after such an allowance or appointment. Any act described in this section shall be deemed in material breach of Tenant's obligations hereunder and this Lease shall thereon automatically terminate. Landlord does, in addition, reserve any and all other remedies provided in this lease or in the law.

(i) Upon filing of a petition by or against Tenant under the U. S. Federal Bankruptcy Code, Tenant, as debtor in possession, and any trustee who may be appointed agree as follows: (A) to perform each and every obligation of Tenant under this Lease including, but not limited to, the manner of "operations" as provided on the DATA SHEET and in Article 1 of this Lease until such time as this Lease is either rejected or assumed by order of the United States Bankruptcy Court; and (B) to pay in advance on the first day of each month as reasonable compensation for use and occupancy of the Premises an amount equal to all Annual Minimum Rent and Other Charges otherwise due pursuant to this Lease; and (C) to reject or assume this Lease within sixty (60) days of the filing of such petition under Chapter 7 of the Bankruptcy Code or within such period as the Landlord may request under any other Chapter; and (D) to give the Landlord at least forty-five (45) days prior written notice of any proceeding relating to any assumption of this Lease; and (E) to give at least thirty (30) days prior written notice of any abandonment of the Premises, any such abandonment to be deemed a rejection of this Lease; and (F) to do all other things of benefit to the Landlord otherwise required under the Bankruptcy Code; and (G) to be deemed to have rejected this Lease in the event of the failure to comply with any of the above; and (H) to be deemed to have consented to the entry of an order by an appropriate

United States Bankruptcy Court providing all of the above, waiving notice and hearing of the entry of same.

(ii) No default of this Lease by Tenant, either prior to or subsequent to the filing of such a petition, shall be deemed to have been waived unless expressly done so in writing by Landlord.

(iii) It is understood and agreed that this is a Lease of real property in a shopping center as such a lease is described in Section 365(b)(3) of the Bankruptcy Code.

(iv) Included within and in addition to any other conditions or obligations imposed upon Tenant or its successor in the event of assumption and/or assignment are the following: (A) the cure of any monetary defaults and the reimbursement of pecuniary loss within not more than thirty (30) days of assumption and/or assignment; and (B) the deposit of an additional sum equal to three (3) months' rent to be held as a security deposit; and (C) the use of the Premises set forth in the DATA SHEET and the quality, quantity and/or lines of merchandise of any goods or service required to be offered for sale are unchanged; and (D) the reorganized debtor or assignee of such debtor in possession or of Tenant's trustee demonstrates in writing that it has sufficient background including, but not limited to, substantial retailing experience in shopping centers of comparable size and financial ability to operate a retail establishment out of the Premises in the manner contemplated in this Lease and meet all other reasonable criteria of Landlord as did Tenant upon execution of this Lease; and (E) the prior written consent of any mortgagee to which this Lease has been assigned as collateral security; and (F) the Premises, at all times, remains a single store and no physical changes of any kind may be made to the Premises unless in compliance with the applicable provisions of this Lease.

(b) Other Defaults. If Tenant either:

(i) fails to timely pay any of its payments to Landlord due hereunder within 10 days of its due date; or

(ii) fails to perform any of the other agreements, covenants, terms and conditions of this Lease, which default continues for 10 days after written notice from Landlord to Tenant; or

(iii) vacates or abandons the Premises for a period of 30 consecutive days, or fails to continuously operate the Premises for a period of 72 consecutive hours; Landlord, in addition to all other rights and remedies available to Landlord by law or by other provisions hereof, may, without process, re-enter immediately into the Premises and remove all persons and property, and, at Landlord's option, terminate this Lease as to all future rights of Tenant.

(c) Waiver. It is mutually agreed by and between Landlord and Tenant that the respective parties hereto shall and they do hereby waive trial by jury in any action, proceeding or counterclaim brought by either parties hereto against the other (except for

personal injury or property damage) on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of said Premises, and any emergency statutory or any other statutory remedy.

