ISD 110 School Board Work Session

Monday, October 12, 2026 7:00 PM
Waconia Public Schools - District Office - Conf Rm A, 512 Industrial Blvd., Waconia, MN 55387

1. **Waconia Middle School HVAC, IAQ & Roof Discussion**	**Presenter:** Michael Smith, SiteLogIQ, Pam Carman, Director of Finance and Facilities

BOARD WORK SESSION

Waconia Middle School HVAC, IAQ & Roof Discussion

Repair, rent, or replace — a practical path to protect learning environments and make fiscally responsible decisions.

Planning discussion • October 2026

Prepared by SitelogIQ | Waconia Public Schools

Repair, rent, and replace solves different problems

Alternative	What it accomplishes	Cost profile / Lifecycle	Primary implication	Can it be done?
Repair Chillers Short-life extension	Targets known failures and restores limited functionality.	Lower initial spend; reactive work remains likely. $1,000,000 2-3 years	May defer—not eliminate—the replacement decision; difficult to guarantee performance or IAQ.	Yes. But it shouldn't be. Repairing the existing chillers will create downstream issues and delay the inevitable. Must be funded through LTFM budget
Rent Chillers Temporary continuity	Provides interim heating, cooling, or ventilation while permanent work is procured.	Mobilization, monthly rental, utilities, and removal. $180,000 Indefinite and does not resolve issue	Necessary bridge if existing equipment cannot reliably serve spring 2027; creates no long-term asset.	Yes – but we should minimalize any rental as this is a poor use of LTFM funds and does not serve as a solution. Only serves to add cooling to the system and does not resolve air quality issue throughout building
Replace Long-term reset	Renews major HVAC/IAQ components, controls, distribution, and interfaces.	Highest upfront capital; new life-cycle clock. $12,000,000 Up to 30 years	Best opportunity to coordinate gym AC and roofing while avoiding duplicative mobilization and work. Resolves issue and new revenue funding can be utilized.	Yes – potentially in two phases. Chiller replacements first (2027) to minimalize rental costs, then all up and down stream components in 2028

Interim rentals should be the minimize to protect LTFM funding

- Confirm the service gap
- Rent only the equipment required
- Plan logistics before mobilization
- Set an exit date

Estimated Rental Period	Cost
Mid-March 2027 (Initial Setup and Installation)	$30,000
Mid-March - Mid-June ($15,000 per month)	$45,000
Subtotal (FY27)	**$75,000**

Estimated Rental Period	Cost
Mid-August 2027 (reconnect & setup)	$15,000
Mid-August - Mid-October 2027	$30,000
Mid-March 2028 (reconnect & setup)	$15,000
Mid-March - Mid-June	$45,000
Subtotal (FY28)	**$105,000**
Estimated Total (FY27 & FY28)	**$180,000**

PERMANENT REPLACEMENT

SitelogIQ

Replacement scope must renew the full chain that controls indoor conditions to qualify for new revenue funding

Plant / source

Generation, pumps, redundancy, treatment, and fuel strategy.

Air handling

Fans, coils, filters, outside air, recovery, humidity, and freeze protection.

Distribution

Ductwork, piping, terminal units, dampers, insulation, and balancing.

Controls / IAQ

Automation, sensors, sequences, zoning, alarms, trends, and commissioning.

Enabling work

Electrical, structure, roof curbs, penetrations, fire protection, and finishes.

Funding pathways require eligibility, legal, tax, and financial-advisor confirmation; this is a planning framework, not financing advice.

Plans and options for adding cooling to the gym

Add AC as part of the plan

Benefits
One design effort; shared electrical and controls work; coordinated sizing; fewer shutdowns.

Watch-outs
Confirm peak load, dehumidification, acoustics, condensation risk, and operating cost.

Best coordination / highest near-term capital

Currently Included in scope of work

Prepare now; add later

Benefits
Reserve plant capacity, electrical pathways, controls points, roof curbs, and space.

Watch-outs
Future mobilization and escalation remain; reserved capacity may sit unused.

Preserves option value / creates some rework

Scope reduced – estimated cost reduction $30-45k – estimated future cost $50-100k

Do not add AC

Benefits
Lowest capital requirement and no new cooling-energy load.

Watch-outs
Limits warm-weather use, comfort, flexibility, and resilience; later retrofit is harder.

Lowest cost / highest long-term limitation

Scope reduced – estimated cost saved $30-45k

ROOF COORDINATION

SitelogIQ

Coordinating roof and HVAC work can prevent paying twice

Complete together

Single mobilization and warranty strategy; coordinated curbs and penetrations; lower rework risk; one construction disruption. Requires confirmed scope and near-term funding.

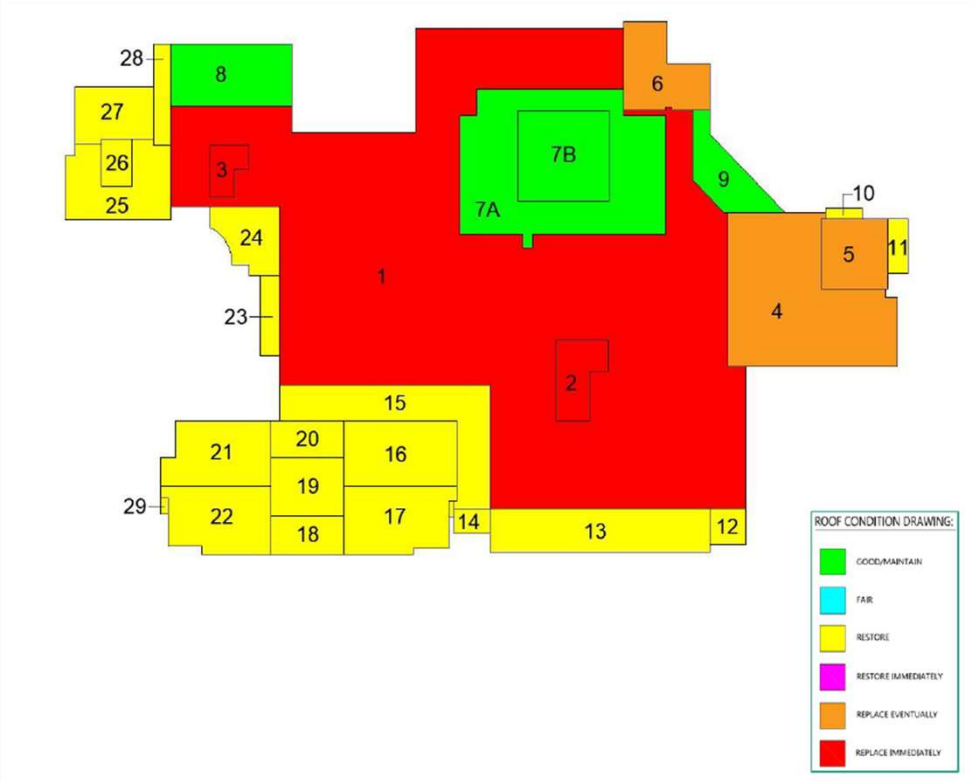
Delay the roof

Reduces immediate capital if condition supports deferral. Requires temporary details and acceptance of escalation, leak, and duplicate-mobilization costs.

ROOF COORDINATION

SitelogIQ

Middle School roofing is under a cyclical replacement pattern



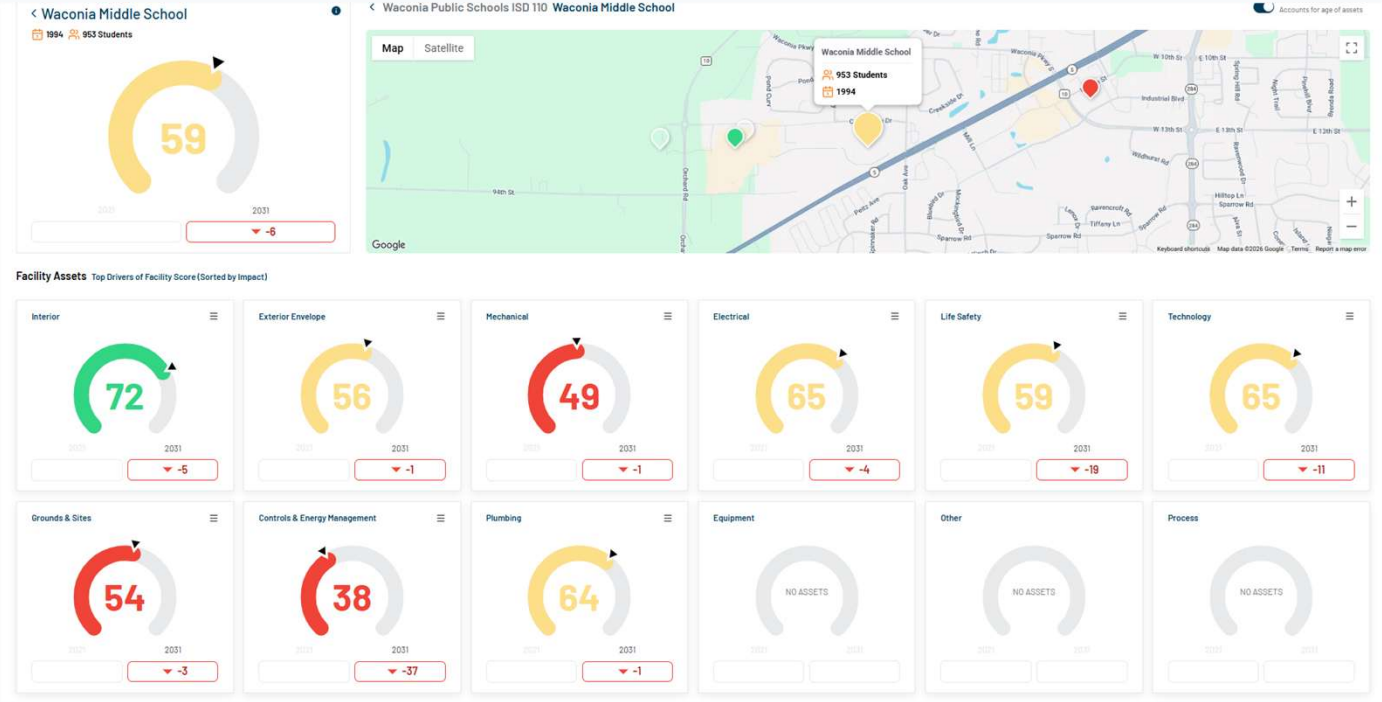
The scope in red covers approximately 48% of the overall roof

BUILDING	ROOF SECTION	YEAR INSTALLED	CURRENT AGE	ROOF TYPE	CURRENT CONDITION	CONDITION AFTER 10-YEAR PLAN	SIZE (SQ. FT.)
Waconia Middle School	1	2008	19	Built-Up Roof	REPLACE IMMEDIATELY	GOOD	97,943
Waconia Middle School	2	2008	19	Built-Up Roof	REPLACE IMMEDIATELY	GOOD	2,266
Waconia Middle School	3	2008	19	Built-Up Roof	REPLACE IMMEDIATELY	GOOD	1,100
Waconia Middle School	4	2008	19	Built-Up Roof	REPLACE EVENTUALLY	GOOD	13,761
Waconia Middle School	5	2008	19	Built-Up Roof	REPLACE EVENTUALLY	GOOD	3,190
Waconia Middle School	6	2012	15	Built-Up Roof	REPLACE EVENTUALLY	RESTORE	3,948
Waconia Middle School	7A	2012	15	Built-Up Roof	GOOD	RESTORE	13,860
Waconia Middle School	7B	2012	15	Modified Bitumen	GOOD	RESTORE	5,550
Waconia Middle School	8	2012	15	Built-Up Roof	GOOD	RESTORE	5,100
Waconia Middle School	9	2018	9	Built-Up Roof	GOOD	RESTORE	2,873
Waconia Middle School	10	2007	20	Built-Up Roof	RESTORE EVENTUALLY	GOOD	270
Waconia Middle School	11	2007	20	Built-Up Roof	RESTORE EVENTUALLY	GOOD	765
Waconia Middle School	12	2007	20	Built-Up Roof	RESTORE EVENTUALLY	GOOD	900
Waconia Middle School	13	2007	20	Built-Up Roof	RESTORE EVENTUALLY	GOOD	6,516
Waconia Middle School	14	2007	20	Built-Up Roof	RESTORE EVENTUALLY	GOOD	630
Waconia Middle School	15	2007	20	Built-Up Roof	RESTORE EVENTUALLY	GOOD	7,248
Waconia Middle School	16	2007	20	Built-Up Roof	RESTORE EVENTUALLY	GOOD	5,022
Waconia Middle School	17	2007	20	Built-Up Roof	RESTORE EVENTUALLY	GOOD	4,794

LONG TERM INVESTMENT

SitelogIQ

Comparing a new system with existing building infrastructure



Impact and ROI

The mechanical, controls, exterior envelope are all the lowest segments of the middle school analysis.

The building is currently at a 59.

The scope of work proposed would move that to a 69.

There will also be some additional improvements from the scope of the work which will improve your electrical and interior finishes.

Utilizing the correct funding bucket for maximum flexibility and risk

Funding Buckets

LTFM

- Regular Testing
- Maintenance
- Minor Repairs/ Replacements

Voter Approved

- Majority of District Assets
- Larger Non Board Authorized Work
- Only Real Opportunity for Programmatic Enhancements

Board Authorized

- Roofs
- Indoor Air Quality – Middle School / HS Boilers (2034) / Some Other Minor Assets
- Parking Lots
- Lease Levy for Programmatic Changes – Minimal Funding

LTFM

Routine maintenance & smaller replacements

Annual Funding Capacity: $650,000

- Routine testing, maintenance and smaller repairs/replacements
- Already constrained by prior bonding commitments
- Less than **$0.68/sq. ft.** of interior space

Board Authority

Essential building infrastructure

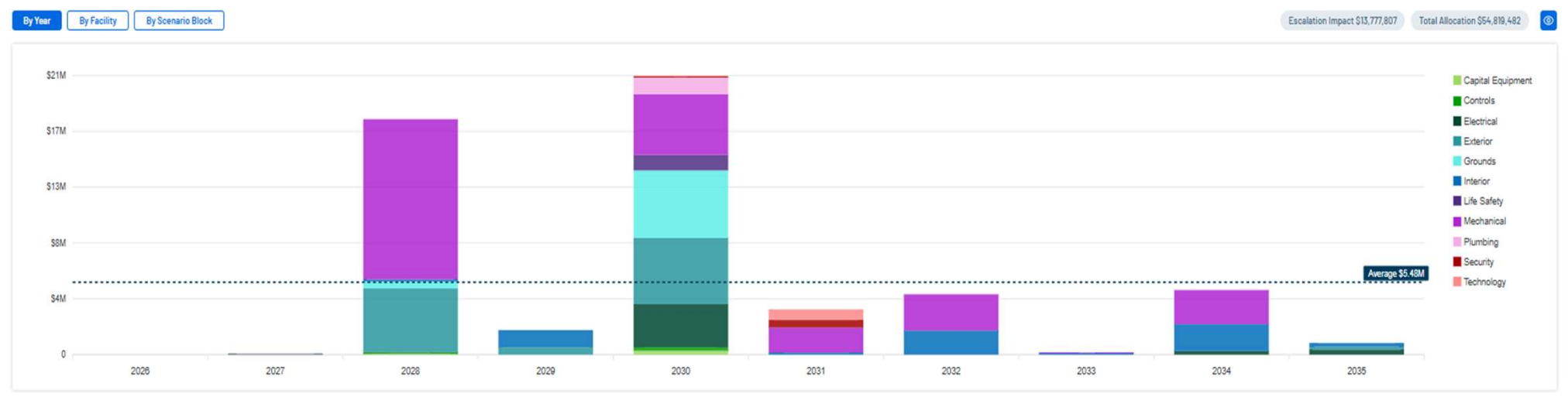
Capacity based on Tax Impact

- Indoor Air Quality / HVAC
- Roofing
- Parking lot abatement
- Provides **dry, safe and comfortable** learning environments

WIDER PICTURE

SitelogIQ

How the short term investment ties to longer term plans



Immediate Need

Originally planned for 2027
Unrepairable condition
Requiring you to exhaust LTFM

Reduces Future Requests

Same scope will escalate in the next years
Tax impact will be higher
Reduces the potential for student impacting options

Protects LTFM

Maintains limited LTFM budget
Allows for day to day risks to be mitigated
Can be used for tackling smaller issues reducing overall ask down the line

BOARD PATHWAYS

SitelogIQ

Preserve operations now—then make one coordinated capital decision

1

Initiate the spring 2027 bridge

Validate rental needs, capacity, duration, extension terms, and contingency.

2

Agree IAQ Narrative 2026

Submit MDE request for approval, bonding, design stages

3

Design and Bid

Design stages through Spring of 2027 with bidding early for 2028 project

4

Explore pull through options for 2027

Potentially install new chillers 2027 and roofing to minimalize LTFM rental spend

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Board decisions requested

The sooner we have a preliminary direction, the more likely option 4 remains.

WIDER PICTURE

SitelogIQ

Recommended scope of work

IAQ Middle School

Collapse All

WACONIA MIDDLE SCHOOL

- Air-cooled Chiller Replacement
- 1993 Air Handler Replacements - 2A, 2B, 3A, 3B, 3C, 3D, 4A, 4B, 5A, 5B
- Roof Replacement - Areas 1,2,3
- 1993 Central System Replacements - AHU-1A, 1B, 1C, 1D, 1E, 1F, 6A
- Rooftop Unit Replacement - RTU-1
- Make-Up Air Unit Replacements
- Variable Speed Drives/Pump Control

Budget Total

Approximately $12,000,000
Re-roofing $5,000,000

Additional Work Included

In affected areas
New lighting
New ceilings
Repainting

Funding Models

To be presented in November 2026

2. **Safari Island Discussion**

MEMORANDUM

TO: ISD 110 School Board

FROM: Pam Carman, Director of Finance & Operations

DATE: November 10, 2025

SUBJECT: Safari Island Community Center - Lease and Shared Use Agreement

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Purpose

To provide the Board of Education with an overview of the Safari Island Community Center agreements between Independent School District 110 (ISD 110), the Waconia Economic Development Authority (WEDA), and the City of Waconia, and to outline the process and timeline for Board review and discussion over the coming year.

Background

The Safari Island Community Center is governed by two primary agreements, both executed on March 15, 2000:

Agreement	Parties	Term	Core Purpose
Community Center Lease	ISD 110 & Waconia Economic Development Authority (WEDA)	30 years (expires 2030)	Establishes lease of the Community Center "Premises," allocates utilities/operating costs and sets cost-sharing for capital improvements.
Shared Use Agreement	ISD 110 & City of Waconia	30 years (expires 2030)	Grants reciprocal licenses for gym and pool use, exclusive/priority times, and ties City cost responsibilities to the Lease.

Both agreements are approaching their expiration in 2030. The review process provides an opportunity to reaffirm the District–City partnership, ensure alignment with current operational practices, and plan for the future of the shared facility.

Framework for Board Review and Evaluation of the Community Center Partnership

When	What
November 2025 Work Session	• Share the Finance Committee Memo from October 13, 2025. • Provide Board members with copies of the Community Center Lease and Shared Use Agreement. • Ask Board members to review the agreements over the next several months, take notes, and record observations or questions ("noticings" and "wonderings"). • Identify key stakeholder groups for future input (City of Waconia, Community Education, Athletics, etc.).
1st Quarter 2026 - Reflection & Theme Development	• Facilitate an open Board conversation focused on reflection and theme development. • Guiding questions: "What do you notice?" "What do you wonder?" • Develop a list of themes and questions to guide future analysis. • Identify any data or reports needed to inform future discussion.
2nd Quarter 2026 - Analysis & Scenario Planning	• Present findings from review of agreements and Board questions. • Summarize themes emerging from stakeholder input. • Conduct a work session discussion on partnership alignment—operational, financial, and strategic. • Identify potential negotiation principles for future discussions with the City (e.g., cost allocation, scheduling priorities, maintenance responsibilities, capital planning expectations). • Determine whether additional data, review, or follow-up is needed before moving into the "decision readiness" phase.
Future Phase - Preparation for Renewal Discussions	• Develop a joint City–District timeline for renewal or renegotiation (2027–2029). • Outline a public engagement or communication plan to ensure transparency. • Prepare summary briefing materials to support future Board action or joint resolution.

Next Steps

This process is intended to be reflective and information-driven. No immediate Board action is required at this time. The goal is to build a shared understanding of the agreements' provisions, historical context, and future implications for the District's facility planning, partnership with the City, and community use of Safari Island.

Waconia Middle School/Safari Island Community Center

Lease/Shared Usage Agreement Review Summary

12/20/2023

Prepared for:

PUBLIC SCHOOLS ISD 110

CATALYST Sourcing Solutions

Division of Campus: General

	Middle School	Exclusive to District*
	Community Center	Exclusive to City**
	Shared Space	Exclusivity/Priority defined by seasonal schedule

*City has license to use:

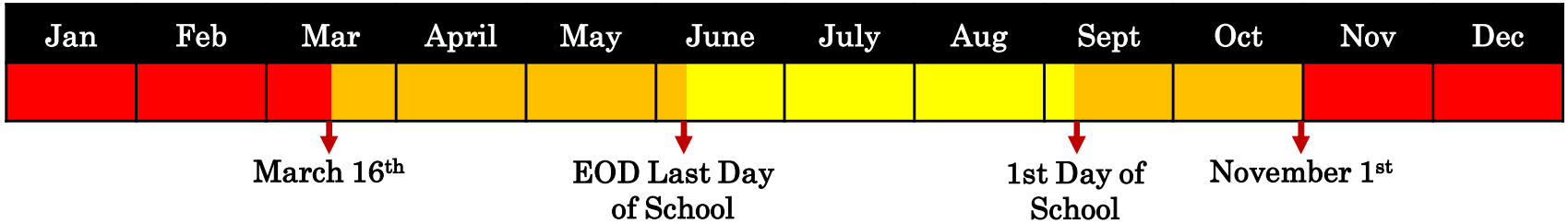
1. Cafeteria in school for any permitted uses when not otherwise scheduled
2. District bleachers for additional seating. City assumes liability for damages when using bleachers.

**District has license to use of one or more meeting rooms located in Community Center when not otherwise scheduled

CATALYST Sourcing Solutions

Division of Campus: Shared Space Seasons

	PEAK
	OFF-PEAK
	SUMMER



Division of Campus: Shared Space – PEAK SEASON

	PEAK
	OFF-PEAK
	SUMMER

	School (S)
	City (C)
C	City Priority
S	School Priority

M-W-F

	Gym 1	Gym 2	Gym 3	Gym 3	Lane Pool	Play Pool
6-7 AM						
7-8 AM						
8-9AM					C*	
9-10 AM						
10-11 AM						
11-12 PM	C					
12-1 PM	C				C*	
1-2 PM						
2-3 PM						
3-4 PM					S	
4-5 PM					S	
5-6 PM					S	
6-7 PM						
7-8 PM						
8-9 PM						
9-10 PM						

Exceptions:

- District holds exclusive use of shared pool space during swim meets and play pool will be CLOSED. Three month notice required.

* Period per day adjusted to accommodate school schedule quarterly.

T-TH

	Gym 1	Gym 2	Gym 3	Gym 3	Lane Pool	Play Pool
6-7 AM						
7-8 AM						
8-9AM					C*	
9-10 AM						
10-11 AM						
11-12 PM	C					
12-1 PM	C				C*	
1-2 PM						
2-3 PM						
3-4 PM					S	
4-5 PM					S	
5-6 PM					S	
6-7 PM						
7-8 PM						
8-9 PM						
9-10 PM						

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CATALYST Sourcing Solutions

Division of Campus: Shared Space – PEAK SEASON

	PEAK
	OFF-PEAK
	SUMMER

	School (S)
	City (C)
C	City Priority
S	School Priority

Sat

	Gym 1	Gym 2	Gym 3	Gym 3	Lane Pool	Play Pool
6-7 AM						
7-8 AM						
8-9AM	S	S	C	C	C	
9-10 AM	S	S	C	C	C	
10-11 AM	S	S	C	C	C	
11-12 PM	S	S	C	C	C	
12-1 PM	S	S	C	C	C	
1-2 PM	S	S	C	C	C	
2-3 PM	S	S	C	C	C	
3-4 PM	S	S	C	C	C	
4-5 PM						
5-6 PM						
6-7 PM						
7-8 PM						
8-9 PM						
9-10 PM						

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*** Period per day adjusted to accommodate school schedule quarterly.**

Sun

	Gym 1	Gym 2	Gym 3	Gym 3	Lane Pool	Play Pool
6-7 AM						
7-8 AM						
8-9AM						
9-10 AM						
10-11 AM						
11-12 PM						
12-1 PM						
1-2 PM						
2-3 PM						
3-4 PM						
4-5 PM						
5-6 PM						
6-7 PM						
7-8 PM						
8-9 PM						
9-10 PM						

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CATALYST Sourcing Solutions

Division of Campus: Shared Space – OFF PEAK SEASON

	PEAK
	OFF-PEAK
	SUMMER

	School (S)
	City (C)
C	City Priority
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M-W-F

	Gym 1	Gym 2	Gym 3	Gym 3	Lane Pool	Play Pool
6-7 AM						
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8-9AM					C*	
9-10 AM						
10-11 AM						
11-12 PM	C					
12-1 PM	C				C*	
1-2 PM						
2-3 PM						
3-4 PM					S	
4-5 PM					S	
5-6 PM					S	
6-7 PM						
7-8 PM						
8-9 PM						
9-10 PM						

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T-TH

	Gym 1	Gym 2	Gym 3	Gym 3	Lane Pool	Play Pool
6-7 AM						
7-8 AM						
8-9AM					C*	
9-10 AM						
10-11 AM						
11-12 PM	C					
12-1 PM	C				C*	
1-2 PM						
2-3 PM						
3-4 PM					S	
4-5 PM					S	
5-6 PM					S	
6-7 PM	S	S	C	C		
7-8 PM	S	S	C	C		
8-9 PM						
9-10 PM						

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CATALYST Sourcing Solutions

Division of Campus: Shared Space – OFF PEAK SEASON

	PEAK
	OFF-PEAK
	SUMMER

	School (S)
	City (C)
C	City Priority
S	School Priority

Sat

	Gym 1	Gym 2	Gym 3	Gym 3	Lane Pool	Play Pool
6-7 AM						
7-8 AM						
8-9AM	S	S	C	C	C	
9-10 AM	S	S	C	C	C	
10-11 AM	S	S	C	C	C	
11-12 PM	S	S	C	C	C	
12-1 PM	S	S	C	C	C	
1-2 PM	S	S	C	C	C	
2-3 PM	S	S	C	C	C	
3-4 PM	S	S	C	C	C	
4-5 PM						
5-6 PM						
6-7 PM						
7-8 PM						
8-9 PM						
9-10 PM						

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Sun

	Gym 1	Gym 2	Gym 3	Gym 3	Lane Pool	Play Pool
6-7 AM						
7-8 AM						
8-9AM						
9-10 AM						
10-11 AM						
11-12 PM						
12-1 PM						
1-2 PM						
2-3 PM						
3-4 PM						
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5-6 PM						
6-7 PM						
7-8 PM						
8-9 PM						
9-10 PM						

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CATALYST Sourcing Solutions

Division of Campus: Shared Space – SUMMER SEASON

	PEAK
	OFF-PEAK
	SUMMER

	School (S)
	City (C)
C	City Priority
S	School Priority

Mon-Fri

	Gym 1	Gym 2	Gym 3	Gym 3	Lane Pool	Play Pool
6-7 AM						
7-8 AM						
8-9AM	S	S	C	C	C	
9-10 AM	S	S	C	C	C	
10-11 AM	S	S	C	C	C	
11-12 PM	S	S	C	C	C	
12-1 PM	S	S	C	C	C	
1-2 PM	S	S	C	C	C	
2-3 PM	S	S	C	C	C	
3-4 PM	S	S	C	C	C	
4-5 PM	S	S	C	C	C	
5-6 PM	S	S	C	C	C	
6-7 PM						
7-8 PM						
8-9 PM						
9-10 PM						

Exceptions:

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*** Period per day adjusted to accommodate school schedule quarterly.**

Weekends

	Gym 1	Gym 2	Gym 3	Gym 3	Lane Pool	Play Pool
6-7 AM						
7-8 AM						
8-9AM						
9-10 AM						
10-11 AM						
11-12 PM						
12-1 PM						
1-2 PM						
2-3 PM						
3-4 PM						
4-5 PM						
5-6 PM						
6-7 PM						
7-8 PM						
8-9 PM						
9-10 PM						

Exceptions:

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CATALYST Sourcing Solutions

Description of Activity	Approved Usage Description
Adult Recreational Programs	Programs and activities primarily targeted to families or post-high school age groups and individuals including athletic performance training, fitness challenges, instruction, programs, and wellness-promoting activities/games. Services related to supporting offsite recreational programs (example trail maps, picnic kits, etc.) **EXCEPTIONS (per below):** • Swimming lessons • Youth birthday parties & Playland Activities
Social Gatherings	Weddings, Reunions, Parties (Adult and Children), General Social Gatherings, and Playland Activities
Meetings & Activities	Business, Civic, and Educational Meetings & Activities
Aquatic Activities	Swimming lessons and other aquatic activities for all age groups
Health & Wellness	Therapeutic massage, injury prevention services, health and wellness services and programs, exercise testing, exercise prescription,

Revenue Distribution

District	City
<u>Pertaining to activities in the Middle School & Shared Space</u> • Activity/Athletic event admission fees (including swim meets) • Program sales receipts • Concession sales from district events (excl. vending machines) • Related merchandise sales	<u>Pertaining to activities in the Community Center & Shared Space</u> • User Fees • Rent • Concession Sales • Vending Machine Commission • Corporate Sponsorships (including naming rights) • Grants • Legislative Appropriations • Donations (including naming rights)

Operating Expense Responsibilities

Expense Description	District Share (Lease/Shared)	City Share (Lease/Shared)
Operating Cost for Community Center	0%	100%
Operating Cost for Shared Space	66%	34%
Related Building Operating Cost *(Janitorial, Maintenance, Security, Required Repairs, Plumbing, HVAC etc.)*	83%	17%
Operating Cost for School	100%	0%

Utility Expense Responsibilities

Expense Description	District Share (Lease/Shared)	City Share (Lease/Shared)
Electrical Meter A	100%	0%
Electrical Meter B	66%/15%	34%/85%
Electrical Meter C	0%	100%
Electrical Meter D	100%	0%
Gas Meter (following SUB-METER deduction)	96%	4%
Natural Gas SUB-METER	32%/0%	68%/100%
Hot Water Meter	83%	17%
Cold Water Meter (following SUB-METER deduction)	86%	14%
Cold Water SUB-METER	54%/0%	46%/100%
Irrigation Meter	100%	0%
Other Meters	100%	0%
Telecom – Voice Lines	Actual assigned lines	Actual assigned lines
Telecom – Data/Internet	Actual usage measured by switches/routers	Actual usage measured by switches/routers
Telecom – Video	Share based on % of total devices using services	Share based on % of total devices using services
Telecom – Long Distance	Actual usage from assigned lines	Actual usage from assigned lines

COMMUNITY CENTER: Additional Responsibilities/Expenses

Description	City Share
Snow Removal	Driveways comprising a portion of the accessways.
Real Estate Taxes	Responsible for all taxes resulting from activities conducted by EDA
Decorating (NON-Capital Improvement)	100%
Capital Improvements to Non-Shared/Related Building	100%
Waste/Recycling Disposal	100%
Pool Supplies (Chemicals, Equipment)	100%
Gym Supplies (Equipment)	100%
Supervision of Shared Space	BY USING ENTITY

DISTRICT: Additional Responsibilities/Expenses

Description	District Share
Pool Rent (in lieu of contribution to maintenance, capital improvements, equipment, supplies, etc.)	$108,181.61 for 2023 *$105,000 (years 1-20 w/ 1% increases annually years 21-30)*
Supervision of Shared Space	BY USING ENTITY

Insurance Coverage Requirements

Coverage Type	District	City
Commercial General Liability Insurance	Minimum per State of Minnesota Statutes 466.04	Minimum per State of Minnesota Statute 466.04
Property Insurance	"All Risk" Full replacement value of building, other improvements, fixtures, and personal property onsite	Full replacement value of removable trade fixtures, & personal property onsite

Insurance Coverage Escalator Clause

Insurance requirements (minimums) shall increase by 25% on the following anniversaries:

1. **10th year (3/15/2010)**
2. **20th year (3/15/2020)**

Non-Governmental Sub-lessee Insurance Coverage Requirements

Coverage Type	Full Space Sublease	Partial Space Sublease
Commercial General Liability Insurance	$4,000,000 in General Liability (Bodily/Personal Injury)	$2,000,000 in General Liability (Bodily/Personal Injury)
Property Insurance	"All Risk" Full replacement value of building, other improvements, fixtures, and personal property onsite	Full replacement value of removable trade fixtures, & personal property onsite

Themes (Generated using AI)

Lease Agreement

What do you notice or want to point out?

- **Financial Structure and Risk Allocation**
  The lease includes nominal rent ($1 per year) with shared operating costs, but places most long-term capital repair and infrastructure risk on the District, while the City covers most day-to-day operational expenses.

- **Governance, Ownership, and Control**
  The District retains ownership of the land and building under a 30-year lease, maintains strong termination rights (with potential costs), and appoints one member to the Community Center advisory group. There is no automatic lease extension.

- **Operational Scope and Subleasing**
  The lease allows subleasing to third parties, including non-educational entities such as medical providers. Board members noted this expands operational exposure beyond education and recreation and warrants awareness.

- **Long-Term Flexibility and Future Impact**
  Members expressed concern that the agreement shifts long-term financial and infrastructure risk to the District and may limit future boards' flexibility for a facility that is not a core educational function.

- **Technical and Contractual Items for Attention**
  Items noted include the lease structure through WEDA with assignment to the City, an apparent option for the City to purchase the structure, concerns with payout language to the lessee, clarification of the facility's name (Safari Island Community Center), and specific utility cost-sharing schedules.

- **Similar Districts or Situations**

  Are there other school districts with similar arrangements or agreements?

What questions do you have for us to look into?

Financial Arrangements, Rent, and Cost Allocation
Members asked whether utility and operating cost shares reflect actual usage, how shared-space percentages were determined, and how actual costs have compared to estimates over time. Questions were also raised about the rent structure (or lack thereof), whether the City effectively prepaid rent through its initial capital contribution, and whether this approach should change going forward.

Capital Investment, Bonds, and Purchase Options
Board members sought clarification on whether the full $3.75–$3.8M capital contribution has been invoiced and paid, whether any City bonds remain outstanding, and whether there has been discussion about the City purchasing the building or how a lease termination scenario would work.

Risk, Liability, and Insurance
Questions focused on the District's financial exposure if the community center operates at a loss, the adequacy and escalation of insurance requirements, and whether current provisions appropriately protect the District.

Governance, Oversight, and Reporting
Members asked what operational, financial, and usage reporting the District receives, whether the advisory group still meets, and whether the District has sufficient input into vendor selection, major improvements, and overall cost control.

Operational Control and Scheduling
Questions were raised about who controls scheduling priority between school and community programs, how flexible the City and District have been in practice, and how adjustments to school hours or prior amendments to the agreement have been handled.

Subleasing and Scope of Use
Members asked whether subleasing to entities such as Ridgeview Medical Center is still desired and how such arrangements affect the District's exposure and alignment with core educational purposes.

Lease Term, Future Flexibility, and Facility Planning
Board members questioned whether another 30-year term is appropriate, whether the agreement constrains future facility planning or school expansion, and whether a modernized agreement could include stronger governance or cost-control protections.

Clarity and Interpretation of Lease Language
Several questions focused on clarifying definitions and formulas in the lease, including shared City space, operating cost calculations, meter expenses, payment methodologies, user fee provisions, and how specific sections of the agreement have been applied in practice.

Shared use agreement

What do you notice or want to point out?

Financial Terms and Revenue Flow
The agreement includes a highly detailed schedule with the District paying the City a fixed annual amount for pool operations ($105,000 per year, escalating 1% annually for the first 20 years and flat thereafter). The City retains all revenue from community center memberships, classes, and entry fees, while the District retains revenue from swim meet admissions.

Access, Security, and Integrated Facility Use
Because the facility is fully integrated, community members regularly access the same structure as students. Board members noted the agreement does not clearly require separate or secured entrances, which may warrant further review.

Scheduling Priority and Conflict Resolution
The agreement lacks explicit language establishing school-first access to shared spaces (gyms, pool, etc.) and does not define a clear process for resolving scheduling conflicts. Members noted this could create friction between educational programming and fee-based community use.

Termination Provisions and District Obligations
The District may terminate the agreement without cause (effective June 30 with February 1 notice), but doing so triggers payment obligations that merit careful consideration.

Utilities, Meters, and Cost Accuracy
Board members questioned whether utility provisions reflect current conditions, noting that meters and usage may have changed due to construction and should be reviewed by District property managers.

Operational Roles and Responsibilities
The City operates and staffs the pool, including lifeguards, chemicals, and daily operations. Shared spaces identified in the agreement include gyms and the lap pool.

Governance and Parties to the Agreement
The inclusion of the Waconia Economic Development Authority (EDA) prompted questions about its role relative to the City of Waconia.

Technical and Clarifying Items
Members flagged the need for clarification of timing provisions (Section 18.2), likely related to differing fiscal years, and noted the non-discrimination provision limiting District resident fees to no more than 116.8% of City resident fees.

What questions do you have for us to look into?

Clarity of Definitions and Agreement Structure
Members questioned whether key terms and referenced agreements (including the community education agreement and EDA-related provisions) are clearly defined and still relevant, noting uncertainty about whether some entities or sections remain applicable.

Implementation vs. Contract Language
Several questions focused on whether the agreement is being followed as written, including scheduling of gyms and pool use, snow removal responsibilities, shared equipment use, fee practices, advisory group participation, annual reviews, and whether stated procedures align with day-to-day operations.

Financial Terms, Payments, and Cost Sharing
Board members asked for confirmation of the current annual pool payment amount after years of escalation, whether payments have been made consistently, how operating costs are calculated, and how the District's payments compare to the City's share. Questions also addressed rent calculations, proportional cost formulas, historical disputes, and inconsistencies between contract language and current financial information.

Revenue, Costs, and Long-Term Financial Balance
Members requested data on historical revenues generated by the Community Center compared to costs borne by each party, particularly related to pool operations, to better understand overall financial equity.

Facilities Condition and Capital Assets
Questions were raised about the current condition, remaining useful life, and maintenance responsibilities for major shared assets (e.g., HVAC and other building systems), and whether the City has requested or driven leasehold improvements over the term of the agreement.

Student Safety, Security, and Emergency Authority
Board members emphasized the need for clearer provisions in any updated agreement addressing student safety, including secured entrances, controlled access zones, background checks, surveillance and supervision standards, emergency lockdown authority, incident reporting, and after-hours access procedures.

Governance, Oversight, and Accountability
Members asked whether required advisory groups still exist, whether the District appoints representatives, who the designated employees are, and whether formal annual reviews are occurring as required by the agreement.

Lease Term and Future Flexibility
Questions centered on whether renewing the agreement for another 30-year term is appropriate, whether the City desires that length, and whether the current schedule and terms

continue to meet District needs—especially after facility changes such as the middle school and high school swap.

Insurance and Risk Management
Board members questioned whether insurance limits have been updated over time, how escalation provisions have been applied, and whether current coverage levels adequately reflect today's risk environment.

<u>Raw Data</u>

Lease Agreement

What do you notice or want to point out?