Article 14: SURRENDER OF PREMISES

(a) On the last day of the Term of this Lease, or on the sooner termination thereof, Tenant shall peaceably surrender the Premises in good condition and repair consistent with Tenant's duty to make repairs as herein provided. On or before the last day of the Term of this Lease, or the date of sooner termination thereof, Tenant shall, at its sole cost and expense remove all of its property and trade fixtures and equipment from the Premises, and all property not removed shall be deemed abandoned. Tenant hereby appoints Landlord its agent to remove all property of Tenant from the Premises upon termination of this Lease and to cause its transportation and storage for Tenant's benefit, all at the sole cost and risk of Tenant and Landlord shall not be liable for damage, theft, misappropriation or loss thereof and Landlord shall not be liable in any manner in respect thereof. Tenant shall pay all costs and expenses of such removal, transportation and storage. Tenant shall leave the Premises in good order, condition and repair, reasonable wear and tear, and damage from fire and other casualty not caused by Tenant to be excepted. Tenant shall reimburse Landlord upon demand for any expenses incurred by Landlord with respect to removal, transportation, or storage of abandoned property and with respect to restoring said Premises to good order, condition and repair. All alterations, additions and fixtures, other than Tenant's trade fixtures and equipment, which have been made or installed by either Landlord or Tenant upon the Premise, shall remain the property of Landlord and shall be surrendered with the Premises as a part thereof. Tenant shall promptly surrender all keys for the Premises to Landlord at the place then fixed for the payment of rent and shall inform Landlord of combinations on any vaults, locks and safes left on the Premises.

(b) In the event Tenant remains in possession of the Premises after expiration of, this Lease and without the execution of a new lease, but with Landlord's written consent, it shall be deemed to be occupying the Premises as a tenant from month-to-month, subject to all provisions, conditions and obligations of this Lease insofar as the same can be applicable to a month-to-month tenancy.

Article 15: LANDLORD'S INTEREST IN PREMISES

(a) Priority. Tenant agrees that this Lease and Tenant's rights herein are and at all times shall be subject and subordinate to any mortgage or ground lease now existing or hereafter encumbering the Premises, the Building or the Shopping Center Tract and to any and all advances to be made thereunder, and to interest thereon, and all renewals, replacements or extensions thereof, except as Landlord or Landlord's mortgagee shall otherwise specify in writing from time to time. Upon demand by Landlord or any mortgagee or ground lessor, as defined above, Tenant shall execute and deliver subordination and attornment agreements satisfactory in form and substance to Landlord and/or such mortgagee or ground lessor.

(b) Estoppel Certificates and Financial Information. Tenant shall from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee:

(i) a financial statement (including balance sheets and operating and income statements) as of Tenant's most recently completed fiscal period for which such information is reasonably available, and

(ii) a written certificate stating: The date this Lease was executed and the date it expires, the date Tenant entered in occupancy of the Premises; the amount of Annual Minimum Rent and the date to which such Rent has been paid; and certifying that (A) this Lease is in full force and effect, has not been assigned, modified supplemented or amended in any way, and represents the entire agreement between the parties as to the Premises, (B) all conditions under this Lease to be performed by the Landlord have been satisfied and all required contributions by Landlord to Tenant on account of Tenant's improvements have been received, (C) on the date of such certification there are no existing defenses or offsets which Tenant has against the enforcement of this Lease by Landlord, (D) that no Annual Minimum Rent has been paid in advance and that no security has been deposited with Landlord and (E) such other information as Landlord may reasonably require. Tenant shall modify any of the foregoing certifications so that they accurately reflect the status of this Lease. It is intended that any such statement delivered pursuant to this paragraph may be relied upon by a prospective purchaser, coventurer or mortgagee of Landlord's interest or assignee of any mortgage upon Landlord's interest in the building. If Tenant shall fail to respond within ten (10) days of receipt by Tenant of a written request by Landlord therefor, Tenant shall be deemed to have given such certificate as above provided without modification and shall be conclusively deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee and that this Lease is in full force and effect, and there are no uncured defaults in Landlord's performance, that the security deposit is as stated in this Lease and that not more than one month's Annual Minimum Rent has been paid in advance.

(c) Transfer of Landlord's Interest. In the event of any transfer, assignment, sale or foreclosure of Landlord's interest in the Premises, the Building or the Shopping Center Tract, other than a transfer for security purposes only, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing from and after the date of such transfer and Tenant shall attorn to the transferee, assignee or purchaser.

(d) No Partnership. The relationship of Landlord and Tenant created by this Lease shall not constitute or be construed as a partnership, principal-agent relationship, joint venture or other cooperative enterprise between Landlord and Tenant.

Article 16: RECIPROCAL CONSTRUCTION AND/OR EASEMENT AGREEMENT

This Lease is subject and subordinate to any reciprocal construction and/or easement agreement between Landlord and any other party or parties which now exist or which may hereafter exist during the term of this Lease and all extensions and renewals thereof. The

provisions of this clause shall be self-operative however, Tenant, upon request of any party in interest, shall execute promptly such agreements or instruments to effectuate the intent of this clause. Nothing contained in this clause shall materially adversely affect any of the rights granted to Tenant under this Lease.