- Nominal rent of $1 per year, shared costs per schedules
- District financed the original building and invoiced back the WEDA for costs
- Lease is actually with WEDA and sublet to the City
- Utility costs are shared per a very specific schedule
- District retains strong termination rights
- City bears most of the day-to-day operational costs
- It appears there's an option for the City to purchase the structure
- District carries most capital repair risk
- Subleasing to third parties (including medical providers). The lease allows subleasing to entities like Ridgeview Medical Center.
- This expands operational risk beyond education and recreation and deserves awareness.
- This agreement shifts long-term financial and infrastructure risk to the school district while limiting future boards' flexibility, despite the community center not being a core educational function.
- The District owns the entire building and land. 30-year lease with no automatic extension. Base rent is $1/year, but city pays part of operating costs. District could terminate lease, but with costs. District appoints one member to the City's Community Center advisory group.
- 14. Name - It is now Safari Island Community Center
- 24.a.1 Assignment - I am guessing that this was triggered and the City now is assigned the lease.
- 28.b.1 - The payout to lessee should not exist in the new contract.

What questions do you have for us to look into?

- Do utility cost shares reflect actual use?
- Has there been any discussion on the City purchasing the building? What would this look like? Same on termination of lease - any discussion historically and what would that look like?
- Has the $3.75M been fully invoiced and paid? Does the city still have any outstanding bonds on the facility?
- What reporting does the district receive about community center operations, financials, and usage?
- 3. Term - Do we want another 30-year term?
- 5. Rent - Is this how we calculate rent for the City? What happened when we changed the rest of the building to the High School and the Relating Building Costs?
- It is interesting that we effectively have not charged rent? I think… we really have just charged the city the operating cost of the their portion of the building. If I am reading this right.
- I think this is because they helped pay for the building (to the tune of $3.8 million see 28.b.1)
- I believe that going forward this should change. As they basically paid their rent up front. This may be a difficult point as I don't know if the City has built that type of expense into the Safari Island budget.
- 22. Insurance - We should check the needed insurance rates. They had built in t increases that might not really be appropriate.
- 24.a.3 - Is it still desired to allow subletting to Ridgeview?
- What is the district's liability if the community center operates at a loss?
- Does the district have adequate input into vendor selection and scope for major improvements?
- Who controls scheduling priority between school programs and community programs?
- Does this agreement constrain future facility planning or school expansion?
- Are there better governance or cost-control protections we would want in a modern agreement?
- How was percentage of operating costs for shared space determined? What cost for shared space and related building operating costs?
- How have actual operating costs vs. estimates trended over time?
- Does advisory group still meet?
- How flexible have the city and district been regarding scheduling?
- Shared City Space – "as constitute a portion of the City Premises"
- Section 3.1 – License to District for Use of Shared City Space: What is considered City Space? What are the City Premises?
- Section 4.2 Adjustments to School Hours Paragraph d – The parties shall amend the agreement from time to time. What amendments have ever been made?
- Section 6 – Operating Costs
  Section 6.1 Paragraph a - The meter expenses don't align with the Lease Agreement chart (in my untrained eyes)? [see chart in section 6.1]

Section 6.3 Paragraph b – What is the science for the Payment by District?

- Section 10 – User Fees Daily use fees (Monthly and Annual as well I assume?) “the City will not discriminate between residents of the City and constituents of the District” “with respect to all other fees, rates and other charges as may be charged by the City from time to time, the amount of such fees, rates and other charges as shall be payable by constituents of the District who are not also residents of the City shall at all times equal an amount not greater than one hundred sixteen and-eight-tenths percent (116.8%) of those counterpart fees, rates and other charges as shall then be payable by constituents of the City.” What are “all other fees”?

Shared use agreement

What do you notice or want to point out?

- The schedule is extremely detailed
- District pays the City a fixed annual amount for pool operations/management: $105,000/year escalating 1% annually for the first 20 years, then flat thereafter
- City keeps all revenue from Community Center Memberships, classes, entry fees, etc
- District keeps any revenue from swim meet admissions
- District can terminate without cause (June 30 effective date, Feb 1 notice), triggering payment obligations
- Because this is a fully integrated building:
    - Community members have regular access to the same structure as students.
    - The lease does not clearly require separate secured entrances
- No clear scheduling priority language
- The agreement does not explicitly guarantee:
    - School-first access to gym, pool, or shared spaces
    - Defined conflict-resolution process if programs overlap
- This could create friction between educational programming and fee-based community use.
- I think all of the electric, gas, cold water, etc meters sections need to be reevaluated by district property managers as I believe we have new meters and usage due to construction.
- Not quite understanding the timing in Section 18.2. Can it be reviewed and explained? I think it is trying to deal with the different fiscal year models of the District and City.
- Includes Waconia Economic Development Authority (EDA). What is EDA vs. City of Waconia?
- Shared Spaces include Gyms and lap pool.
- City operates and staffs the pool (lifeguards, chemicals, daily operations).
- District pays the City: $105,000/year for first 20 years. Increases 1% annually for 20 years.
- Non-discrimination rule: District residents cannot be charged more than 116.8% of City resident fees.

What questions do you have for us to look into?

- Section 19 - What is the community education agreement? I am not sure the Definitions at the beginning clarify…
- Has this schedule worked and is it still followed? For example, the current gym schedule appears different than what was agreed upon in the contract and the lap pool doesn't seem to be used frequently by the district during the school day
- What is the current annual pool payment amount (after 20+ years of 1% escalation), and has it been paid consistently?
- What are the actual historical revenues generated by the Community Center vs. the costs borne by each party (especially pool operations)?
- Have there been any formal amendments to the scheduling exhibits, cost shares, or other terms since 2000?
- Obviously HVAC was just upgraded this year, but what is the current condition and remaining useful life of major shared assets?
- Student Safety & Security: The updated agreement should clearly address:
    - Separate secured entrances and circulation paths during school hours
    - Controlled access zones between school and community spaces
    - Background checks for all community center staff and contractors
    - Surveillance, supervision, and monitoring standards
    - Lockdown authority — who controls building security in emergencies
    - Incident reporting and response protocols
    - After-hours access procedures
- Waconia Economic Development Authority "EDA", does this exist anymore?
- Do we think this should be renewed for 30 years? Does the city want that length?
- Section 4.1 Are these times still alignment with practice?
- Section 6.2 - Is this how snow removal is managed in practice? Is the city doing it's own parking lot and sidewalks and the district doing its own?
- Section 8.4 - Do we share equipment with the City? How has this process worked? Do we feel this has been done fairly? And the sharing from the city as well?
- Section 10 - Does this actually happen in practice? Are all residents of the district treated the same as residents of Waconia?
- Section 13 - Does this advisory group exist? Does the district appoint a member?
- Section 20.1 - Is an annual review happening in practice?
- Section 20.2 - Who are the designated employees?
- Section 21 - Did this trigger? Does this matter now that EDA doesn't exist?
- What is current amount district pays city for operating costs? ($128K?) How does this compare to city's share of operating costs? Overall, who ends up owing more?
- Does current schedule meet district needs?
- Were there any updates/amendments made when the middle school and high school Swapped?
- Section 5 – Rent. Base rent is $1. Additional rent is the Lessee's Proportionate Share.
    - Paragraph b – How is the Annual Estimated Payment calculated? Have there been disputes?

    - Paragraph d
        - 100% of the Operating Costs of the Premises
        - 34% of the Operating Costs of the Shared Space
        - 17% of the related Building Operating Costs
- How does this align with Pam's information? Operating Costs, City/WEDA pays:
    - 34% of Shared-Space Electricity
    - 17% of Related Building Operating Costs
    - Specific percentage of water and gas by meter
- Section 8 – Leasehold Improvements, Paragraph e – Was that a rainy day fund or did it reflect demands by the City at the time of construction? Has the City over the term of the contract ever requested improvements?
- Section 22 – Insurance Paragraph b – Have policy limits been updated over time? Although the agreement says "at least" 4 million which indicates a base. Paragraph f does address Escalation of Required Insurance Amounts

Other

- Assessment of Current Safari Island Revenue & Expenses. You can find the city's budget here https://www.waconiamn.gov/216/Annual-Budgets-Capital-Improvement-Plans
- Search for Safari in the document and you can find the relevant information. It appears to me that the City of Waconia is subsidizing Safari Island to the tune of $176,000 per year for 2025 & 2026 "4131 - Interfund Transfer In" in the Safari Island Revenues
- Shared Use Schedule for Gym & Pool. Does this schedule still work for High School vs. Middle School Usage?
- They rent X-country ski equipment?

SHARED USE AGREEMENT

THIS AGREEMENT is made and entered into on this 15th day of March, 2000, by and between **INDEPENDENT SCHOOL DISTRICT NO. 110**, an independent school district existing under the laws of the State of Minnesota (the "District"), and the **CITY OF WACONIA**, a body corporate and politic under the laws of the State of Minnesota (the "City").

RECITALS

A. The District is constructing an integrated middle school building (the "School Building") and a community center (the "Community Center") to be known as the Waconia Middle School and the Waconia Community Center, respectively (collectively, the "Building"), all on land legally described on Exhibit "A" attached hereto (the "Land");

B. The District has entered into that Community Center Lease Agreement, dated on even date herewith, with the Waconia Economic Development Authority, a body corporate and politic under the laws of the State of Minnesota (the "EDA"), pursuant to which the District has leased to the EDA a portion of the Community Center known therein as the "Premises" (the "EDA Premises"), all in accordance with the terms thereof (the "EDA Lease");

C. Contemporaneous with the District's and the EDA's entry into the EDA Lease, and pursuant to the terms thereof, each of the EDA and the City have entered into that certain Community Center Lease With Option to Purchase Agreement, dated on even date herewith, pursuant to which the EDA has subleased to the City the EDA Premises (referred to herein as the "City Premises"), all in accordance with the terms thereof (the "City Sublease");

D. The District owns, or will own upon completion thereof, both the School Building and the Community Center, together with such of the Land as comprises the footprint for the School Building and Community Center and all exterior parking areas, accessways, and common areas related thereto;

E. Both the District and the City desire to provide for the joint and shared use of certain of the facilities located within the Community Center in an effort to make the best use of such facility and to provide effective programs and services to residents of the City, the District and the outlying community, all in accordance with the terms and provisions of this Agreement.

AGREEMENT

NOW, THEREFORE in consideration of the premises, and the mutual covenants and agreements set forth herein, each of the District and the City do hereby agree as follows:

Section 1. Defined Terms.

(a) For purposes of this Agreement, the following definitions shall apply:

"Accessways" shall have the meaning ascribed to it in the EDA Lease.

"Adult Recreation" shall mean such recreational programs and activities, to the extent suitable for conduct in the Community Center, as shall be primarily targeted to families or post-high school aged groups and individuals, including without limitation the following: (i) such league or non-league sports activities as basketball, volleyball, floor hockey, tennis, badminton, handball, softball and football; (ii) such exercise classes as aerobics, kick boxing, tae kwon do, yoga, tai chi, dance lessons and golf lessons; (iii) such other recreational activities as aquatic activities and ping pong; and (iv) such services related to off-site recreational activities, as provision of trail maps, rental of cross country ski and snow shoe equipment, provision of picnic kits, and other similar services.

"Applicable Law" shall mean (i) all applicable provisions of all constitutions, statutes, ordinances, rules, regulations, and orders of all governmental and/or quasi-governmental bodies, other than the District; (ii) reasonable rules and policies that are regularly adopted by the District with respect to all of the District's public school buildings and that concern the health, safety and well being of the District's public school students; provided, however, that any such rule or policy shall only be considered "Applicable Law" hereunder at such point in time that a written copy of the same is delivered to the City; and (iii) orders, judgments and decrees of all courts and arbitrators. The District shall promptly provide the City with a complete copy of the District's rules and policies prior to or upon execution of this Agreement and with written notice of any rules and policies that are canceled or repealed.

"Building" shall have the meaning ascribed to it in the Recitals set forth above.

"City" shall mean the City of Waconia, a body corporate and politic under the laws of the State of Minnesota.

"City Premises" shall have the meaning ascribed to it in the Recitals set forth above.

"City Sublease" shall have the meaning ascribed to it in the Recitals set forth above.

"Cold Water Sub-meter" shall have the meaning ascribed to it in the EDA Lease.

"Commencement Date" shall have the meaning ascribed to it in the EDA Lease.

"Common Areas" shall have the meaning ascribed to it in the EDA Lease.

"Community Center" shall have the meaning ascribed to it in the Recitals set forth above, all as shown on Exhibit "B" attached hereto.

"Community Education Agreement" shall mean that Community Education and Recreation Agreement, dated June 6, 1994, by and between the City and the District.

"District" shall mean Independent School District No. 110, an independent school district existing under the laws of the State of Minnesota.

"Electric Meter B" shall have the meaning ascribed to it in the EDA Lease.

"EDA" shall have the meaning ascribed to it in the Recitals set forth above.

"EDA Lease" shall have the meaning ascribed to it in the Recitals set forth above.

"Gas Sub-meter" shall have the meaning ascribed to it in the EDA Lease.

"Gymnasium" shall mean the gymnasium as shown on Exhibit "C" attached hereto.

"Land" shall have the meaning ascribed to it in the Recitals set forth above.

"Lap Pool Area" shall mean the lap swimming pool area as shown on Exhibit "C" attached hereto.

"Lessee's Proportionate Share" shall have the meaning ascribed to it in the EDA Lease.

"Operating Costs" shall have the meaning ascribed to it in the EDA Lease.

"Operating Costs for the Shared Space" shall have the meaning ascribed to it in the EDA Lease.

"Permitted City Uses" shall mean, only to the extent permitted under Applicable Law, (i) all recreational and athletic activities and programs, including without limitation Adult Recreation activities and programs (excluding, except as otherwise expressly provided herein, any such activities and programs as shall be primarily targeted to high school aged, or younger, individuals or groups); (ii) health care services ancillary to the uses described in (i) above, and consisting only of the following services: (A) fitness consultations including exercise instruction, exercise testing and exercise prescription, (B) health and wellness services including instruction, fitness challenges, programs, games, and activities which enhance excitement and fun while promoting wellness, (C) therapeutic massage, (D) injury prevention services, and (E) athletic performance training; (iii) business, civic and educational meetings and activities; (iv) swimming lessons and other aquatic activities for all age groups; (v) social gatherings, including without limitation weddings, birthday

parties for adults and children, playland activities for children, and reunions; and (vi) such other uses as the District may, in its sole discretion, acknowledge in writing to be a Permitted City Use.

"Primary Use Period" shall mean that period of time commencing as of November 1 of each calendar year, and continuing uninterrupted through and including March 15 of the following calendar year.

"Recreational Pool Area" shall mean the recreational swimming pool area as shown on Exhibit "C" attached hereto.

"Related Building Operating Costs" shall have the meaning ascribed to it in the EDA Lease.

"School Building" shall have the meaning ascribed to it in the Recitals set forth above, all as shown on Exhibit "B" attached hereto.

"School Days" shall mean all calendar days during the School Year during which classes or exams are scheduled to be held by the District for the District's public school students.

"School Hours" shall mean that period of time, during School Days, during which the District holds, or has scheduled to hold, classes or exams for its public school students, inclusive of intervening lunch periods or other breaks or interruptions, each which School Day shall commence as of thirty (30) minutes in advance of the commencement of such classes and/or exams and shall terminate as of as of thirty (30) minutes following the conclusion of such classes and/or exams.

"School Premises" shall mean that portion of the Community Center excluding the EDA Premises.

"School Year" shall mean all calendar days during the District's then current school year (exclusive of summer school and inclusive of other school sessions comprising a portion of such school year, if applicable), commencing as of the first day of such school year and ending as of the last day of such school year.

"Secondary Use Period" shall mean, as to each School Year, (i) that period of time commencing as of the first School Day of such School Year and continuing through and including October 31 of such School Year; and (ii) that period of time commencing as of March 16 of such School Year and continuing through and including the last School Day of such School Year.

"Shared City Space" shall mean those areas within the Gymnasium, other than the running track, as constitute a portion of the City Premises, as to which the District shall have rights of access and use for the purpose of conducting permitted activities of the District, as set forth in this Agreement and as shown on Exhibit "D" attached hereto, and including without limitation all furnishings commonly located and used in said spaces (and excluding, absent the prior consent of

the City, all supplies, personal property, equipment, or sports equipment commonly located or used therein).

"Shared Gymnasium Space" shall mean the collective reference to the Shared School Gymnasium Space and the Shared City Space.

"Shared School Gymnasium Space" shall mean those areas within the Gymnasium as constitute a portion of the School Premises, as to which the City shall have rights of access and use for the purpose of conducting permitted activities of the City, as set forth in this Agreement and as shown on Exhibit "D" attached hereto, and including without limitation all furnishings commonly located and used in said spaces (and excluding, absent the prior consent of the District, all supplies, personal property, equipment, or sports equipment commonly located or used therein).

"Shared School Pool Area Space" shall mean those areas within the Lap Pool Area as constitute a portion of the School Premises, as to which the City shall have rights of access and use for the purpose of conducting permitted activities of the City, as set forth in this Agreement and as shown on Exhibit "D" attached hereto, and including without limitation all furnishings commonly located and used in said spaces (and excluding, absent the prior consent of the District and except as otherwise expressly provided in this Agreement, all supplies, personal property, equipment, or sports equipment commonly located or used therein).

"Shared School Space" shall mean the shall mean the collective reference to the Shared School Gymnasium Space and the Shared School Pool Area Space.

"Shared Space" shall mean the shall mean the collective reference to the Shared City Space and the Shared School Space.

"Swim Meet" shall mean any weekday or weekend swim meet, invitational swim meet or other swim tournament (i) sponsored by the District, (ii) which includes participation by one or more swim teams organized by the District, together with one or more swim teams organized by a school district other than the District, and (iii) which is organized or initiated at the direction of either (A) the athletic conference, school league, or other counterpart organization charged with responsibility for organizing or overseeing such events, or (B) in the absence of any such athletic conference, school league or other counterpart organization, the District (provided, however, that the number of such Swim Meets as shall be scheduled by the District under this subparagraph (B) shall not exceed ten (10) Swim Meets during any calendar year).

"Swim Meet Hours" shall mean that period of time, at any time during a calendar year, during which a Swim Meet has been scheduled to held, which Swim Meet Hours shall commence as of ninety (90) minutes in advance of the scheduled start time for the actual Swim Meet competition and shall terminate as of as of thirty (30) minutes following the conclusion of such actual Swim Meet competition.

"Summer Use Period" shall mean, as to each calendar year, that period of time commencing as of the first day immediately following the last School Day of any School Year and continuing through and including the first day immediately preceding the first School Day of the next ensuing School Year.

"Youth Recreation" shall mean recreational programs and activities other than those programs and activities which constitute Adult Recreation; provided, however, swimming lessons, other aquatic activities, birthday parties, and playland activities for high school aged, or younger, individuals or groups shall not constitute Youth Recreation.

(b) Other Terms. Except as to those terms otherwise defined in this Agreement, all capitalized terms used in this Agreement shall have the respective meanings ascribed to them in the EDA Lease.

Section 2. Term of Agreement.

Unless earlier terminated as otherwise provided herein, this Agreement shall commencement upon the Commencement Date and shall continue for a term of thirty (30) years.

Section 3. Licenses to Use of Shared Space.

Section 3.1. License to District for Use of Shared City Space. The City hereby grants the District for the term hereof a nonexclusive license, in common with the City, to use and occupy the Shared City Space in accordance with the provisions of this Agreement.

Section 3.2. License to City for Use of Shared School Space. The District hereby grants the City for the term hereof a nonexclusive license, in common with the District, to use and occupy the Shared School Space, Common Areas and Accessways in accordance with the provisions of this Agreement.

Section 4. General Limitation on City Use of Shared Space. Subject only to Sections 4.1 and 4.2 of this Agreement, and otherwise notwithstanding anything to the contrary in this Agreement, the City shall be prohibited from using, and shall not use, all or any portion of the Shared Space at any time during School Hours for all days during the School Year, all of which Shared Space shall, for the duration thereof, be available for the exclusive use and enjoyment of the District; provided, however, the City may from time to time otherwise use all or any portion of the Shared Space during School Hours upon the express written consent of the District, which consent may be withheld by the District in its sole discretion.

Section 4.1. Exceptions to General Limitation. Notwithstanding Section 4 above, the City shall be entitled to limited use of the Shared Space during such restricted periods, as follows:

(a) During each and every Primary Use Period and Secondary Use Period, the City shall be entitled to the exclusive use of one gymnasium basketball court located in the Shared Gymnasium Space: (i) for an uninterrupted period of time, on Monday through Friday of each calendar week, from 11:00 a.m. through and including 1:00 p.m..; and (ii) for such other periods of time as the District may permit in writing in its sole discretion; and

(b) During each and every Primary Use Period and Secondary Use Period, the City shall be entitled to the nonexclusive use, in common with the District, of the lap swimming pool located in the Shared Pool Space: (i) for two (2) uninterrupted periods of time to be scheduled, as described herein, at such times as shall be compatible with the District's then applicable physical education schedule, each such use to occur during, and to approximately equal, the District's then scheduled classroom periods, the duration of each such use not to be less than forty-five (45) minutes, nor more than one (1) hour, in length of time, on Monday through Friday of each calendar week, each such use period to be scheduled as follows: (A) one such period shall be scheduled to occur within the time period commencing at 8:00 a.m. and continuing through and including 12:00 Noon of each such day; and (B) the other such period shall be scheduled to occur within the time period commencing at 12:00 Noon and continuing through and including 3:00 p.m. of each such day; and (ii) for such other periods of time as the District may permit in writing in its sole discretion.

Section 4.2. Adjustments to School Hours, Days and Year. In the event of any adjustments or changes by the District from time to time to its schedule for School Hours, School Days, or any School Year, if implemented by the District in compliance with state or federal law, rules or regulations, including without limitation state or federal mandates for increases or decreases in annual educational hour requirements, the following shall apply:

(a) Subject to Sections 4.1(a) and (b) above and Sections 4.2(b) and (c) below, the exclusive and priority use allocations of the Shared Space, as are more fully described in Section 5 below and on Exhibit "E", and Exhibit "F", attached hereto, shall be deemed modified in accordance with this Section 4.2 to ensure that (i) the District retain exclusive use of the Shared Space during School Hours for any School Days which are added to the School Year; and (ii) in the case of any increase in School Hours during any School Day, the District receive a corresponding increase in the number of exclusive use hours

for the Shared Space during non-School Hours for each such School Day.

(b) For any School Year during which the District shall add School Days in accordance with this Section 4.2, the District's right to retain exclusive use of the Shared Space during School Hours for any School Days which are so added to the School Year shall in no event entitle the District to such exclusive use for more than five (5) School Days in excess of the number of scheduled School Days for the District's School Year in effect as of the date of this Agreement; and

(c) For any School Year during which the District shall increase School Hours during any School Day in accordance with this Section 4.2, in no event shall the District have the right to receive a corresponding increase in the number of exclusive use hours for the Shared Space during non-School Hours for each such School Day in excess of more than sixty (60) minutes; provided, however, in no event shall the District have the right to receive a corresponding increase in the number of exclusive use hours for the Shared Space during non-School Hours for each such School Day beyond 6:00 p.m. on any School Day constituting a Monday, Wednesday or Friday. The limited right granted to the District to increase its exclusive use of the Shared Space during School Hours as described this Section 4.2(c) shall in no way confer upon the District the right to change the exclusive use and priority use times described in Section 5 of this Agreement, or in Exhibit "E", Exhibit "F", or Exhibit "G" attached hereto, except in accordance with this Section 4.2(c).

(d) The parties hereto shall amend this Agreement from time to time, in accordance with Section 20.1 hereof, to reflect any and all modifications arising or adopted pursuant to this Section 4.2.

Section 5. Use of Shared Space. Subject to the general limitations on the City's use of the Shared Space in accordance with Section 4 of this Agreement, use by the District and the City of the Shared Space shall be subject to the exclusive use times and priorities of use set forth in this Section 5.

Section 5.1. Shared Gymnasium Space (Primary Use Period). Use of the Shared Gymnasium Space between the District and the City, during and throughout the Primary Use Period, shall be determined and allocated as follows:

(a) The District shall have exclusive use of the Shared Gymnasium Space at all times for which such exclusive use is granted to the District in accordance with Exhibit "E" attached hereto.

(b) The City shall have exclusive use of the Shared Gymnasium Space at all times for which such exclusive use is granted to the City in accordance with Exhibit "E" attached hereto.

(c) The District shall have scheduling priority over the City for the exclusive use of the Shared Gymnasium Space at all times for which such scheduling priority is granted to the District in accordance with Exhibit "E" attached hereto.

(d) The City shall have scheduling priority over the District for the exclusive use of the Shared Gymnasium Space at all times for which such scheduling priority is granted to the City in accordance with Exhibit "E" attached hereto.

Section 5.2. Shared Gymnasium Space (Secondary Use Period). Use of the Shared Gymnasium Space between the District and the City, during and throughout the Secondary Use Period, shall be determined and allocated as follows:

(a) The District shall have exclusive use of the Shared Gymnasium Space at all times for which such exclusive use is granted to the District in accordance with Exhibit "F" attached hereto.

(b) The City shall have exclusive use of the Shared Gymnasium Space at all times for which such exclusive use is granted to the City in accordance with Exhibit "F" attached hereto.

(c) The District shall have scheduling priority over the City for the exclusive use of the Shared Gymnasium Space at all times for which such scheduling priority is granted to the District in accordance with Exhibit "F" attached hereto.

(d) The City shall have scheduling priority over the District for the exclusive use of the Shared Gymnasium Space at all times for which such scheduling priority is granted to the City in accordance with Exhibit "F" attached hereto.

Section 5.3. Shared Gymnasium Space (Summer Use Period). Use of the Shared Gymnasium Space between the District and the City, during and throughout the Summer Use Period, shall be determined and allocated as follows:

(a) The District shall have exclusive use of the Shared Gymnasium Space at all times for which such exclusive use is granted to the District in accordance with Exhibit "G" attached hereto.

(b) The City shall have exclusive use of the Shared Gymnasium Space at all times for which such exclusive use is granted to the City in accordance with Exhibit "G" attached hereto.

(c) The District shall have scheduling priority over the City for the exclusive use of the Shared Gymnasium Space at all times for which such scheduling priority is granted to the District in accordance with Exhibit "G" attached hereto.

(d) The City shall have scheduling priority over the District for the exclusive use of the Shared Gymnasium Space at all times for which such scheduling priority is granted to the City in accordance with Exhibit "G" attached hereto.

Section 5.4. Shared Pool Space (Primary Use Period). Subject to Section 5.7 below, use of the Shared Pool Space between the District and the City, during and throughout the Primary Use Period, shall be determined and allocated as follows:

(a) The District shall have exclusive use of the Shared Pool Space at all times for which such exclusive use is granted to the District in accordance with Exhibit "E" attached hereto.

(b) The City shall have exclusive use of the Shared Pool Space at all times for which such exclusive use is granted to the City in accordance with Exhibit "E" attached hereto.

(c) The District shall have scheduling priority over the City for the exclusive use of the Shared Pool Space at all times for which such scheduling priority is granted to the District in accordance with Exhibit "E" attached hereto.

(d) The City shall have scheduling priority over the District for the exclusive use of the Shared Pool Space at all times for which such scheduling priority is granted to the City in accordance with Exhibit "E" attached hereto.

Section 5.5. Shared Pool Space (Secondary Use Period). Subject to Section 5.7 below, use of the Shared Pool Space between the District and the City, during and throughout the Secondary Use Period, shall be determined and allocated as follows:

(a) The District shall have exclusive use of the Shared Pool Space at all times for which such exclusive use is granted to the District in accordance with Exhibit "F" attached hereto.

(b) The City shall have exclusive use of the Shared Pool Space at all times for which such exclusive use is granted to the City in accordance with Exhibit "F" attached hereto.

(c) The District shall have scheduling priority over the City for the exclusive use of the Shared Pool Space at all times for which such scheduling priority is granted to the District in accordance with Exhibit "F" attached hereto.

(d) The City shall have scheduling priority over the District for the exclusive use of the Shared Pool Space at all times for which such scheduling priority is granted to the City in accordance with Exhibit "F" attached hereto.

Section 5.6. Shared Pool Space (Summer Use Period). Subject to Section 5.7 below, use of the Shared Pool Space between the District and the City, during and throughout the Summer Use Period, shall be determined and allocated as follows:

(a) The District shall have exclusive use of the Shared Pool Space at all times for which such exclusive use is granted to the District in accordance with Exhibit "G" attached hereto.

(b) The City shall have exclusive use of the Shared Pool Space at all times for which such exclusive use is granted to the City in accordance with Exhibit "G" attached hereto.

(c) The District shall have scheduling priority over the City for the exclusive use of the Shared Pool Space at all times for which such scheduling priority is granted to the District in accordance with Exhibit "G" attached hereto.

(d) The City shall have scheduling priority over the District for the exclusive use of the Shared Pool Space at all times for which such scheduling priority is granted to the City in accordance with Exhibit "G" attached hereto.

Section 5.7. Swim Meets. Notwithstanding anything to the contrary set forth in Sections 5.4, 5.5 and 5.6 above, the District shall be granted exclusive use of the Shared Pool Space during Swim Meet Hours for any Swim Meet. In addition, at all times during Swim Meet Hours for

any Swim Meet, the City shall prohibit and restrict any and all use of the Recreational Pool Area, whether by the City, any invitee of the City or any other person or entity; provided, however, at all times during Swim Meet Hours for any Swim Meet, the City authorizes the District to permit reasonable use of such portions of the Recreational Pool Area (excluding the recreational pool) as may be necessary or appropriate for accommodating temporary seating areas for participating swim teams, temporary placement of any equipment in connection with any Swim Meet, or any other use by participating swim teams, tournament officials, or tournament staff (including volunteer staff) reasonably related to the conduct of a Swim Meet.

Section 5.8. Scheduling.

(a) Exclusive Use Periods. Neither party is required to schedule in advance any use of any of the Shared Space for any period during which such party has been granted exclusive use of such Shared Space; provided, however, the District shall provide the City with advance notice as soon as reasonably practicable of the schedule for all Swim Meets, such notice to be provided not less than three (3) months prior to the date of each such Swim Meet.

(b) Shared Gymnasium Space. Subject to Section 5.8(a) above, the District and the City, as applicable, shall be responsible for all scheduling of the Shared Gymnasium Space for any period of time during which such party has exclusive or priority use of the Shared Gymnasium Space. All requests for scheduling of any priority use of the Shared Gymnasium Space shall be submitted by the party requesting use to such person or persons as may be designated by the party with scheduling responsibility from time to time to perform scheduling responsibility on behalf of such party for priority use of the Shared Gymnasium Space, such requests to include the times and duration of such requested uses. Unless otherwise permitted by the party with scheduling responsibility, all such requests for priority use of the Shared Gymnasium Space shall be submitted to the designee(s) of the party with scheduling responsibility not less than fourteen (14) days in advance of the requested use dates. In the event of conflicting requests for use of any of the Shared Gymnasium Space during any period in which a party has been granted priority use for such space, and unless otherwise agreed between the parties, scheduling of such space shall be determined in accordance with the applicable priorities of use as set forth in this Agreement.

(c) Shared Pool Space. Subject to Section 5.8(a) above, the City shall be responsible for all scheduling of the Shared Pool Space for any period of time during which the City has been granted exclusive use, or any

party has been granted priority use, for such space, and the District shall be responsible for all scheduling of the Shared Pool Space for any period of time during which the District has exclusive use of the Shared Pool Space. All requests for scheduling of any priority use of the Shared Pool Space shall be submitted by the party requesting use to such person or persons as may be designated by the City from time to time to perform all scheduling responsibility for priority use of the Shared Pool Space, such requests to include the times and duration of such requested uses. Unless otherwise permitted by the City, all such requests for priority use of the Shared Pool Space shall be submitted to the City's designee(s) not less than three (3) months in advance of the requested use dates. In the event of conflicting requests for use of any of the Shared Pool Space during any period in which a party has been granted priority use for such space, and unless otherwise agreed between the parties, scheduling of such space shall be determined in accordance with the applicable priorities of use as set forth in this Agreement.

(d) Special Activities. Special activities by the District and/or the City may require preparation of the Shared Space. The scheduling of all such special activities, as well as the scheduling of all preparations for such special activities, shall be determined in accordance with Section 5.8(a), (b) and (c) of this Agreement. The parties agree to try to schedule all such preparatory work at times and in such a manner as will minimize any disruption to the regular programs of the District and the City on or within the Shared Space.

Section 6. Operating Costs. The District and the City hereby agree that, with respect only to those Operating Costs assumed by the City in accordance with the City Sublease, the following shall apply:

Section 6.1. Shared Space Operating Costs: In addition to any payment by the City of Lessee's Proportionate Share of Operating Costs for the Shared Space, the City shall additionally pay:

(a) That portion of expenses associated with Electrical Meter B as shall result in an aggregate allocation of expenses associated with Electrical Meter B as follows: (i) the City shall pay eighty-five percent (85%) of all expenses associated with Electrical Meter B; and (ii) the District shall pay fifteen percent (15%) of all expenses associated with Electrical Meter B;

Condensate Meters.

(b) That portion of expenses associated with the Gas Sub-meter as shall result in the City shall paying one hundred percent (100%) of all expenses associated with the Gas Sub-meter; and

(c) That portion of expenses associated with the Cold Water Sub-meter as shall result in the City shall paying one hundred percent (100%) of all expenses associated with the Cold Water Sub-meter

Section 6.2. Related Building Operating Costs. In lieu of any payment by the City of Lessee's Proportionate Share of Related Building Operating Costs for snow removal in connection with the Accessways or any parking lots comprising Common Areas, each of the District and the City will separately perform such snow removal as follows: (i) the District will conduct, at its sole cost and expense, all snow removal with respect to any parking lots comprising Common Areas and the sidewalks comprising a portion of the Accessways; and (ii) the City will conduct, at its sole cost and expense, all snow removal with respect to any driveway comprising a portion of the Accessways; and

Section 6.3. Operating Costs for the Shared Space.

(a) Payment/Performance by City. In consideration for the reallocation of utility expenses, as set forth in Section 6.1 above, and in lieu of any other obligation to pay (excluding any obligation by the City or the EDA to pay for Lessee's Proportionate Share of Operating Costs for the Shared Space for any expenses associated with Required Capital Improvements or Related Building Capital Improvements to the Shared Space, which obligation shall continue in effect) by the City of Lessee's Proportionate Share of that portion of Operating Costs for the Shared Space which is attributable to the Shared Pool Space, including without limitation Operating Costs associated with the purchase of pool chemicals, supplies and equipment, employment costs (including without limitation wages, salaries and all benefits) associated with the hiring of any pool managers, supervisors, life guards, or other staff (excluding teachers, physical education instructors, school life guards, and other school-related personnel separately employed by the District) with respect to the operation, maintenance or repair (other than repairs constituting Required Capital Improvements or Related Building Capital Improvements to any portion of the Shared Space) of the Shared Pool Space, the City will (i) separately perform, at its sole cost and expense, all operation and management of the Shared Pool Space, such operation and management to include without limitation, the hiring and supervision of all pool managers, supervisors, life guards used in connection with the operation of the Community Center, or other staff (excluding

teachers, physical education instructors, life guards used by the District in connection with its activities, and other school-related personnel separately employed by the District) with respect to the operation of the Shared Pool Space, and the purchasing of all necessary poo' chemicals, supplies and equipment (other than capital equipment, Required Capital Improvements, and Related Building Capital Improvements), and (ii) pay and reimburse the District in full for all costs incurred by the District in connection with the maintenance and repair (other than repairs constituting Required Capital Improvements or Related Building Capital Improvements to any portion of the Shared Space, costs for which repairs shall be paid by the City only to the extent of Lessee's Proportionate Share thereof) of the Shared Pool Space (including without limitation labor charges and materials costs), such maintenance to include without limitation the performance of all periodic cleaning and routine maintenance of the lap swimming pool located in the Shared Pool Space, including without limitation all necessary or appropriate adding or changing of pool chemicals, management of water quality, conduct of periodic water testing, and such other responsibilities as may be necessary to maintain the pool water in a clean, sanitary and healthy condition in accordance with any applicable health and safety laws, rules or ordinances then in effect. All labor charges paid or reimbursed by the City in accordance herewith shall include without limitation a reasonable allocation of all wages, salaries and benefits for all such employees of the District so performing such responsibilities).

(b) Payment by District. In lieu of any performance by the District of any of its obligations under the EDA Lease to perform such of the obligations allocated to, and assumed by, the City with respect to the Shared Pool Space in accordance with (a) above, and in lieu of any other obligation to pay (excluding any obligation by the District to pay for its share of any expenses associated with Required Capital Improvements or Related Building Capital Improvements to the Shared Space, which obligation shall continue in effect) by the District toward that portion of Operating Costs for the Shared Space which is attributable to the Shared Pool Space, the District shall pay the City the following: (i) for the period commencing as of the Commencement Date and continuing for the first twenty (20) years of the term hereof, One Hundred Five Thousand and No/100ths Dollars ($105,000.00) per year, payable in twelve (12) equal monthly installments as of the Commencement Date and the first business day of each and every calendar month thereafter (provided, however, the annual amount payable hereunder for each year of the term of this

Agreement after the initial year hereof, as measured from the Commencement Date, shall be the payment amount for the immediately preceding year, increased, upon the commencement of the next year, by one percent (1%) of the annual amount paid for the immediately preceding year); and (ii) for the period commencing as of the first business day of the twenty-first (21st) year of the term hereof, and continuing for the remainder of the term hereof, annual payments, each in the aggregate amount paid for the immediately preceding year (without further increase or adjustment), payable in twelve (12) equal monthly installments as of the first such business day and the first business day of each and every calendar month thereafter.

Section 6.4. Except as may otherwise be provided in this Section 6, and except for such of those Operating Costs as may be retained by the EDA and not assumed by the City in accordance with the City Sublease, payment by the City of Lessee's Proportionate Share of all Operating Costs shall be in accordance with the terms of the EDA Lease.

Section 7. Maintenance of Facility. Except as otherwise set forth in this Agreement, all maintenance, repairs, capital expenditures, cleaning and janitorial services relating to the School Building, Community Center, Common Areas and Accessways shall be performed in accordance with the terms of the EDA Lease.

Section 8. Supervision and Equipment.

Section 8.1. General Supervision of Community Center and School Building. Except as set forth in Sections 8.2 and 8.3 below, supervision and security for the Community Center and School Building shall be provided as follows:

(a) Community Center. The City shall provide, and be responsible for, all supervision and security for the Community Center.

(b) School Building. The District shall provide, and be responsible for, all supervision and security for the School Building.

Section 8.2. Supervision of Shared Gymnasium Space.

(a) Use by District. The District shall provide reasonable supervision and security with respect to those portions of the Shared Gymnasium Space reserved for or used by it, together with all Common Areas and Accessways accessible therefrom during all such periods so used.

(b) Use by City. The City shall provide reasonable supervision and security with respect to those portions of the Shared Gymnasium Space reserved for or used by it, together with all Common Areas and Accessways accessible therefrom during all such periods so used.

Section 8.3. Supervision of Shared Pool Space.

(a) Use by District. The District shall provide reasonable supervision and security with respect to those portions of the Shared Pool Space reserved for or used by it, together with all Common Areas and Accessways accessible therefrom during all such periods so used.

(b) Use by City. The City shall provide reasonable supervision and security with respect to those portions of the Shared Pool Space reserved for or used by it, together with all Common Areas and Accessways accessible therefrom during all such periods so used.