Further, Landlord reserves the right to sever the ownership of or title to the various sections of the Shopping Center or Shopping Center Tract and/or to place separate mortgages on said sections, in which case the rights of Tenant will be preserved by a written declaration, to be executed by the Landlord and duly recorded, creating mutual, reciprocal and interdependent rights to use the parking and other common areas and the utilities and facilities needed for the full use and enjoyment of the Premises by Tenant and without impairing any of the duties and obligations of the Landlord to the Tenant under this Lease. Tenant covenants to execute from time to time such instruments reasonably required by Landlord and/or its mortgagee to effectuate the provisions of this clause.

Article 17: MISCELLANEOUS PROVISIONS

(a) Headings. The titles to sections of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

(b) Heirs and Assigns. All of the covenants, agreements, terms and conditions contained in this Lease shall inure to and be binding upon Landlord, its heirs, executors, administrators, successors and assigns, and Tenant and its permitted heirs, executors, administrators, successors and assigns. If more than one person or entity executes this Lease as Tenant, the liability of each to pay Annual Minimum Rent and other charges and to perform all other obligations hereunder shall be deemed to be joint and several.

(c) Non-waiver. Waiver by Landlord of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition of this Lease, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of Annual Minimum Rent.

(d) No Brokers. Tenant represents and warrants to Landlord that it has not engaged any broker, finder or other person other than the Broker listed on the DATA SHEET who would be entitled to any commission or fees in respect of the negotiation, execution or delivery of this Lease, and Tenant shall indemnify and hold harmless Landlord against any loss, cost, liability or expense incurred by Landlord as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant. The provisions of this section shall not apply to brokers with whom Landlord has an express written brokerage agreement.

(e) Entire Agreement. This Lease contains all covenants and agreements between Landlord and Tenant relating in any manner to the Annual Rent, Tenant's use and occupancy of the Premises and the Building, and other matters set forth in this Lease. No prior agreements or understanding pertaining thereto shall be valid or of force or effect and the

covenants and agreements of this Lease shall not be altered, modified or amended except in writing signed by Landlord and Tenant.

(f) Severability. Any provisions of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and the remaining provisions shall nevertheless remain in full force and effect. If the intent of any sections of this Lease so indicate, the obligations of Tenant pursuant to such sections of this Lease shall survive the termination of this Lease.

(g) No Accord and Satisfaction. No payment by Tenant or receipt by Landlord of a lesser amount than the Annual Rent stipulated herein shall be deemed to be other than on account of the earliest stipulated Annual Rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord shall accept such check or payment without prejudice to Landlord's right to recover the balance of such Annual Rent and other charges or pursue any other remedy in this Lease. No receipt for money by Landlord from Tenant or any other person after termination of this Lease or after the service of any notice or after the commencement of any suit, or after final judgment for possession of the Premises shall reinstate, continue or extend the Term of this Lease or affect any such notice, demand or suit, or imply consent for any action for which Landlord's consent is required, unless specifically agreed to in writing by Landlord. Any amounts received by Landlord may be allocated to any specific amounts due from Tenant to Landlord as Landlord determines.

(h) Governing Law. This Lease shall be construed and governed by the laws of the State in which the Shopping Center is located. All rights and occupancy of Tenant herein shall be subject to all governmental laws, ordinances and regulations, and Tenant shall comply with the same.

(i) Notices. All notices which Landlord or Tenant may be required, or may desire, to serve on the other may be served by personal service or by mailing by registered or certified mail, postage prepaid, or overnight courier service, addressed to the other party as set forth in the DATA SHEET, or at such other address and to such other parties as the parties may from time to time designate to the other in writing. The time of rendition of such notice shall be deemed to be the time when the notice is either personally delivered or deposited in the mail or given to such courier as herein provided.

(j) No Reservation. The submission of this Lease for examination does not constitute a reservation or option to lease the Premises and this Lease becomes effective as a lease only upon execution and delivery thereof by Landlord and Tenant. Employees or agents of Landlord have no authority to make or agree to make a lease or other agreement or undertaking in connection therewith. Tenant confirms that Landlord and its agents have made no representations or promises with respect to the Premises or the making of or entry into this Lease except as in this Lease expressly set forth, and agrees that no claim or liability shall be asserted by Tenant against Landlord for, and Landlord shall not be liable by reason of, breach or any representation or promises not expressly stated in this Lease. This Lease can be modified or altered only by agreement in writing between Landlord and

Tenant and no act or omission of any employee or agent of Landlord shall alter, change or modify any of the provisions hereof. All preliminary negotiations are merged into and incorporated in this Lease, except for written collateral agreements executed contemporaneously herewith.