Section 8.4. Equipment. In connection with their use of the Shared Space, and except as may be otherwise agreed between the District and the City from time to time, each of the District and the City shall furnish all of their own equipment, and the equipment of the other shall at all times be left intact and undisturbed; provided, however, the District and the City shall be entitled to use of such of the other party's equipment as shall be permanently located in the Shared Space as shall consist of any lap swimming pool lane ropes or markers, and any health and safety equipment, such as life preservers, gaffs, first aid equipment and other similar equipment, and any volley ball standards and nets.

Section 8.5. Activities. Except as may be otherwise agreed between the District and the City from time to time, each of the District and the City shall make reasonable efforts to limit those activities taking place in the Shared Space to those activities for which such Shared Space was designed and which will not be destructive to such Shared Space or the equipment located therein, or otherwise carry an unreasonable risk of injury or harm to the participants, supervisors or spectators of such activities. In no event shall an agreement between the parties to permit on one occasion the conduct of an activity in violation with the requirements of this Section 8.5 be deemed to permit subsequent occurrences of the same or similar activity unless expressly so contemplated between the parties.

Section 9. Permitted Uses. Notwithstanding anything to the contrary in the EDA Lease, the City may use the City Premises for Permitted City Uses.

Section 10. User Fees and Rental Rates for Others. The City shall establish, in its sole discretion, the fee and rental rates, either on an annual or per use basis, or a combination of both, that invitees of the City shall pay for use of the Community Center. Notwithstanding anything to the contrary above, the City agrees as follows: (i) in regard to all daily use fees and all swimming lesson

fees, the City will not discriminate between residents of the City and constituents of the District; and (ii) with respect to all other fees, rates and other charges as may be charged by the City from time to time, the amount of such fees, rates and other charges as shall be payable by constituents of the District who are not also residents of the City shall at all times equal an amount not greater than one hundred sixteen and eight-tenths percent (116.8%) of those counterpart fees, rates and other charges as shall then be payable by constituents of the City.

Section 11. Community Center Revenues. The City shall be entitled to all fees and other revenues derived from the operation of the Community Center or associated therewith of any nature whatsoever including, but not limited to, revenue derived from user fees, rent, concession sales, vending machines, corporate sponsorships, grants and legislative appropriations directed to the Community Center, naming rights, and donations; provided, however, the District shall retain any and all revenue, if any, generated or received by the District in connection with any use by the District of the Shared Space, including without limitation admission fees for Swim Meets or other athletic tournaments or competitions, and receipts from the sale of programs, concessions (other than vending machine sales) or any related merchandise.

Section 12. Miscellaneous Facilities and Equipment.

Section 12.1. Cafeteria. During the term of this Agreement, the District agrees that it will from time to time license to the City the use of the cafeteria located in the Building for any Permitted Uses when it is not otherwise being used by the District. The terms, date, time and duration of each such license shall be established in accordance with the District's then applicable facilities use policy.

Section 12.2. Community Center Meeting Rooms. During the term of this Agreement, the City agrees that it will from time to time license to the District the use of one or more of the meeting rooms located in the Community Center for any Permitted Uses when it is not otherwise scheduled, prior to any request by the District, for use by invitees of the City. The terms, date, time and duration of each such license shall be established in accordance with the City's then applicable policy.

Section 12.3. Bleachers. During the term of this Agreement, the District agrees that it will from time to time license, without cost, to the City the use of any portable bleachers located in the Building when the District is not otherwise using them for District purposes. The date, time and duration of each such license shall be established on a case by case basis by mutual agreement between the City and the District. The City shall be responsible for any damage to, or destruction of, such bleachers as may occur during any such use.

Section 13. Advisory Group. From and after the Commencement Date, and throughout the term of this Agreement, the City shall establish an advisory group to provide the City with feedback and non-binding input as to the operation of the Community Center. The composition of and the procedures governing any such group shall be established from time to time by the City, in its

discretion; provided, however, the District shall have the right to appoint one representative to such advisory group.

Section 14. Insurance. All insurance obligations of the District and the City shall be performed in accordance with the terms of the EDA Lease.

Section 15. Indemnification.

Section 15.1. District. The District hereby indemnifies and holds the City harmless from and against any and all claims, demands, liabilities, and expenses, including reasonable attorney's fees, arising from the District's use of the Shared Space, the Common Areas, the Accessways, the School Premises, the School Building, or the Property, or from any act permitted, or any omission to act, in or about the Shared Space, the Common Areas, the Accessways, the School Premises, the School Building, or the Property, by the District or its officers, employees, independent contractors, agents, or invitees, or from any breach or default by the District of this Agreement, except to the extent caused by the City's negligence or willful misconduct. In the event any action or proceeding shall be brought against the City by reason of any such claim, the District shall defend the same at the District's expense by counsel reasonably satisfactory to the City. The provisions of this Section 15.1 shall survive any termination of this Agreement.

Section 15.2. City. The City hereby indemnifies and holds the District harmless from and against any and all claims, demands, liabilities, and expenses, including reasonable attorney's fees, arising from the City's use of the City Premises, the Shared Space, the Common Areas, the Accessways, or the Property, or from any act permitted, or any omission to act, in or about the City Premises, the Shared Space, the Common Areas, the Accessways, or the Property, by the City or its officers, employees, independent contractors, agents, or invitees, or from any breach or default by the City of this Agreement, except to the extent caused by the District's negligence or willful misconduct. In the event any action or proceeding shall be brought against the District by reason of any such claim, the City shall defend the same at the City's expense by counsel reasonably satisfactory to the District. The provisions of this Section 15.2 shall survive any termination of this Agreement.

Section 16. Property Damage. All repair obligations of the District and the City shall be performed in accordance with the terms of the EDA Lease.

Section 17. Notices. Any notice required or permitted to be sent hereunder shall be in writing Federal Express, courier delivery, facsimile transmission, or U.S. Mail to the following addresses, or to such other address as may be specified from time to time in writing by the District or the City:

If to the District:	Waconia Public Schools 24 South Walnut Street Waconia, Minnesota 55387 Attn: Superintendent
If to the City:	City of Waconia 109 Elm Street South Waconia, Minnesota 55387 Attn: City Administrator

Notice shall be deemed effective upon the expiration of one (1) day following mailing via Federal Express delivery; upon receipt in the case of courier delivery; upon the expiration of one (1) business day following the date of transmission if transmitted by facsimile; and upon the expiration of three (3) days following mailing in the case of mailing via U.S. Mail.

Section 18. Termination.

Section 18.1. Termination for Cause. In the event of any material breach of any of the terms of this agreement, the party alleging the breach may seek to terminate this Agreement by giving the breaching party written notice specifying the nature of the breach. If the breach is not remedied within thirty (30) days of the date of delivery of such notice, or if additional breaches of a materially similar nature occur within the thirty (30) day period following the date of delivery of said notice, the party alleging the breach may send the breaching party a second written notice setting forth the time, place and date of a meeting to discuss the breach, the time, date and place for which shall in all respects be reasonable and shall specify a date not later than ten (10) days from the date of such written notice. The Superintendent for the District or his or her designee(s) and the City Administrator for the City or his or her designee(s) shall attend such meeting. If the breach continues for more than twenty (20) days after the date of such meeting, the party alleging the breach may send a final written notice of termination to the breaching party terminating this Agreement effective upon the date of delivery of such notice.

Section 18.2. Termination Without Cause. The District may terminate this Agreement without cause, effective as of June 30 of any calendar year, upon delivery to the City, on or before February 1 of such calendar year, of advance written notice of termination. Delivery of any notice of termination under this Section 18.2 shall be deemed to constitute delivery of notice of termination of the EDA Lease under Section 28 of the EDA Lease. Any payment, or obligations expressly assumed, by the District to the EDA pursuant to Section 28 of the EDA Lease, together with any obligations, if any, of the District to the EDA which survive termination by the District, pursuant to Section 28 of the EDA Lease, of the EDA Lease, shall without duplication be the sole and exclusive remedy for the District's termination hereunder, and the City hereby waives any and all rights to specific performance, damages, or any other remedy available in equity or in law in connection with any termination of this Agreement by the District pursuant to this Section 18.2,

other than rights with respect to obligations, if any, which survive such termination of this Agreement.

Section 18.3. Termination of EDA Lease. This Agreement shall automatically terminate, without notice to any party, effective as of any termination of the EDA Lease.

Section 18.4. Survival of Reimbursement and Indemnification Obligations. Reimbursement and indemnification obligations arising from events occurring prior to any termination under this Section 18 shall survive such termination.

Section 19. Modification of Community Education Agreement. For so long as this Agreement remains in effect, the Community Education Agreement, is hereby amended by the terms of this Agreement to the extent of any conflict between the Community Education Agreement and this Agreement. Except as otherwise set forth in this Section, the Community Education Agreement continues in effect in all respects; provided, however, nothing herein shall be construed as obligating either party to continue such agreement except as may be otherwise separately set forth therein. Notwithstanding anything to the contrary contained herein, the City and the District hereby agree that, except to the extent that the District may from time to time elect not to organize and administer one or more Youth Recreation programs or activities, all Youth Recreation programs and activities shall, throughout the term of this Agreement, or until this Agreement is earlier terminated in accordance herewith, be organized and administered by the District.

Section 20. Agreement Review and Amendments.

Section 20.1. The parties or their designees shall meet annually to jointly review operations under this Agreement and, if necessary, to amend the terms of this Agreement. However, no amendment or modification of this Agreement shall be effective unless made in writing and signed by both parties.

Section 20.2. Designated staff employed by both the District and the City shall meet on a regular basis to facilitate effective scheduling of the Shared Space.

Section 20.3. Within one (1) month following any turnover of any City or District primary staff having responsibility for the operation and maintenance of the Community Center, the parties shall meet to jointly review this Agreement and the performance of the management responsible for the maintenance and operation of the facilities referenced in this Agreement. For purposes of this Agreement, the term "primary staff" shall mean the following: (i) as to the District, the individual or collective reference to those persons filling the following position(s): (A) the Superintendent of the District, (B) the principal for the School, and (C) such other persons as may be designated from time to time by the Superintendent of the District or the principal for the School; and (ii) as to the City, (A) the City Administrator, (B) the Community Center Manager, and (B) such other persons as may be designated by the City Administrator or the Community Center Manager.

Section 20.4. Except as may be otherwise provided under Section 18.1 of this Agreement, if a dispute develops between the parties regarding the performance of the managerial personnel or the interpretation of the rights and obligations of the parties under this Agreement, such disputes shall be referred to the next administrative level of the respective bodies who shall attempt to settle the dispute. Such referral shall continue to succeeding levels of the respective bodies until all administrative levels have been exhausted; provided, however, all such administrative levels shall be deemed to have been exhausted in the event such dispute remains unresolved in whole or in part for a period of sixty (60) days from and after the date of initial occurrence of the dispute. If the dispute cannot be resolved in this manner, either party may pursue any other rights available to such party under applicable law.

Section 21. Nonmerger. The parties hereby agree that in no event shall the City's entry into the City Sublease, or any assignment or sale to, and/or assumption or purchase by, the City of any or all of the rights and/or interests of the EDA under the EDA Lease, or any conduct, action or course of dealing between the parties hereto, operate as, or be deemed to constitute, a merger of any or all of such rights or interests with any or all of the City's rights or interests, if any, under this Agreement, all of which rights and interests hereunder, if any, shall in all events and respects, and at all times, be deemed separate and severable from and against any and all such other rights and interests.

Section 22. Further Assurances. The District and the City shall execute and deliver such other or further documents or agreements, including without limitation any amendment or restatement hereof, and take such other or further actions, as either party may reasonably request, in order to correct scrivener's errors or defects in this Agreement, or to otherwise carry out the provisions and intent hereof.

Section 23. Relationship of Parties. The parties hereto agree that it is their intention hereby to create only the relationships of licensor and licensee, and no provision hereof, or act of either party hereunder, shall ever be construed as creating the relationship of principal and agent, lessor and lessee, or a partnership, or a joint venture or enterprise between the parties hereto.

Section 24. Assignment. Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party.

Section 25. Binding Effect. All of the covenants, conditions and agreements herein contained shall extend to, be binding upon, and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

Section 26. Severability. If any provisions of this Agreement shall be declared invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect.

Section 27. Governing Law. This Agreement shall in all respects be governed by and interpreted under the laws of the State of Minnesota.

Section 28. Counterpart Signatures. This Agreement may be executed in any number of counterparts, all of which shall constitute a single Agreement.

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

INDEPENDENT SCHOOL DISTRICT NO. 110

By _____
Its Board Chairman

By _____
Its Clerk

CITY OF WACONIA

By _____
Its _____

By _____
Its _____

Section 28. Counterpart Signatures. This Agreement may be executed in any number of counterparts, all of which shall constitute a single Agreement.

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

INDEPENDENT SCHOOL DISTRICT NO. 110

By_____
Its_____

By_____
Its_____

CITY OF WACONIA

By_____
Its Mayor

By_____
Its City Clerk

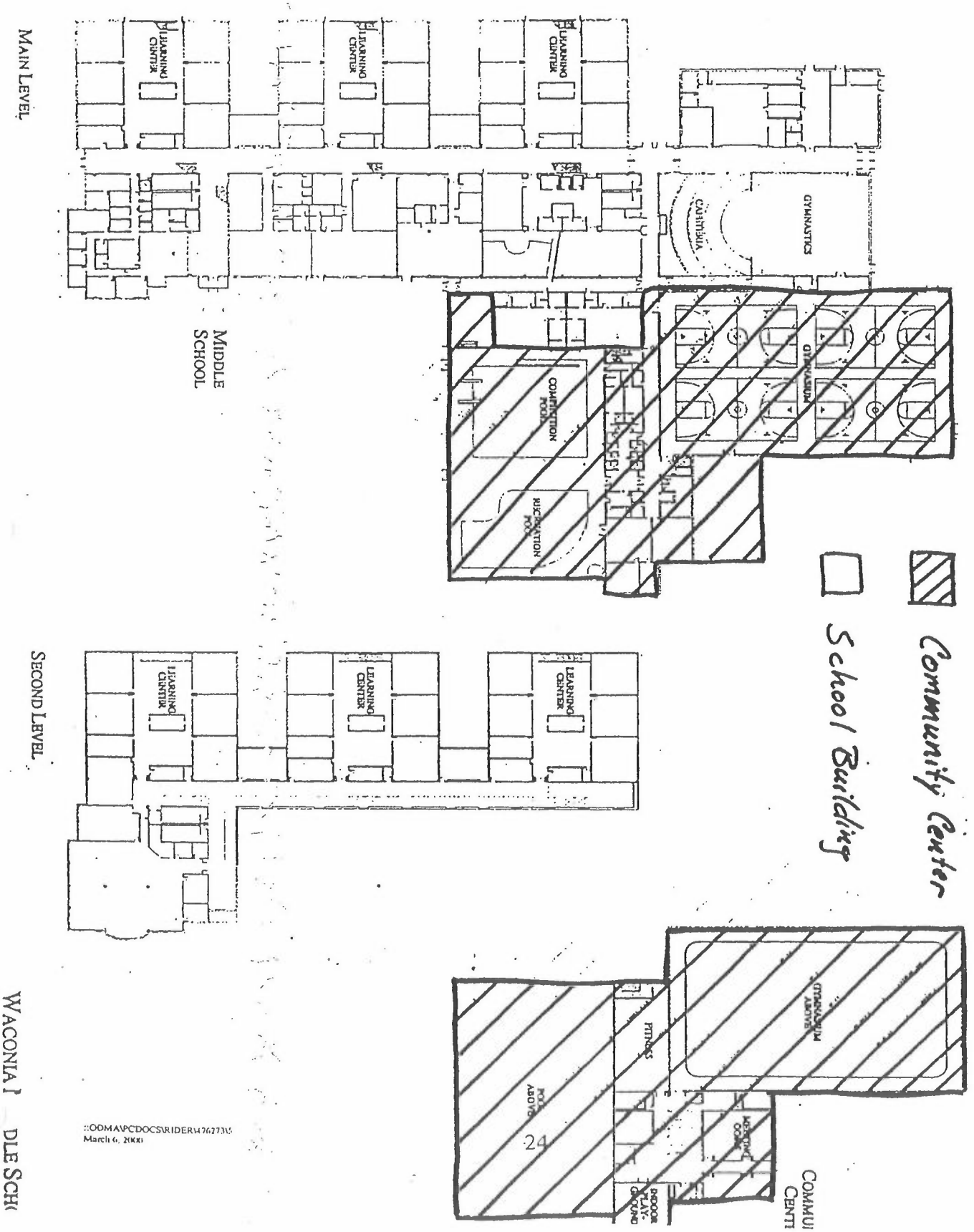
EXHIBIT "A"

The Land

The North 779.86 feet of the West 10.00 acres of the Southwest Quarter of the Southeast Quarter and the East 509.44 feet of the North 779.89 feet of the Southeast Quarter of the Southwest Quarter, all in Section 22, Township 116, Range 25, Carver County, Minnesota.

EXHIBIT "B"

The Community Center and School Building

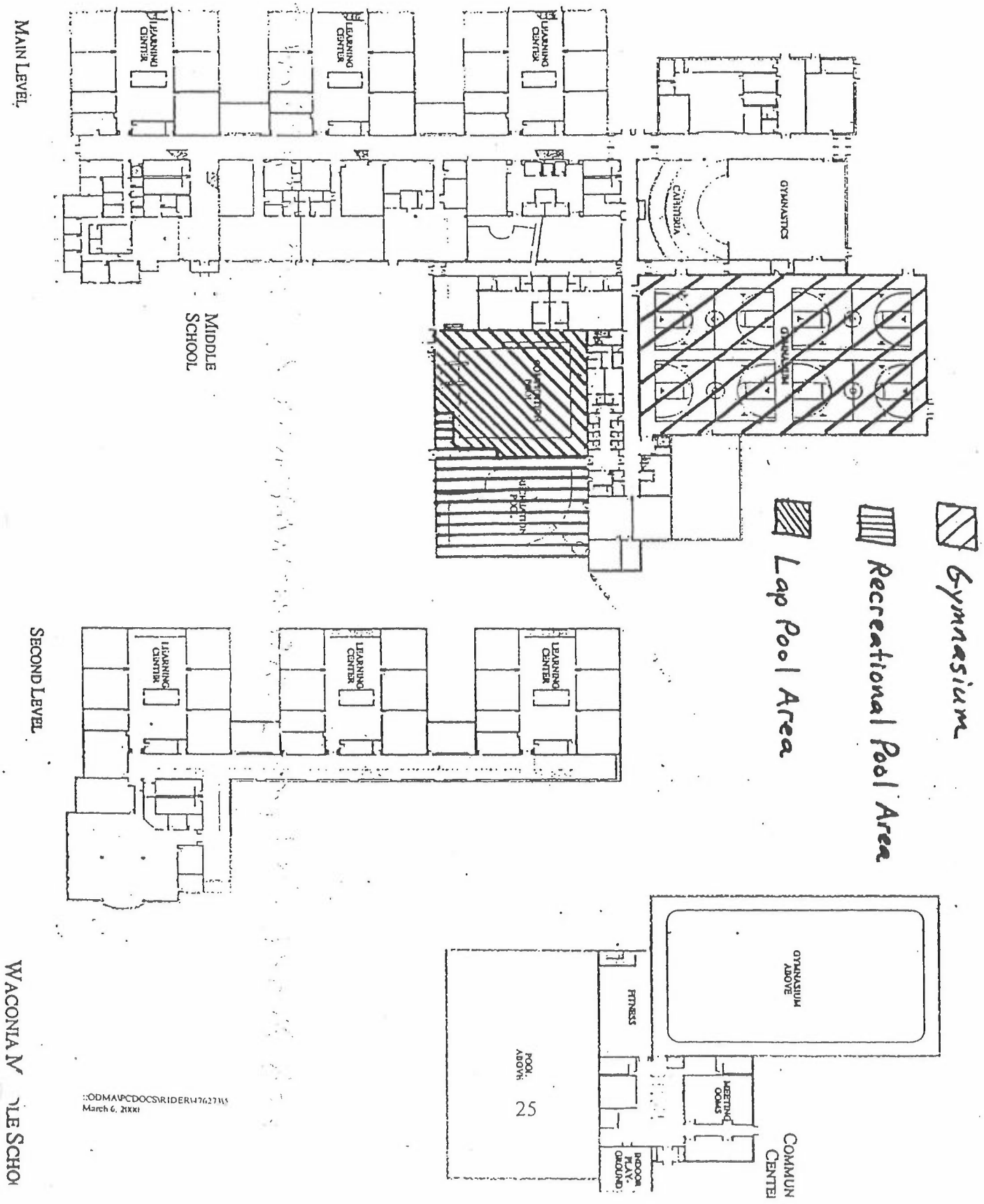


WACONIA MIDDLE SCHOOL
COMMUNITY CENTER

::OOMA\PCDOCS\RIDER\1762731\
March 6, 2000

EXHIBIT "C"

The Gymnasium, Lap Pool Area and Recreational Pool Area



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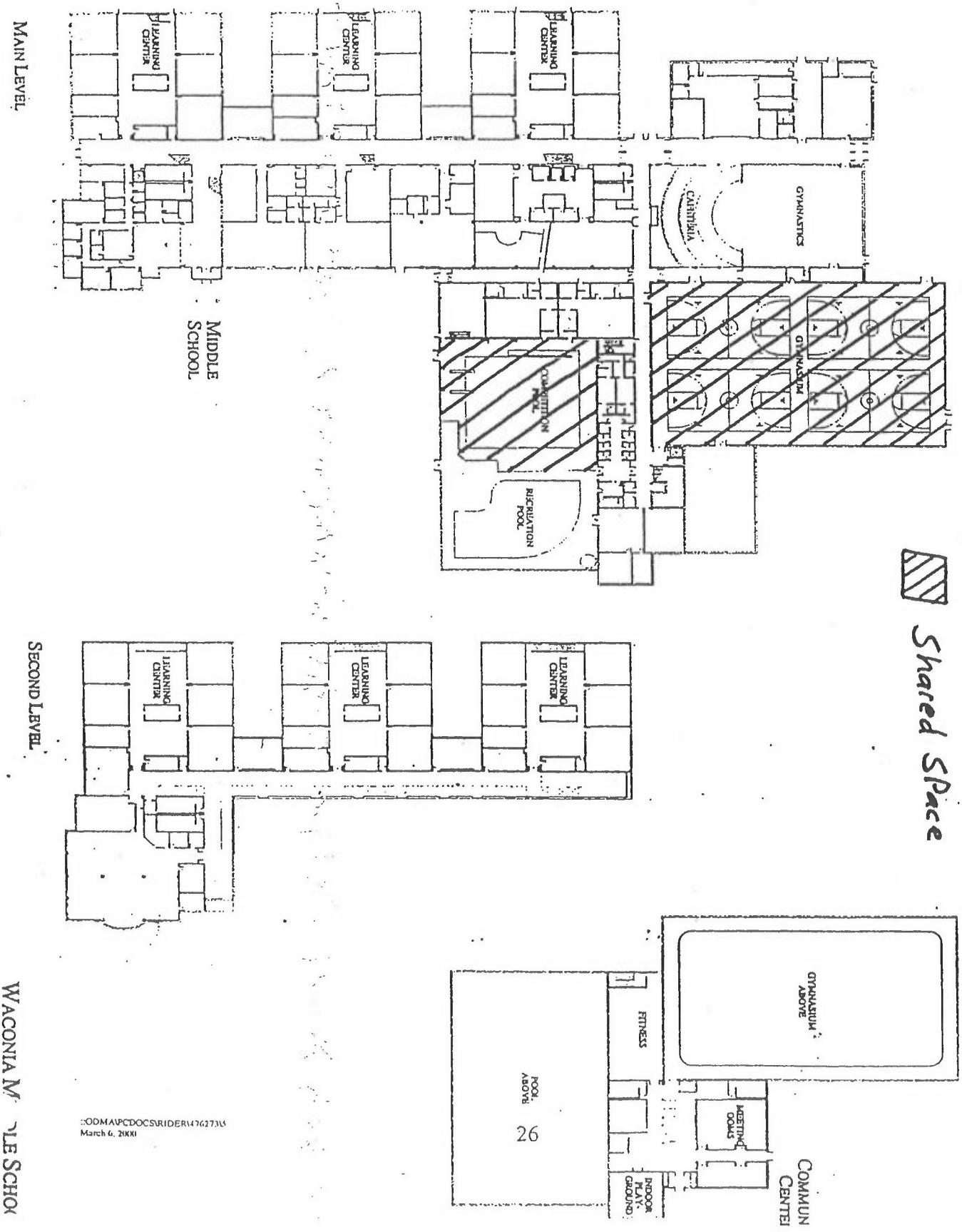
March 6, 2000

EXHIBIT "D"

The Shared Space



::ODMA\PCDOCS\RIDER\476273\5
March 6, 2002

EXHIBIT "E"

The Primary Use Period Shared Use Schedule

School Year - Peak, November 1 - March 15
Monday, Wednesday, Friday

	Gym 1	Gym 2	Gym 3	Gym 4	Lane Pool	Play Pool
6-7:00 a.m.						
7-8:00 a.m.						
8-9:00 a.m.					C*	
9-10:00 a.m.						
10-11:00 a.m.						
11-12:00 Noon	C					
12-1:00 p.m.	C				C*	
1-2:00 p.m.						
2-3:00 p.m.						
3-4:00 p.m.					S	
4-5:00 p.m.					S	
5-6:00 p.m.					S	
6-7:00 p.m.						
7-8:00 p.m.						
8-9:00 p.m.						
9-10:00 p.m.						

- City Clear Time
- School Clear Time
- Shared Time Priority C or S

*A period per day adjusted to accomodate school schedule quarterly.

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:ODMA\PCDOCS\RIDER\47427\5
March 6, 2000

School Year - Peak, November 1 -March 15
Tuesday, Thursday

	Gym 1	Gym 2	Gym 3	Gym 4	Lane Pool	Play Pool
6-7:00 a.m.						
7-8:00 a.m.						
8-9:00 a.m.					C*	
9-10:00 a.m.						
10-11:00 a.m.						
11-12:00 Noon	C					
12-1:00 p.m.	C				C*	
1-2:00 p.m.						
2-3:00 p.m.						
3-4:00 p.m.					S	
4-5:00 p.m.					S	
5-6:00 p.m.					S	
6-7:00 p.m.						
7-8:00 p.m.						
8-9:00 p.m.						
9-10:00 p.m.						

- City Clear Time
- School Clear Time
- Shared Time Priority C or S

*A period per day adjusted to accomodate school schedule quarterly.

School Year - Peak, November 1- March 145
Saturday

	Gym 1	Gym 2	Gym 3	Gym 4	Lane Pool	Play Pool
6-7:00 a.m.						
7-8:00 a.m.						
8-9:00 a.m.	S	S	C	C	C	
9-10:00 a.m.	S	S	C	C	C	
10-11:00 a.m.	S	S	C	C	C	
11-12:00 Noon	S	S	C	C	C	
12-1:00 p.m.	S	S	C	C	C	
1-2:00 p.m.	S	S	C	C	C	
2-3:00 p.m.	S	S	C	C	C	
3-4:00 p.m.	S	S	C	C	C	
4-5:00 p.m.						
5-6:00 p.m.						
6-7:00 p.m.						
7-8:00 p.m.						
8-9:00 p.m.						
9-10:00 p.m.						

- City Clear Time
- School Clear Time
- Shared Time Priority C or S

School Year - Peak, November 1 - March 15
Sunday

	Gym 1	Gym 2	Gym 3	Gym 4	Lane Pool	Play Pool
6-7:00 a.m.						
7-8:00 a.m.						
8-9:00 a.m.						
9-10:00 a.m.						
10-11:00 a.m.						
11-12:00 Noon						
12-1:00 p.m.						
1-2:00 p.m.						
2-3:00 p.m.						
3-4:00 p.m.						
4-5:00 p.m.						
5-6:00 p.m.						
6-7:00 p.m.						
7-8:00 p.m.						
8-9:00 p.m.						
9-10:00 p.m.						

- City Clear Time
- School Clear Time
- Shared Time Priority C or S

EXHIBIT "F"

The Secondary Use Period Shared Use Schedule

School Year -Off Peak
Monday, Wednesday, Friday

	Gym 1	Gym 2	Gym 3	Gym 4	Lane Pool	Play Pool
6-7:00 a.m.						
7-8:00 a.m.						
8-9:00 a.m.					C*	
9-10:00 a.m.						
10-11:00 a.m.						
11-12:00 Noon	C					
12-1:00 p.m.	C				C*	
1-2:00 p.m.						
2-3:00 p.m.						
3-4:00 p.m.					S	
4-5:00 p.m.					S	
5-6:00 p.m.					S	
6-7:00 p.m.						
7-8:00 p.m.						
8-9:00 p.m.						
9-10:00 p.m.						

- City Clear Time
- School Clear Time
- Shared Time Priority C or S

*A period per day adjusted to accomodate school schedule quarterly.

Mar. 16 - last day sch
first day sc
Oct. 31

28

School Year, Off Peak
Tuesday, Thursday

	Gym 1	Gym 2	Gym 3	Gym 4	Lane Pool	Play Pool
6-7:00 a.m.						
7-8:00 a.m.						
8-9:00 a.m.					C*	
9-10:00 a.m.						
10-11:00 a.m.						
11-12:00 Noon	C					
12-1:00 p.m.	C				C*	
1-2:00 p.m.						
2-3:00 p.m.						
3-4:00 p.m.					S	
4-5:00 p.m.					S	
5-6:00 p.m.					S	
6-7:00 p.m.	S	S	C	C		
7-8:00 p.m.	S	S	C	C		
8-9:00 p.m.						
9-10:00 p.m.						

- City Clear Time
- School Clear Time
- Shared Time Priority C or S

*A period per day adjusted to accomodate school schedule quarterly.

School Year - Off Peak
Saturday

	Gym 1	Gym 2	Gym 3	Gym 4	Lane Pool	Play Pool
6-7:00 a.m.						
7-8:00 a.m.						
8-9:00 a.m.	S	S	C	C	C	
9-10:00 a.m.	S	S	C	C	C	
10-11:00 a.m.	S	S	C	C	C	
11-12:00 Noon	S	S	C	C	C	
12-1:00 p.m.	S	S	C	C	C	
1-2:00 p.m.	S	S	C	C	C	
2-3:00 p.m.	S	S	C	C	C	
3-4:00 p.m.	S	S	C	C	C	
4-5:00 p.m.						
5-6:00 p.m.						
6-7:00 p.m.						
7-8:00 p.m.						
8-9:00 p.m.						
9-10:00 p.m.						

- City Clear Time
- School Clear Time
- Shared Time Priority C or S

School Year - Off Peak
Sunday

	Gym 1	Gym 2	Gym 3	Gym 4	Lane Pool	Play Pool
6-7:00 a.m.						
7-8:00 a.m.						
8-9:00 a.m.						
9-10:00 a.m.						
10-11:00 a.m.						
11-12:00 Noon						
12-1:00 p.m.						
1-2:00 p.m.						
2-3:00 p.m.						
3-4:00 p.m.						
4-5:00 p.m.						
5-6:00 p.m.						
6-7:00 p.m.						
7-8:00 p.m.						
8-9:00 p.m.						
9-10:00 p.m.						

- City Clear Time
- School Clear Time
- Shared Time Priority C or S

EXHIBIT "G"

The Summer Use Period Shared Use Schedule

Summer - Monday Through Friday

	Gym 1	Gym 2	Gym 3	Gym 4	Lane Pool	Play Pool
6-7:00 a.m.						
7-8:00 a.m.						
8-9:00 a.m.	S	S	C	C		
9-10:00 a.m.	S	S	C	C		
10-11:00 a.m.	S	S	C	C		
11-12:00 Noon	S	S	C	C		
12-1:00 p.m.	S	S	C	C		
1-2:00 p.m.	S	S	C	C		
2-3:00 p.m.	S	S	C	C		
3-4:00 p.m.	S	S	C	C		
4-5:00 p.m.	S	S	C	C		
5-6:00 p.m.	S	S	C	C		
6-7:00 p.m.						
7-8:00 p.m.						
8-9:00 p.m.						
9-10:00 p.m.						

- City Clear Time
- School Clear Time
- Shared Time Priority C or S

COMMUNITY CENTER LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into effective the 15th day of March, 2000, by and between **INDEPENDENT DISTRICT NO. 110,** an independent school district existing under the laws of the State of Minnesota ("Lessor"), and the **WACONIA ECONOMIC DEVELOPMENT AUTHORITY**, a public body corporate and politic and a political subdivision duly organized and existing under the laws of the State of Minnesota ("Lessee").

RECITALS

A. Lessor is constructing the Waconia Middle School and a community center within a single, integrated building facility on real property located in the City of Waconia and owned by Lessor, as legally described on attached Exhibit "A" (the "Land").

B. Lessor has agreed to lease a portion of such building to Lessee for the operation of a community center.

NOW, THEREFORE, in consideration of the mutual covenants set forth below, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties recite and agree as follows:

TERMS

1. Definitions.

For purposes of this Lease, the terms and phrases listed in this Section have the meanings set forth below unless the context of the Lease indicates otherwise.

"Accessways" shall mean the driveways and walkways on the High School Parcel used to access the Premises as depicted on attached Exhibit "B."

"Adult Recreation" shall mean such recreational programs and activities, to the extent suitable for conduct in the Community Center, as shall be primarily targeted to families or post-high school aged groups and individuals, including without limitation the following: (i) such league or non-league sports activities as basketball, volleyball, floor hockey, tennis, badminton, handball, softball and football; (ii) such exercise classes as aerobics, kick boxing, tae kwon do, yoga, tai chi, dance lessons and golf lessons; (iii) such other recreational activities as aquatic activities and ping pong; and (iv) such services related to off-site recreational activities, as provision of trail maps, rental of cross country ski and snow shoe equipment, provision of picnic kits, and other similar services.

"Applicable Law" shall mean (i) all applicable provisions of all constitutions, statutes, ordinances, rules, regulations, and orders of all governmental and/or quasi-governmental bodies other than Lessor; (ii) reasonable rules and policies that are regularly adopted by Lessor with respect to all of Lessor's public school buildings and that concern the health, safety and well being of Lessor's public school students; provided, however, that any such rule or policy shall only be considered "Applicable Law" hereunder at such point in time that a written copy of the same is delivered to Lessee and the City of Waconia, and (iii) orders, judgments and decrees of all courts and arbitrators. Lessor shall promptly provide Lessee with a complete copy of its rules and policies prior to or upon execution of this Lease and with written notice of any rules and policies that are canceled or repealed.

"Building" shall mean the building depicted on attached "Exhibit C."

"Casualty" shall mean a fire, explosion, tornado, or other cause of serious damage to or destruction of all or a portion of the Building.

"Commencement Date" shall have the meaning ascribed to it in Section 3 below.

"Common Areas" shall mean those areas of the Property described and depicted on attached Exhibit "D." "Common Areas" shall additionally mean such additional common areas of the Property as may be reasonably necessary for access and use of the Premises by Lessee, its sublessees and assigns and their employees, independent contractors, agents, lessees, licensees, and invitees, as such Premises may be hereinafter modified by subsequent written construction change orders or other written agreements between Lessor and Lessee.

"Community Center" shall mean that community recreation center to be constructed and located in the Building, all as depicted on attached Exhibit "E."

"Consulting Architect" shall mean the City's consulting architect, S.E.H., 3535 Vadnais Center Drive, 200 S.E.H. Center, Roseville, Minnesota, or the Secretary of Lessee.

"Environmental Law" shall mean the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq.; the Hazardous Materials Transportation Act, §1802 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. §1251 et seq.; the Clean Water Act, 33 U.S.C. §1321 et seq.; the Clean Air Act, 42 U.S.C. §7401 et seq.; the Minnesota Environmental Response and Liability Act, Minn. Stat. ch. 115B; the Minnesota Petroleum Tank Release Cleanup Act, Minn. Stat. ch. 115C; and any other federal, state, county, municipal, local or other statute, law, ordinance or regulation which may relate to or deal with human health or the environment, all as may be from time to time amended.

"Fiscal Year of Lessor" shall mean July 1 to June 30.

"Hazardous Substances" shall mean asbestos, ureaformaldehyde, polychlorinated biphenyls ("PCBs"), nuclear fuel or material, chemical waste, radioactive material,

explosives, known carcinogens, petroleum products and by-products and other dangerous, toxic or hazardous pollutants, contaminants, chemicals, materials or substances listed or identified in, or regulated by, any Environmental Law.

"High School Parcel" shall mean that property owned by Lessor and legally described on attached Exhibit "F".

"Land" shall have the meaning ascribed to it in the Recitals above.

"Lease" shall mean this Lease Agreement, all exhibits attached hereto, and all properly executed amendments, modifications and supplements to this Lease.

"Lessee's Share of Utilities" shall mean Lessee's share of monthly utility charges as measured by the Utility Meters, which share shall equal the sum of:

(1) Zero percent (0%) of the electricity measured by Electrical Meter A;

(2) Thirty-four percent (34%) of the electricity measured by Electrical Meter B;

(3) One hundred percent (100%) of the electricity measured by Electrical Meter C;

(4) Zero percent (0%) of the electricity measured by Electrical Meter D;

(5) Four percent (4%) of the natural gas measured by the Gas Meter after natural gas measured by the Gas Sub-meter has been subtracted therefrom;

(6) Sixty-eight (68%) of the natural gas measured by the Gas Sub-meter;

(7) Seventeen percent (17%) of the hot water measured by the Hot Water Meter;

(8) Fourteen percent (14%) of the cold water measured by the Main Cold Water Meter after water measured by the Cold Water Sub-meter has been subtracted therefrom;

(9) Forty-six percent (46%) of the water measured by the Cold Water Sub-meter;

(10) Zero percent (0%) of the water measured by the Irrigation Meter; and

(11) Zero percent (0%) of the utilities measured by the Other Meters.

"Operating Costs" shall mean the collective reference to the Operating Costs for the Premises, the Operating Costs for the School, the Operating Costs for the Shared Space, and the Related Building Operating Costs.

"Operating Costs for the Premises" shall mean Lessee's Share of Utilities, Telecommunications Charges of Lessee and the following expenses associated with those portions of the Premises that are not part of the Shared Space:

(1) The expense of all real estate taxes attributable to the Premises solely as a result of activities conducted thereon by Lessee, its sublessees or assigns;

(2) Expenses of redecorating the Premises to the extent such redecorating does not constitute a Required Capital Improvement;

(3) Expenses associated with Required Capital Improvements to the Premises made with Lessee's consent (subject to Section 6) other than Required Capital Improvements to the Shared Space and Related Building Capital Improvements; and

(4) Expenses of refuse collection and disposal relating to the Premises or otherwise incurred in connection with Lessee's operation of the Community Center (other than typical janitorial services).

"Operating Costs for the School" shall mean all expenses of every nature relating to the Property except to the extent otherwise allocated between the parties pursuant to this Lease.

"Operating Costs for the Shared Space" shall mean:

(1) Expenses associated with pool and gym supplies, pool chemicals and pool and gym equipment when such equipment is shared by the parties; and

(2) Expenses associated with Required Capital Improvements to the Shared Space other than Related Building Capital Improvements.

"Permitted Uses" shall collectively mean either (i) as to the City of Waconia, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Minnesota (the "City"), in its capacity as direct sublessee of the Lessee, such uses as are expressly permitted in that Waconia Community Center Use Agreement, dated on even date herewith, by and between Lessor and the City; or (ii) as to Lessee and any other direct or indirect sublessee (other than the City) or assignee of Lessee, and only to the extent permitted under Applicable Law, (A) any and all social, recreational and athletic activities and programs commonly associated with the operation of a community center with like facilities and equipment in which a Minnesota governmental entity maintains an ownership or leasehold interest and materially participates in the operational management thereof, such activities and programs including aquatic activities, educational meetings and activities, business gatherings, meetings of civic organizations, and social gatherings, such as birthday parties, family reunions, and weddings; and (B) health care services ancillary to the uses described in (A) above, and consisting of the following services: (i) fitness consultations including exercise instruction, exercise testing and exercise prescription, (ii) health and

wellness services including instruction, fitness challenges, programs, games, and activities which enhance excitement and fun while promoting wellness, (iii) therapeutic massage, (iv) injury prevention services, and (v) athletic performance training; and (C) such other uses that Lessor may, in its sole discretion, acknowledge in writing to be a permitted uses.