(k) Addenda. The provisions set forth in the Riders and Exhibits attached to this Lease are hereby incorporated herein by reference.

(l) Agency. All rights and remedies of Landlord under this Lease or that may be provided by law may be executed by Landlord in its own name, individually, or in the name of its agent, and all legal proceedings for the enforcement of any such rights or remedies, may be commenced and prosecuted to final judgment and execution by Landlord in its own name or in the name of its agent.

(m) Performance. All obligations of Tenant and Landlord hereunder not fully performed as of the expiration or earlier termination of the Term of this Lease shall survive the expiration or earlier termination of the Term hereof, including, without limitation, all payment obligations with respect to Annual Rent and all obligations concerning the condition of the Premises.

(n) Authority. Tenant shall furnish to Landlord promptly upon demand, a corporate resolution, evidence of corporate good standing, proof of due authorization of partners, or other appropriate documentation reasonably requested by Landlord evidencing the due authorization of Tenant to enter into this Lease.

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

LANDLORD:

TENANT:

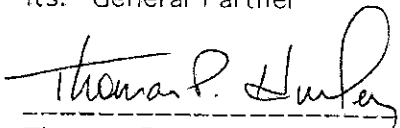
LEXINGTON SHOPPES LIMITED PARTNERSHIP

CITY OF ROSEVILLE

By: Preferred Properties, Inc.

Its: General Partner

By:



Thomas P. Hurley

By: _____

EXHIBIT A TO RETAIL LEASE

LEGAL DESCRIPTION OF SHOPPING CENTER TRACT

Lot 8, Block One, The Lexington, according to the recorded plat thereof, Ramsey County, Minnesota.

EXHIBIT B TO RETAIL LEASE

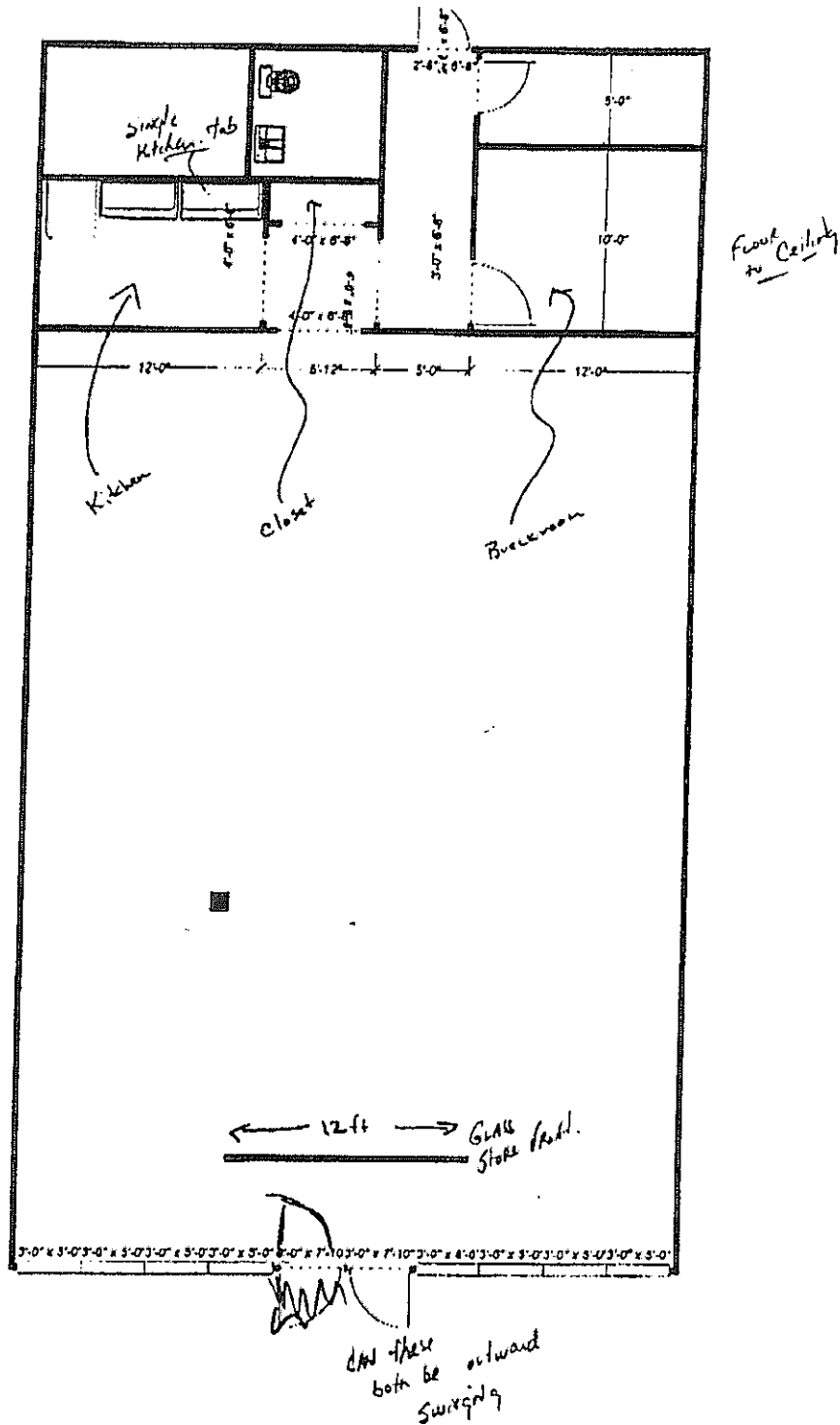


EXHIBIT C TO RETAIL LEASE

RULES AND REGULATIONS

This Exhibit C is hereby incorporated into, made a part of, and is subject to, that certain Lease attached herewith (the "Lease").

SECTION C - 1. Control of Common Areas. The sidewalks, halls, passages, exits, and entrances, of the Shopping Center shall not be obstructed by Tenant or used by it for any purpose other than for ingress to and egress from the Premises. The halls, passages, exits, and entrances are for the use of the general public, and Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the sole judgment of Landlord would be prejudicial to the safety, character, reputation and interests of the Shopping Center, except in areas that Landlord may designate as "Common Areas" from time to time.

SECTION C - 2. Windows. No awning, canopy or other projection of any kind over or around the windows or entrances of the Premises shall be installed by Tenant, and only such window coverings as are approved by Landlord shall be used in the Premises.

SECTION C - 3. Cooking; Lodging. The Premises shall not be used for lodging or sleeping, and unless ancillary to a restaurant or other food service use specifically authorized in the Lease, no cooking shall be done or permitted by Tenant on the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for Tenant and its employees shall be permitted.

SECTION C - 4. Janitorial Work. All janitorial work for the Premises shall be paid for by Tenant. Any person or persons employed by Tenant to do janitorial work shall be subject to and under the control of Landlord or Landlord's agent while in the Shopping Center and the Premises.

SECTION C - 5. Keys. Landlord will furnish Tenant with two (2) keys to the Premises, free of charge. Tenant, upon the termination of the Lease, shall deliver to Landlord all keys to doors in the Shopping Center and the Premises.

SECTION C - 6. Hazardous Materials. Tenant shall not use or keep in the Premises or in the Shopping Center any kerosene, gasoline or flammable or combustible fluid or materials or use any method of heating or air conditioning other than that supplied by Landlord. Tenant shall not use, keep or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Shopping Center by reason of noise, odors and/or vibrations, or interfere in any way with other Tenants or those having business in the Shopping Center.

SECTION C - 7. Invasions, Mobs. In case of invasion, mob, riot, public excitement or other circumstances rendering such action advisable in Landlord's opinion, Landlord reserves the right to prevent access to the Shopping Center during the continuance of same by such action as Landlord may deem appropriate, including closing entrances to the Shopping Center.

SECTION C - 8. Security. Tenant shall see that the doors of the Premises are closed and securely locked at such time as Tenant's employees leave the Shopping Center.

SECTION C - 9. Plumbing. The toilet rooms, toilets, urinals, washbowls and other apparatus shall not be used for any purpose other than that for which they are constructed; no foreign substance of any kind whatsoever shall be deposited therein, and any damage resulting to same from Tenant's misuse shall be paid for by Tenant.

SECTION C - 10. Concessionaires. Except with the prior consent of Landlord, Tenant shall not sell, or permit the sale from the Premises of, or use or permit the use of sidewalk for the sale of newspapers, magazines, periodicals, or any other goods, merchandise or service, nor shall Tenant carry one, or permit or allow any employee or other person to carry one, business in or from the Premises for the service or accommodation of occupants of any other portion of the Shopping Center, nor shall the Premises be used for manufacturing of any kind, or for any business or activity other than that specifically provided for in the Lease.

SECTION C - 11. Antennas. Tenant shall not install any radio or television antenna; loudspeaker or other device on the roof or exterior walls of the Shopping Center.