"Personal Property" shall mean all such personal property used in the ownership, management, operation, security, maintenance and repair of, and any improvements on or to, the Property.

"Premises" shall mean that portion of the Property depicted on Exhibit "G" as the Premises and the overhead track circling the gym area depicted as Shared Space.

"Project Architect" shall mean Abendroth, Rego & Youngquist Architects, Inc.

"Property" shall mean the collective reference to the Land and the Building.

"Related Building Operating Costs" shall mean:

(1) Expenses associated with the following to the extent they are incurred in connection with the Building: shared security measures, janitorial services, window washing, measures taken to comply with governmental rules, regulations, requirements and orders (other than capital expenditures, determined as described below), and maintenance and repair, including charges under maintenance and service contracts and the cost of all supplies relating to such maintenance and repair, but excepting any capital expenditures, as determined in accordance with generally accepted accounting principles, and supplies used in connection with the Shared Space;

(2) Expenses associated with the following to the extent they are paid or incurred in connection with the Property or Accessways: real estate taxes and assessments, except to the extent described in the definition for "Operating Costs for the Premises", insurance premiums and deductibles, excluding any insurance required by Section 8(d), and snow removal, provided, however, that all expenses associated with the initial construction of the Accessways (to be conveyed by District to the City of Waconia for use as a public road) on the north boundary of the High School Property shall be solely those of the District and not "assessments" hereunder; and

(3) All expenses associated with Related Building Capital Improvements.

"Related Building Capital Improvements" shall mean Required Capital Improvements to those primary Building systems and portions of the Building that materially benefit the Community Center including supporting walls and roofs for the Premises and Shared Space, HVAC, plumbing, telecommunications, and electrical systems.

"Rent" shall mean Base Rent, Lessee's contribution to Operating Costs, and all other amounts that Lessee is required to pay pursuant to the terms of this Lease.

"Required Capital Improvement" shall mean any reasonably necessary capital improvement: (A) needed to repair or replace a damaged or worn capital asset; (B) required by an insurance carrier that provides insurance in regard to the applicable property; (C) required by any law, rule, regulation, or order of any governmental or quasi-governmental authority having jurisdiction; or (D) made to extend the life of an existing capital asset.

"School" shall mean that public middle school to be constructed and located in the Building, all as depicted on attached Exhibit "H".

"Shared Space" shall mean the gym area and the pool area of the Community Center as depicted on attached Exhibit "I", but excluding the overhead track circling the gym area, which shall be considered part of the Premises.

"Taking" shall mean acquisition by a public authority having the power of eminent domain of all or part of the Property by condemnation or conveyance in lieu of condemnation.

"Telecommunications Expenses of Lessee" shall mean Lessee's share of the monthly telecommunications charges associated with the Building, such share each month equaling the sum of the following:

(1) Lessee's proportionate share of monthly voice line charges based upon the number of telephones located in the Premises during any given month in relation to the total number of telephones located in the Building; plus

(2) Lessee's proportionate share of monthly video and data line charges based upon actual usage data derived from available routers and switches, or if none for a given usage, then Lessee's proportionate share based upon the number of computers, televisions, or other equipment using the type of service at issue and located in the Premises in relation to the total number of the same located in the Building; plus

(3) All monthly long distance voice charges associated with telephones located in the Premises; less

(4) Any savings directly realized as a result of no-cost service being provided to Lessee or the City of Waconia.

"Term" shall have the meaning ascribed to it in Section 3 below.

"Utility Meters" shall mean the collective reference to the following utility meters serving the Property.

(1) Electrical meter serving the School ("Electrical Meter A");

(2) Electrical meter serving mostly the Shared Space ("Electrical Meter B");

(3) Electrical meter serving mostly the Premises ("Electrical Meter C");

(4) Electrical meter related to outdoor power and lighting ("Electrical Meter D");

(5) Natural gas meter serving the Building (the "Gas Meter");

(6) Natural gas condensation line sub-meter measuring the natural gas used for heating the area of the Shared Space consisting of the lap and recreational swimming pools and for heating most of the Premises (the "Gas Sub-meter");

(7) Potable hot water meter for the Building measuring hot water use unrelated to heating (the "Hot Water Meter");

(8) Potable main cold water meter measuring cold water usage for the Building (the "Main Cold Water Meter");

(9) Sub-meter for cold water supplied to the area of the Shared Space consisting of the lap and recreational swimming pools (the "Cold Water Sub-meter");

(10) Cold water meter for outdoor irrigation (the "Irrigation Meter"); and

(11) All other utility meters serving the Property or the High School Parcel (the "Other Meters").

2. Premises.

Lessor hereby leases the Premises to Lessee, and Lessee hereby leases the Premises from Lessor, on an exclusive, continuous, and uninterrupted basis, for the duration of the Term, in accordance with the provisions of this Lease.

3. Term.

(a) Term. This Lease shall be for a term of thirty (30) years (the "Term"), and shall commence upon the Date of Substantial Completion of the Building (the "Commencement Date"). For purposes of this Lease, the "Date of Substantial Completion of the Building" shall mean the date as of which: (i) the Building is substantially completed in accordance with the plans and specifications therefor, including without limitation the Plans (as hereinafter defined), and paid for in full, free of all mechanics', labor, materialmen's and other similar lien claims; (ii) said substantial completion has been approved and certified by the Project Architect; (iii) certificate(s) of substantial completion in a form reasonably acceptable to Lessor for the Building (and, as to the Leasehold Improvements, in form reasonably acceptable to Lessee) has/have been signed by the Project Architect and the general contractor for the Building and delivered to Lessor and Lessee; (iv) no substantial

punch-list items remain to be completed; and (v) unconditional certificates of occupancy for all of the Building have been issued by all appropriate governmental authorities.

(b) Extension of Lease Term. Upon written notice by Lessee to Lessor delivered not less than twenty-four (24) months prior to the expiration of the Term, which notice shall inform Lessor of Lessee's interest in extending the Term of the Lease, the parties agree to meet and discuss in good faith the possibility of extending the Term of the Lease for an additional period of time. Any such extension of the Lease shall be by mutual agreement of the parties.

4. Common Areas and Accessways/Licenses.

(a) Common Areas and Accessways. Lessee, its sublessees and assigns and their employees, independent contractors, agents, lessees, licensees, and invitees shall have, for the duration of the Term, a non-exclusive right to use, in common with Lessor, its employees, independent contractors, agents, students and invitees, the Common Areas and Accessways. Lessor shall not materially change or modify the Common Areas depicted on attached Exhibit "D" or the Accessways depicted on attached Exhibit "B" without Lessee's written consent, which consent shall not be unreasonably withheld; provided, however, Lessor may temporarily alter or obstruct such Common Areas and Accessways for purposes of making or performing such repairs or maintenance as may be reasonably necessary thereto so long as Lessor makes reasonable efforts, to the extent necessary and practicable, to provide reasonable alternatives to any Common Areas or Accessways so altered or obstructed. Lessor may reasonably change and modify other Common Areas if, in the exercise of good business judgment, Lessor determines such changes or modifications are advisable with a view to the improvement of the convenience and use thereof by Lessee.

(b) Temporary Accessway. Lessor hereby agrees to convey to the City of Waconia that certain road depicted on attached Exhibit "B" as extending easterly from the easterly terminus of the driveway depicted as one of the Accessways and continuing to the westerly edge of the right-of way for Oak Avenue (the "Public Road"). Until such conveyance has been duly approved and executed by Lessor, the Public Road shall be one of the Accessways for purposes of this Lease. Upon such conveyance, the Public Road shall cease to be one of the Accessways for purposes of this Lease.

(c) Mutual Licenses to Access Mechanical Rooms and Storage Areas. During the Term, Lessor hereby grants Lessee a non-exclusive license of ingress and egress through those portions of the Building as are required to access, using the most direct route reasonably available, the mechanical rooms and storage areas of the Premises. During the Term, Lessee hereby grants Lessor a non-exclusive license of ingress and egress through those portions of the Premises as are required to access, using the most direct route reasonably available, the mechanical rooms and storage areas located within the Community Center that are not part of the Premises.

5. Rent.

(a) Base Rent. Lessee shall pay to Lessor during the Term a base rent of One Dollar ($1.00) per year (the "Base Rent"), payable in advance on the first day of each anniversary of the Commencement Date.

(b) Additional Rent. In addition to the base rent set forth in Section 5(a) of this Lease, Lessee shall throughout the Term pay to Lessor, as additional rent, "Lessee's Proportionate Share" (as defined in Section 5(d) of this Lease) of all annual Operating Costs. On, or prior to, the Commencement Date and thereafter sixty (60) days prior to each ensuing Fiscal Year of Lessor, Lessor shall furnish Lessee with an estimate of the Operating Costs for the next ensuing Fiscal Year of Lessor or fractional portion thereof, and Lessee shall pay to Lessor, on the first day of each month during such Fiscal Year of Lessor an amount (hereinafter called the "Monthly Operating Rent") equal to one-twelfth (1/12th) of Lessee's Proportionate Share of the estimated Operating Costs for such Fiscal Year of Lessor. The aggregate Monthly Operating Rent made during any given Fiscal Year of Lessor is collectively referred to herein as the "Annual Estimated Payment".

(c) Statement of Operating Costs. By no later than sixty (60) days after the end of each Fiscal Year of Lessor during the Term, Lessor shall furnish Lessee with an audited statement of the actual Operating Costs for such immediately preceding Fiscal Year of Lessor. If the actual Operating Costs for the applicable Fiscal Year of Lessor exceed the Annual Estimated Payment, Lessee shall pay Lessor the difference. If the Annual Estimated Payment exceeds the actual Operating Costs, Lessor shall pay Lessee the difference. Any such payment shall be made within thirty (30) days after Lessor has furnished Lessee with such statement unless Lessee has elected to make an audit under Section 5(e), in which case payment shall be due upon completion of the audit as described in Section 5(e). Within ninety (90) days after the expiration or earlier termination of this Lease, Lessor shall furnish Lessee with an audited statement of the actual Operating Costs for the period of time from the beginning of the then current Fiscal Year of Lessor to the date of expiration or termination. Upon Lessee's receipt of such statement, the parties shall use the procedure described above to make a final adjustment of Operating Costs between themselves.

(d) Calculation. "Lessee's Proportionate Share" shall at all times equal the sum of:

(1) One hundred percent (100%) of the Operating Costs for the Premises;

(2) Thirty-four percent (34%) of the Operating Costs for the Shared Space;

(3) Seventeen percent (17%) of the Relating Building Operating Costs; and

(4) Zero percent (0%) of the Operating Costs for the School.

(e) Audit. Lessor's reasonable determination of Operating Costs, both estimated and actual, shall be binding upon Lessee; provided that Lessee shall have the right, within six (6) months after the end of any Fiscal Year of Lessor to examine and cause to be audited Lessor's books and records relating to Operating Costs for such preceding fiscal year. Any such audit shall be conducted by a certified public accountant approved by both Lessor and Lessee, which approvals shall not be unreasonably withheld. The results of any such audit shall be conclusive; any adjustment required as a result of such audit shall be paid within thirty (30) days after the audit report is received by Lessor and Lessee; and Lessee shall bear all costs of the audit unless the audit discloses an overpayment by Lessee of five percent (5%) or more of the actual amount due, in which case Lessor shall bear the costs of the audit.

(f) Payment of Rent. All monthly installments of Rent shall be due and payable in advance, without demand, as follows: (i) the first monthly installment shall be due and payable on the Commencement Date; and (ii) all subsequent monthly installments shall be due and payable on the first business day of each month during the Term. If applicable, the first and/or last monthly payments hereunder shall be prorated based upon the actual number of days of each such month comprising a portion of the Term.

(g) Interest. All Rent and other sums payable hereunder by Lessee which are not paid within thirty (30) days after its or their due date shall bear interest from such due date to the date paid at the rate of eight (8%) per annum; provided, however, that interest shall not accrue on any sums disputed in good faith to the extent such sums are finally determined by agreement between the parties, order of any court, decision of any arbitrator or otherwise, not to be the obligation of Lessee.

6. Required Capital Improvements and Related Building Capital Improvements.

Lessor shall obtain Lessee's consent prior to making any Required Capital Improvements to the Premises other than Required Capital Improvements to the Shared Space or Related Building Capital Improvements. Lessee may not withhold its consent to any Required Capital Improvement to the Premises unless i) Lessee has a reasonable objection to Lessor's selection of equipment, materials and/or vendors; or ii) Lessee agrees to take such action as will make the Required Capital Improvement no longer necessary. As to Required Capital Improvements to the Shared Space (other than the Premises) or Related Building Capital Improvements, Lessor shall, except in case of emergency, seek Lessee's input with respect to selection of equipment, materials and/or vendors, all of which input shall not be binding upon Lessor.

7. Possession.

(a) Early Entry. The Lessee, its sublessees and assigns shall have the right to enter the Premises prior to the Commencement Date to outfit and prepare the same for use without paying Rent so long as Lessee, its sublessees, or assigns do not commence business.

All other provisions of this Lease shall be applicable during the period between the date of early entry and the Commencement Date.

(b) Delays. This Lease shall not be void or voidable and Lessor shall not be liable to Lessee for any loss or damage resulting from any delay in delivering possession of the Premises to Lessee that is beyond Lessor's control, and no Rent shall be due for the period prior to the Commencement Date.

(c) Quiet Enjoyment. If Lessee pays the Rent and other charges and performs all of Lessee's obligations under this Lease, Lessor covenants that Lessee may peaceably and quietly possess and enjoy the Premises under this Lease for the duration of the Term. Lessee shall not vacate or abandon the Premises during the Term without Lessor's prior written consent.

8. Leasehold Improvements.

Lessor and Lessee shall have the following rights and obligations with regard to leasehold improvements:

(a) Lessor Construction. Lessor shall construct, on behalf of Lessee, those certain leasehold improvements, alterations and additions comprising the Premises as may be reflected in the "Plans" (as hereinafter defined) (collectively, the "Leasehold Improvements"), all as more fully described and set forth on those certain plans and specifications described on Exhibit "J" attached hereto (together with any and all amendments or modifications thereto, or replacements or substitutions thereof, collectively referred to herein as the "Plans").

(b) Bidding. Lessor warrants that it has complied with all bidding laws and bonding requirements that apply to it as a public entity.

(c) Quality of Lessor's Work/Construction Contracts. Lessor agrees (unless otherwise provided in the Plans) to construct the Leasehold Improvements in a good and workmanlike manner substantially in accordance with the Plans. Lessor will utilize first quality new materials in compliance with all applicable laws, ordinances, rules and statutes.

(d) Lessor's Construction Insurance. Lessor agrees to obtain and maintain public liability insurance, builder's risk insurance and worker's compensation insurance adequate to fully protect Lessee as well as Lessor from and against any and all liability for death or injury to person or damage to property by reason of construction of the Leasehold Improvements. All such insurance shall name Lessee and the City of Waconia as additional

insureds, and all premiums and deductibles associated with such insurance shall be prorated between Lessor and Lessee as follows:

Lessor	83%
Lessee	17%

Lessee shall reimburse Lessor for its proportionate share of such insurance costs. Lessor shall indemnify Lessee, its officers, employees, agents, contractors, licensees and invitees against all claims, demands and actions, and all related costs and expenses (including reasonable attorneys' fees) for injury, death, disability or illness of any person, damage to property, or contractual liability to third parties arising out of construction of the Leasehold Improvements, whether direct or indirect, to the extent not covered by the insurance described herein (except to the extent caused by the negligence or willful misconduct of Lessee, its officers, employees, agents, contractors, licensees or invitees).

(e) Cost of Leasehold Improvements. Except for any change orders made after the effective date of this Lease that are mutually accepted in writing by both Lessor and Lessee, the cost of the Leasehold Improvements (including architectural and engineering fees) shall be Three Million, Seven Hundred Forty-Eight Thousand, Five Hundred Eighty-Two and no/100 Dollars ($3,748,582.00), less seventeen percent (17%) of any utility rebates received by the District from Minnesota Valley Electric Cooperative Company or any other utility in regard to the Building (the "Leasehold Costs").

(f) Reimbursement of Leasehold Costs. As Leasehold Costs are incurred by Lessor, Lessor shall separately invoice such Leasehold Costs to Lessee for reimbursement by Lessee to Lessor. Lessor and Lessee agree that the Leasehold Costs shall be due and payable from Lessee to Lessor as follows: (i) as to amounts owed by Lessor to all contractors constructing the Leasehold Improvements, or professionals performing architectural, engineering or consulting services with respect to the Leasehold Improvements, as follows: (A) following receipt of written approval by the Consulting Architect, which approval shall not be unreasonably withheld; and (B) in any event on or before the due dates specified in the applicable construction, architect, engineering and/or consulting contract(s), agreement(s) and/or invoice(s) pursuant to which Lessor is obligated to make payment of such Leasehold Costs; and (ii) with respect to all other Leasehold Costs, if any, on or before the due dates specified in the applicable contract(s), agreement(s) and/or invoice(s) pursuant to which Lessor is obligated to make payment of such Leasehold Costs. Lessor shall furnish to Lessee copies of properly executed lien waivers for all contractors for such Leasehold Improvements not later than thirty (30) days following the date of final payment to each such contractor.

(g) Change Orders. Any change order to the Leasehold Improvements must be approved in writing by the Consulting Architect. Any change order to the other portions of the Community Center or Common Areas must be approved by the Consulting Architect if it exceeds $10,000.00, which approval shall not be unreasonably withheld. Any change order to the balance of the Building must be approved by the Consulting Architect if it exceeds

$10,000.00 and would materially affect the Community Center portion of the Building, which approval shall not be unreasonably withheld.

(h) Damage or Destruction During Construction. If the Building is damaged or destroyed by Casualty during construction, Landlord shall collect any proceeds of insurance and proceed with due diligence to repair the damage or destruction and continue with construction; provided, however, that if more than fifty percent (50%) of the Building, as then constructed, is damaged or destroyed, Landlord may elect to terminate this Lease as of the date of the Casualty by giving written notice to Lessee within thirty (30) days after the Casualty. If Landlord so elects to terminate this Lease, Landlord shall reimburse Lessee for all sums paid by Lessee to Landlord for Leasehold Improvements, less any deductibles allocated to Lessee in accordance with Section 8(d).

(i) Title. Except as provided below, all of the Leasehold Improvements shall become the property of Lessor upon completion, subject to Lessee's rights to receive compensation for the same under Sections 8, 25, 26 and 28 of this Lease. Notwithstanding any provision to the contrary above, the Leasehold Improvements constituting removable fixtures and personal property and Lessee's other removable fixtures and personal property shall remain Lessee's property, including but not limited to, such items as are listed on attached Exhibit "K".

9. Use.

Lessee shall use the Premises for the Permitted Uses and shall not permit the Premises to be used for any other purposes.

10. Parking.

All parking spaces located within designated parking areas on the Property shall be provided to Lessee, its sublessees and assigns and their employees, independent contractors, agents, lessees, licensees, and invitees in common with Lessor and Lessor's employees, agents, contractors, lessees, or invitees on a first-come first-served basis. Notwithstanding any provision to the contrary above, Lessee shall have the right to designate one (1) area near the Community Center entrance for deliveries and up to four (4) exclusive parking spaces near the entrance of the Community Center or elsewhere for the exclusive use of the Community Center manager and Community Center staff.