SECTION C - 12. Trash. Tenant shall store all its trash and garbage in such location in the Shopping Center as may be designated from time to time by Landlord. No material shall be placed in the Shopping Center trash boxes or receptacles if such materials is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in the City in which the Premises are located without being in violation of any law or ordinance governing such disposal. Landlord shall direct the removal of all Tenant's trash and garbage from the Premises at Tenant's expense.

SECTION C - 13. Loading and Unloading. All loading and unloading of merchandise, supplies, materials, garbage and refuse and deliver of same to the Premises shall be made only through such entryways, at such times and according to such routes that Landlord shall designate. In its use of the loading areas, Tenant shall not obstruct or permit the obstruction of said loading areas, and at no time shall Tenant park vehicles therein except for loading and unloading. No deliveries shall be left unattended in the Common Areas. Tractor trailers shall not be stored in the parking lot.

SECTION C - 14. Soliciting. Canvassing, soliciting, peddling or distribution of handbills or any other written material in the Shopping Center is prohibited, and Tenant shall cooperate to prevent same.

SECTION C - 15. Vending Machines. Tenant shall not permit the use or the operation of any vending machines or pay telephones on the Premises.

SECTION C - 16. Tenant Parking. Landlord reserves the right to designate the location and number of parking spaces to be reserved for Tenant and Tenant's employees.

SECTION C - 17. Extermination. Landlord may direct the use of all pest extermination and scavenger contractors at such intervals as Landlord may require.

SECTION C - 18. Use of Shopping Center Name. Landlord reserves the right to select the name of the Shopping Center and the buildings therein and to make such change or changes of name as it may deem appropriate from time to time, and Tenant shall refer to the Shopping Center and the buildings therein by and name other than: (i) the name as selected by Landlord (as same may be changed from time to time), and the street address, or (ii) the postal address, approved by the United State Post Office. Tenant shall not use the name of the Shopping Center and the buildings therein except to identify the location of its business.

SECTION C - 19. Displays. All articles and the arrangement, style, color and general appearance thereof, in the interior of the Premises which shall be visible from the exterior thereof, including, without limitation, window displays, advertising matter, signs, merchandise and store fixtures, shall be maintained in keeping with the character and standards of the Shopping Center.

SECTION C - 20. Obnoxious Activities Not Permitted. Tenant will not without the written consent of Landlord or as otherwise provided for herein, maintain any merchandise or other articles in any vestibule or entry of the Premises or outside of the Premises; use or permit any loud speakers, phonographs, public address systems, flashing, moving and/or rotating lights, sound amplifiers, radio or broadcasts within the Premises which are audible or visible outside the Premises; cause or permit odors to emanate or be dispelled from the Premises; except within the Premises, solicit business or distribute advertising material within the Shopping Center, permit the parking of delivery vehicles so as to interfere with the use of any driveway, walk, parking area, or other Common Areas; or receive or ship articles of any kind except through service facilities designated by Landlord.

SECTION C - 21. Waiver. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of these Rules and Regulations in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants of the Shopping Center.

SECTION C - 22. Lease Prevails. These Rules and Regulations are in addition to, and shall not be construed in any way to modify, alter or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of Premises in the Shopping Center. If there is any irreconcilable conflict between the terms of the Lease and these Rules and Regulations, the terms of the Lease shall control.

EXHIBIT D TO RETAIL LEASE

LANDLORD'S WORK

Landlord to provide all walls as outlined on Exhibit B and to include the following:

- new carpet or vinyl composition tile throughout
- all wall areas to be freshly painted
- ceiling tiles to be cleaned or replaced as needed
- front entryway system (cost of which is to be reimbursed by the Tenant at the time of occupancy)

EXHIBIT E TO RETAIL LEASE

TENANT'S WORK

Tenant shall provide all additional improvements not stated in Exhibit D to Retail Lease at the Tenant's sole cost.

RIDER 1 TO RETAIL LEASE

Dated December 30, 1999, by and between LEXINGTON SHOPPES LIMITED PARTNERSHIP, as Landlord and the City of Roseville, as Tenant.

1. Additional Term. The Rent for each Lease Year during the Term hereof shall be payable in twelve (12) equal monthly installments on or before the first day of each month, in advance, in the following amounts :

<u>Lease Month</u>	<u>Monthly Rent</u>
1 -36	\$ 2,000

2. Separate Metering of Utilities. Utility service for electricity, heat, telephone or cable shall be a direct responsibility of the Tenant.

3. Building Signage. Tenant shall be responsible for all costs associated with Tenant's exterior signage. Tenants signage must comply with all City codes and regulations and such requirements that may be stipulated by the Landlord herein and be installed in accordance with the rehabilitation timetable of the Shopping Center. Upon Lease termination, Tenant will have the right to temporary signage at Tenant's cost of at least 4 square feet in size for a period not to exceed one year informing Tenant's customers of its new location. The sign will be located as close as possible to the premises doorway.

4. Option to Extend Lease Term. Provided Tenant is not in default hereunder, Tenant shall have the option to extend the term of this lease for two (2) three year periods upon the same terms and conditions except for Monthly Rent, which for the option period shall be \$2,083 per month for the first three-year extension term and \$2,500 per month for the second three-year extension term. Tenant shall exercise said option by giving written notice to Landlord not later than 60 days prior to the expiration of the then current Lease Term.

5. Parking Lot. Landlord agrees to extend the parking lot to the north (subject to the approval of the City of Roseville's building department) to provide at a minimum an additional 24 parking spaces. This parking lot extension is to be completed within 12 months of the Tenants written request to proceed. Upon completion, Tenant agrees to reimburse the Landlord for 50% of the cost of such extension. Such payment to be made by Tenant within 15 days of receipt of invoice from Landlord.

6. Unpaid sums and Service Charges. Any amounts owing from the Tenant to the Landlord under this Lease shall bear interest at the Default rate. In addition to the foregoing remedies, if any payment of Annual Rent is not paid when due, Tenant shall pay a late charge equal to 5% of the amount of such overdue payment as liquidated damages for the Landlord's extra expense and handling of such past due amount.

LANDLORD:

LEXINGTON SHOPPES LIMITED PARTNERSHIP

By: Preferred Properties, Inc., its General Partner

By: Thomas P. Hurley
Thomas P. Hurley

TENANT:

CITY OF ROSEVILLE

By: [Signature]

[Signature]
City Manager

Lease Addendum Two

This Addendum Two shall amend the Lease Agreement ("Lease") dated December 30, 1999 by and between to Roseville Center Limited Partnership ("Landlord") and the City of Roseville ("Tenant").

1. Tenant's Leased Premises shall be increased from the current 2,315 square feet to 3,332 square feet by adding Suite 2735 consisting of 1,017 square feet.
2. Landlord shall deliver the additional space, suite 2735, to Tenant in an AS-IS condition.
3. The Lease term for the additional space, suite 2735, shall be three (3) years and four (4) months and shall commence on October 1, 2005 and terminate on January 31, 2009.
4. The annual Rent for the additional space shall be according to the following schedule:

<u>Lease Period</u>	<u>Monthly Rent</u>
10/1/2005 - 1/31/2006	\$1,500.00
2/1/2006 - 1/31-2007	\$1,600.00
2/1/2007 - 1/31-2008	\$1,650.00
2/1/2008 - 1/31-2009	\$1,700.00

5. Tenant hereby exercises its second three (3) year option to renew the term of this Lease, as set forth under Section 4 of Rider One to this Lease. The renewal period shall be for three (3) years beginning February 1, 2006 and expiring on January 31, 2009. The rental rate for the original Premises during the renewal period shall be \$2,500 per month.
6. Provided Tenant is not in default hereunder, Tenant shall have the option (third option) to extend the term of this lease for one (1) three (3) year period upon the same terms and conditions except for Annual Rent. The Annual Rent for the original space and the additional space shall be according to the following schedule during the third option period:

Third Option Period

Original Space

<u>Option Period (Year)</u>	<u>Monthly Rent</u>
Feb - Jan 2009 2008 Year 1	\$3,050.00
2010 2009 Year 2	\$3,150.00
2011 2010 Year 3	\$3,250.00

Additional Space

<u>Option Period (Year)</u>	<u>Monthly Rent</u>
2009 2008 Year 1	\$1,750.00
2010 2009 Year 2	\$1,800.00
2011 2010 Year 3	\$1,850.00

All other terms and conditions of the Lease referred to in the opening paragraph of this Addendum shall remain in full effect for the duration of said Lease. By signature below, both parties agree to this Addendum:

Tenant:

CITY OF ROSEVILLE

By: Nealy Beets

Its: City Manager

Date: 9/12/2005

Landlord:

ROSEVILLE CENTER LIMITED
PARTNERSHIP

By: [Signature]

Its:

Date: 9-21-05

Lease Addendum Two

This Addendum Two shall amend the Lease Agreement ("Lease") dated December 30, 1999 by and between to Roseville Center Limited Partnership ("Landlord") and the City of Roseville ("Tenant").

1. Tenant's Leased Premises shall be increased from the current 2,315 square feet to 3,332 square feet by adding Suite 2735 consisting of 1,017 square feet.
2. Landlord shall deliver the additional space, suite 2735, to Tenant in an AS-IS condition.
3. The Lease term for the additional space, suite 2735, shall be three (3) years and four (4) months and shall commence on October 1, 2005 and terminate on January 31, 2009
4. The annual Rent for the additional space shall be according to the following schedule:

<u>Lease Period</u>	<u>Monthly Rent</u>
10/1/2005 - 1/31/2006	\$1,500.00
2/1/2006 - 1/31-2007	\$1,600.00
2/1/2007 - 1/31-2008	\$1,650.00
2/1/2008 - 1/31-2009	\$1,700.00

5. Tenant hereby exercises its second three (3) year option to renew the term of this Lease, as set forth under Section 4 of Rider One to this Lease. The renewal period shall be for three (3) years beginning February 1, 2006 and expiring on January 31, 2009. The rental rate for the original Premises during the renewal period shall be \$2,500 per month.
6. Provided Tenant is not in default hereunder, Tenant shall have the option (third option) to extend the term of this lease for one (1) three (3) year period upon the same terms and conditions except for Annual Rent. The Annual Rent for the original space and the additional space shall be according to the following schedule during the third option period:

Third Option Period

Original Space

<u>Option Period (Year)</u>	<u>Monthly Rent</u>
Year 1	\$3,050.00
Year 2	\$3,150.00
Year 3	\$3,250.00

Additional Space

<u>Option Period (Year)</u>	<u>Monthly Rent</u>
Year 1	\$1,750.00
Year 2	\$1,800.00
Year 3	\$1,850.00

All other terms and conditions of the Lease referred to in the opening paragraph of this Addendum shall remain in full effect for the duration of said Lease. By signature below, both parties agree to this Addendum:

Tenant:

Landlord:

CITY OF ROSEVILLE

ROSEVILLE CENTER LIMITED
PARTNERSHIP

By: Nealy. Belts

By: [Signature]

Its: City Manager

Its: [Signature]

Date: 9/12/2005

Date: 9 21 05



GAUGHAN
C O M P A N I E S

November 19, 2008

Gaughan Companies
56 East Broadway Suite 200
Forest Lake, MN 55025

File: City of Roseville
Roseville Center

office 651.464.5700
fax 651.464.5757
www.gaughancompanies.com

Ms. Brenda Davitt
Assistant Finance Director
City of Roseville
2660 Civic Center Drive
Roseville, MN 55113

Dear Ms. Davitt:

Per your request, attached please find two original copies of the Lease Addendum Three between the City of Roseville and Roseville Center Limited Partnership.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Dan A. Hebert
VP-Commercial Accounts

Attach.

trl

Lease Addendum Three

This Addendum Three shall amend the Retail Lease Agreement ("Lease") dated December 30, 1999 by and between Roseville Center Limited Partnership (the "Landlord"), and the City of Roseville (the "Tenant").

In consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that said Lease shall be and hereby is amended to include the following:

1. Per Lease Addendum Two, the square footage has been increased to 3,332 square feet.
2. The Lease shall be extended for a (4) four years and will terminate on January 31, 2013.
3. The annual Rent for the additional space shall be according to the following schedule:

<u>Lease Period</u>	<u>Monthly Rent</u>
2/1/2009 – 1/31/2010	\$4,200.00
2/1/2010 – 1/31/2011	\$4,800.00 4,450
2/1/2011 – 1/31/2012	\$4,950.00 4,630
2/1/2012 – 1/31/2013	\$5,100.00 4,815

All other terms and conditions of the Lease referred to in the opening paragraph of this Addendum shall remain in full effect for the duration of said Lease. By signature below, both parties agree to this Addendum:

Tenant:

CITY OF ROSEVILLE

Landlord:

ROSEVILLE CENTER LIMITED
PARTNERSHIP

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

From: r willmus |
Sent: Friday, January 23, 2009 9:29 AM
To: *RVCouncil
Subject: Wow

WOW, What an Agenda!!

With regard to the License Center Lease.

Was there ever any discussion of a shorter base term, 2 yrs, with an option for years 3-4? Also, does the lease call for payments of any "Additional Rents" such as, Common Area Maintenance charges... Percentage of Gross Sales charges... Percentage of Real Estate Tax payments... The city can and should negotiate any "Additional Rents" as well as the "Base Rent!"

A Four year fixed term is too long! A shorter base term with options for subsequent years would be a much better alternative, better positioning the city in allowing adaptation to changing market conditions.

Thanks and Good Luck Monday Night!

Bob