11. Maintenance and Repairs.

(a) Repairs and Maintenance by Lessor. Lessor shall maintain and repair the Community Center (excluding Lessee's removable trade fixtures and personal property, or any removable trade fixtures and personal property of any sublessee or assignee of Lessee) and those portions of the heating, air conditioning, plumbing, electrical, telecommunications and other Building systems otherwise located within the Building to the extent serving in whole or in part the Community Center, and the Common Areas and Accessways, all in good

repair, reasonable wear and tear excepted, such maintenance to include the snowplowing of the above described areas, as appropriate. Lessee shall promptly give Lessor written notice of any defect or need for repairs, after which Lessor shall have a reasonable opportunity to cure such defects or make such repairs. In the event of any failure by Lessor to commence to cure any such defects or make any such repairs to the Community Center within ten (10) days after receipt from Lessee of written notice of any defect or need for repairs, then Lessee may cure such defects and prosecute such repairs itself, and apply the cost of the same against the next maturing monthly installment or installments of Rent due hereunder. Notwithstanding the above, if the defect or item in need of repair is insignificant in nature, does not interfere with the Permitted Use of the Premises or Shared Space, and does not pose a hazard to person or property, then Lessee shall not exercise its right to self help unless Lessor fails to commence a cure to the defect or to make the repair within thirty (30) days after receipt of Lessee's written notice. For purposes hereof, the phrase "commence to cure any such defects or make any such repairs" shall include commencement of any necessary compliance by Lessor with any public bidding requirements applicable under the law. Subject to Lessee's right to cure defects or make repairs, as hereinabove provided, Lessor's liability to Lessee shall be limited to curing such defects or making such repairs, and Lessor shall not be in default of this Lease for any delay in making a repair provided it has used reasonable efforts to make the repair in a timely fashion.

(b) Covenant Against Waste. Each party covenants to the other not to do or suffer any waste to the Community Center, the Common Areas and the Accessways.

(c) No Ouster or Constructive Eviction. Any reasonable entry onto the Premises in accordance with the terms of this Lease by Lessor or its employees, or any other party at the direction of Lessor, pursuant to this Lease, shall never be construed as altering, abating or diminishing Lessee's rights or obligations under this Lease.

12. Rules.

Lessor and Lessee may, by mutual agreement, establish written rules and regulations applying to the Community Center and Common Areas. Lessee agrees to abide by Lessor's written rules and regulations when using other portions of the Building.

13. Compliance with Laws.

Each party shall promptly comply with all laws, ordinances, rules, orders, regulations and other requirements of governmental and quasi-governmental authorities now existing or subsequently enacted that apply to the party or its activities, including but not limited to Environmental Law. Neither party shall install, use, generate, store or dispose of any Hazardous Substances in or about the Property without the written consent of the other party. Notwithstanding the above, such consent shall not be required for supplies and chemicals relating to janitorial services or maintenance of the lap and recreational swimming pools, nor shall it relate to refined petroleum products used in the normal course of either party's operations. In addition, such consent shall not be required for lab chemicals reasonably used

by Lessor to educate its public school students or to substances directly related to any permitted health care activities hereunder. Lessee shall promptly pay any other charges by any governmental authority on Lessee's personal property or removable trade fixtures in the Premises or relating to Lessee's use of the Premises. Lessor shall promptly pay any taxes or other charges by any governmental authority on Lessor's personal property or trade fixtures in the Building or on the Property, or relating to Lessor's use of the Property.

14. Name of Community Center/Signs.

The name of the Community Center shall be the "Waconia Community Center." Lessee shall be allowed to place signs on the interior and exterior of the Building and elsewhere on the Property and the High School Property as described on Exhibit "L." Placement of any other signs elsewhere on the Property or High School Property shall be prohibited without first obtaining the advance written consent of the District; provided, however, the District's consent may not be unreasonably withheld with respect to the placement of signs by Lessee within the Premises and those Common Areas located within the Community Center. Each party shall contribute to the costs associated with the signs described in attached Exhibit "L" as described in such exhibit.

15. Warranties by Lessor/Acceptance of Premises.

(a) Assignment of Warranties and Guaranties. Lessor hereby assigns to Lessee, in common with Lessor, any and all warranties and guaranties of third parties held by Lessor with regard to the Premises, except in the event the same are unassignable, in which case Lessor shall enforce the same for the benefit of Lessee. Lessor shall provide copies of all material warranties and guaranties to Lessee. Neither Lessor nor any agents or employees of Lessor have made any representations or promises with respect to the Premises or the Building, except as described below or otherwise provided in this Lease.

(b) Condition of Premises. Lessee shall have a period of sixty (60) days from the date that Lessee, its sublessees or assigns takes possession of the Premises to provide Lessor with a list of any defects and incomplete or unsatisfactory items with respect to the Leasehold Improvements. Lessor shall be obligated within a reasonable amount of time not to exceed ninety (90) days to cure any such items. In addition, at any time during the Term, Lessee may inform Lessor of defects or unsatisfactory items in respect to the Leasehold Improvements that may be covered by warranty or guaranty. Lessor shall seek to enforce any applicable warranty or guaranty to correct such defect or unsatisfactory item to the extent that Lessee cannot enforce such claim itself; provided, however, that all costs and expenses of such enforcement efforts, including the commencement and prosecution of legal action, shall be borne by Lessee. Lessee shall have the right to choose all legal counsel, architects, engineers and other advisors.

(c) Compliance with Codes. Lessor warrants that upon delivery of the Premises to Lessee that the interior and exterior of the Premises will meet with all present codes required at the time by regulations of governing authorities including, without limitation, the

Americans with Disabilities Act (the "ADA"). Lessor makes no representation or warranty as to compliance of the Premises with such future codes as may hereafter be required by regulations of governing authorities.

(d) Covenant of Title and Quiet Enjoyment. Lessor represents and warrants that (i) it is the owner of the Property and the Premises, and (ii) Lessee or any permitted assignee or sublessee of Lessee, upon the payment of rent and performance of the covenants hereunder, shall and may peaceably and quietly have, hold and enjoy the Premises and Leasehold Improvements thereon during the term of this Lease.

(e) Construction of Building. Lessor warrants that it shall substantially complete the construction of the Building, all other improvements shown on the Plans, all Common Areas depicted on attached Exhibit "D" and the Accessways depicted on attached Exhibit "B."

(f) Hazardous Substances. Lessor represents and warrants that (i) no Hazardous Substances have been generated, treated, stored, transferred from, or disposed of, or otherwise placed, deposited in or located on the Property in violation of any Environmental Law, nor has any activity been undertaken on the Property that would cause or contribute to the Property becoming a treatment, storage or disposal facility within the meaning of any Environmental Law; (ii) there has been no discharge, release or threatened release of Hazardous Substances from the Property; (iii) there are no Hazardous Substances or conditions in or on the Property that may support a claim or cause of action under any Environmental Law; and (iv) the Property is not now, and to the best of Lessor's knowledge never has been, listed on any list of sites contaminated with Hazardous Substances, nor used as landfill, dump, disposal or storage site for Hazardous Substances.

16. Alterations.

(a) Lessee shall not make any structural alterations, additions, expansions, or improvements in or to the Premises or Building without first obtaining the prior written consent of Lessor. Lessee may make nonstructural alterations, additions or improvements in or to the Premises without Lessor's prior written consent to the extent the aggregate annual cost (prorated in the case of any fractional calendar year during the Term) of such nonstructural alterations, additions or improvements is less than or equal to $25,000.00. In the case of any nonstructural alterations, additions or improvements by Lessee in or to the Premises which require Lessor's prior written consent, as hereinabove provided, such consent shall not be unreasonably withheld. All other alterations, additions expansions and improvements to the Community Center and Common Areas shall be by mutual agreement of the parties. If a party exercises its right to unilaterally make an alteration, addition, or improvement as provided in this Section, it shall give the other party not less than sixty (60) days notice prior to the commencement of the anticipated work.

(b) Except in regard to meeting its maintenance and repair obligations in accordance with Section 11(a) of this Lease, Lessor shall not (i) make any alterations,

additions or improvements in or to the Premises without first obtaining the prior written consent of Lessee, (ii) make any structural alterations, additions or improvements to that portion of the Community Center other than the Premises without first obtaining the prior written consent of Lessee, which consent shall not be unreasonably withheld; or (iii) materially change or modify the Common Areas or the Accessways except as described in Section 4 of this Lease.

(c) The party making any alterations, additions or improvements shall comply with all applicable laws and rules applying to it as a governmental entity in regard to bidding, contracting, bonding, and similar requirements. All work shall be constructed with new materials and in compliance with all applicable laws, ordinances, rules, orders, regulations, or other requirements of governmental authorities.

(d) All alterations, additions and improvements to the Premises, except removable trade fixtures and personal property, shall become the property of Lessor upon installation and shall be surrendered with the Premises upon termination of the Lease.

(e) In the event of any material alteration at any time during the Term of any portion of the Building by or for the benefit of Lessor or Lessee, or their respective lessees, sublessees or assigns, Lessee's Proportionate Share of Operating Costs shall be equitably adjusted in such manner and amount as shall reasonably reflect the impact of such alteration on Lessor and Lessee, and their respective lessees, sublessees or assigns, and any material changes in use of the Building as a result thereof, and this Lease shall be amended accordingly.

17. Utilities and Service.

(a) Lessor shall be responsible for obtaining and maintaining on a continuing basis all water, natural gas, electric, heating, air conditioning, telecommunications and janitorial services for the Premises. The cost of all such utilities and services and any other utilities or services for the Premises shall be included in the Operating Costs as specifically provided herein. Lessor shall not be liable for any loss or damage resulting from any temporary interruption of these utilities or services due to repairs, alterations or improvements, or any variation, interruption or failure of energy, or any other cause unless caused by the negligence or willful misconduct of Lessor, its employees, agents, contractors, students or invitees. No such interruption or failure of these utilities or services shall be deemed as an eviction of Lessee or shall relieve Lessee from any of its obligations under this Lease. Lessor, however, shall use its reasonable efforts to restore all disrupted services and utilities as quickly as possible and Lessee shall have the rights of self-help described in Section 11(a) of this Lease.

(b) Disposal of medical and hazardous material waste shall be the sole responsibility and expense of the party that used, produced or otherwise brought it onto the Property. Each party shall comply with all laws, ordinances, and rules pertaining to the disposal of such materials.

18. Entry by Lessor.

Lessor and its agents, contractors and mortgagees shall have the right to enter the Premises at reasonable times and on reasonable advance notice (except in the case of emergencies) for inspecting, cleaning, repairing, or exhibiting the Premises.

19. Estoppel Certificate.

Within ten (10) days after written request from a party, the other party shall execute, acknowledge and deliver to the requesting party a document that can be relied upon by third parties stating (a) that this Lease is unmodified and is in full force and effect (or if modified, that the Lease is in full force and effect as modified and stating the modifications), (b) the dates to which rent and charges have been paid, (c) the current Monthly Rent, (d) the dates on which the Term begins and ends, (e) that Lessee, its sublessees or assigns have accepted the Premises and are in Possession, (f) that the party furnishing the Certificate is not in default under this Lease (or if in default, stating in reasonable detail the scope and nature of each such default), and such other information as requesting party may reasonably require.

20. Assumption of Risks.

Except as otherwise expressly provided in this Lease, each party assumes all risk of loss or damage to such party's personal property within the Building, including any loss or damage caused by water leakage, fire, windstorm, explosion, theft, act of the other party, or other cause.

21. Indemnification.

(a) Lessee shall defend, indemnify and hold harmless Lessor, its officials, employees, agents, contractors, and invitees against any and all claims, demands actions, losses, liabilities, damages, penalties, judgments, injunctive relief and all related costs and expenses (including reasonable attorneys' fees) for injury, death, disability or illness of any person or damage to property or natural resource arising out of Lessee's possession of the Premises, Lessee's use of the Premises, Shared Space or Common Areas, or a breach by Lessee of its obligations under this Lease, whether foreseeable or unforeseeable, except to the extent caused by 1) the negligence or willful misconduct of Lessor, its employees, agents, contractors, students or invitees or 2) a breach by Lessor of its obligations under this Lease. The foregoing obligation to indemnify includes, without limitation, the obligation to indemnify against all costs in law or in equity of removal, response, investigation, remediation of any kind, and disposal of Hazardous Substances, all costs of determining whether property is in compliance with Environmental Laws, and all costs of causing property to be in compliance with all applicable Environmental Laws.

(b) Lessor shall defend, indemnify and hold harmless Lessee, its officials, employees, agents, contractors, invitees, successors and assigns (including sublessees),

against any and all claims, demands, actions, losses, liabilities, damages, penalties, judgments, injunctive relief and all related costs and expenses (including reasonable attorneys' fees) for injury, death, disability or illness of any person or damage to property or natural resource arising out of Lessor's possession or use of the Property, except for the Premises while Lessee or its successors or assigns are in possession of the same, Lessor's possession or use of the Accessways, or a breach by Lessor of its obligations under this Lease, whether foreseeable or unforeseeable, except to the extent caused by 1) the negligence or willful misconduct of Lessee, its employees, agents, contractors, or invitees or 2) a breach by Lessee of its obligations under this Lease. The foregoing obligation to indemnify includes, without limitation, the obligation to indemnify against all costs in law or in equity of removal, response, investigation, remediation of any kind, and disposal of Hazardous Substances, all costs of determining whether property is in compliance with Environmental Laws, and all costs of causing property to be in compliance with all applicable Environmental Laws.

(c) Notwithstanding anything to the contrary in this Lease, and with respect only to claims, demands, actions, losses, liabilities, damages, penalties arising or accruing, whether asserted or unasserted, prior to any termination of this Lease or removal of Lessee from the Premises, together with any costs and expenses (including reasonable attorneys' fees) related thereto, (collectively, the "Existing Indemnification Obligations"), such Existing Indemnification Obligations shall survive any such termination or removal of Lessee.

22. Insurance.

(a) Lessee's Insurance. Unless Section 22(b) applies, Lessee, the City of Waconia or any other governmental sublessee or assignee (other than collateral assignee) of the entire Premises subject to the liability limits of Minnesota Statutes §466.04, as amended, shall keep in force, at its expense, throughout the Term :

(1) commercial general liability insurance, naming Lessor as an additional insured, with limits in accordance with those set forth in Minnesota Statutes §466.04, as amended; and

(2) property insurance covering the full replacement value of Lessee's removable trade fixtures and personal property in the Building.

(b) Insurance Required of a Non-Governmental Sublessee or Assignee of the Entire Premises. If Lessee subleases or assigns, voluntarily or involuntarily, its interest in the entire Premises to a non-governmental entity or any governmental entity that is not subject to the liability limits of Minnesota Statutes §466.04, as amended, such sublessee or assignee (other than a collateral assignee) shall keep in force, at its expense:

(1) commercial general liability insurance, naming Lessor as an additional insured, with a combined policy limit of at least $4,000,000 applying to bodily and

personal injury, which limit may be satisfied by a basic commercial liability policy or such a policy in combination with umbrella or excess policies; and

(2) property insurance covering the full replacement value of such sublessee's or assignee's removable trade fixtures and personal property in the Building.

(c) Insurance Required of a Non-Governmental Sublessee or Assignee of a Portion of the Premises. If Lessee or the City of Waconia subleases or assigns (other than through a license or permit) its interest in a portion of the premises to a non-governmental entity, such sublessee or assignee (other than a collateral assignee) shall keep in force, at its expense:

(1) commercial general liability insurance, naming Lessor as an additional insured, with a combined policy limit of at least $2,000,000 applying to bodily and personal injury, which limit may be satisfied by a basic commercial liability policy or such a policy in combination with umbrella or excess policies; provided, however, that if the portion of the Premises so subleased or assigned includes any pool, the combined policy limit shall be that specified in Section 22(b)(1); and

(2) property insurance covering the full replacement value of such sublessee's or assignee's removable trade fixtures and personal property in the Building.

(d) Lessor's Insurance. Lessor shall keep in force, at its expense, throughout the Term:

(1) commercial general liability insurance, naming Lessee and Lessee's sublessees and assignees, if any, as additional insureds, with liability limits then in accordance with those set forth in Minnesota Statutes §466.04, as amended; and

(2) "all risk" property insurance covering the full replacement value of 1) the Building and other improvements on the Property and 2) Lessor's trade fixtures and personal property in the Building.

(e) Certificates. Prior to the Commencement Date, from time to time, the parties shall deliver to each other certificates of insurance or copies of policies of insurance showing the above-described coverage to be in effect with premiums fully paid. The certificates or policies of insurance shall provide that the other party shall be notified in writing thirty (30) days prior to any cancellation of, material change in, or failure to renew such insurance.

(f) Escalation of Required Insurance Amounts. The amount of insurance required by Sections 22(b)(1) and 22(c)(1) shall increase by twenty-five percent (25%) on the tenth (10th) anniversary of the Commencement Date and by an additional twenty-five percent (25%) on the twentieth (20th) anniversary of the Commencement Date.

23. Waiver.

If permitted under applicable policies of insurance, Lessee and Lessor hereby release one another, and their respective sublessees and assigns, from any and all liability (to the other or anyone claiming through or under them by way of subrogation or otherwise) for any loss or damage covered by property insurance or coverable by any other insurance required by this Lease, whether or not the loss or damage resulted from the fault or negligence of the other party or anyone for whom such party is responsible. Lessee and Lessor shall use reasonable efforts to obtain policies of insurance which provide that this release shall not adversely affect the rights of the insureds under their respective policies.

24. Assignment and Subletting.

(a) Neither party may transfer or assign this Lease or any interest under this Lease without the other's prior written consent, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing:

(1) Lessee is authorized to assign or sublease this Lease to the City of Waconia, a body politic and corporate under the laws of the State of Minnesota, without Lessor's consent, pursuant to that Community Center Lease with Option to Purchase Agreement, dated on even date herewith, by and between Lessee and the City of Waconia (the "Sublease"), provided that Lessee remains liable to Lessor for all obligations of this Lease. Notwithstanding any provision to the contrary above, Lessee shall be released from liability hereunder if the City of Waconia pays the Bond described in the Sublease in full and the Sublease is fully assigned to the City of Waconia as a result thereof; provided, however, that as a condition of such release the City of Waconia must affirm to Lessor in writing that it accepts assignment of this Lease and agrees to be bound by the provisions and obligations of this Lease.

(2) Lessee is authorized to collaterally assign this Lease to any lender (in each case, the "Lender") of Lessee which has financed, in whole or in part, the Leasehold Costs (in each case, the "Financed Obligations"); provided, however, that (i) such assignment shall at all times be limited only to the then outstanding balance of the Leasehold Costs, as so financed; (ii) the rights of the Lender, as so assigned, shall at all times be no greater than the rights of Lessee hereunder (provided, however, that the Lender shall not otherwise have the right to collaterally assign this Lease in accordance with this Section 24(a)(2)); (ii) in the event the Lender acquires or succeeds to the interest of Lessee under this Lease through summary proceedings, foreclosure action, absolute assignment, or otherwise, the Lender shall, at the election and upon the request of Lessor and without further instruments of attornment, fully attorn to and recognize Lessor as the Lender's landlord under this Lease upon the then executory terms of this Lease; and (iii) Lessee's right to collaterally assign this Lease to the Lender under this Section, and any such collateral assignment, shall automatically terminate and expire upon payment in full to the Lender of all of the Financed Obligations owing to such Lender.

(3) The Lessor and the City of Waconia, as assignee or sublessee, shall be allowed to further sublease portions of the Premises to Ridgeview Medical Center, its successors, assigns, and affiliates for use as medical office space as depicted on Exhibit M attached hereto; provided, however, and notwithstanding the foregoing, Lessee shall remain liable to Lessor for all obligations of this Lease unless otherwise released as described above. Further, any such sublease shall require Ridgeview Medical Center to properly dispose of its medical waste, if any, and to indemnify Lessor, Lessee and the City of Waconia from its failure to do so.

(b) Except as otherwise provided in this Section 24, any assignment or subletting by any assignee or sublessee shall also require Lessor's prior written consent, which shall not be unreasonably withheld. No sublessee or assignee shall use the Premises for any purpose not permitted under this Lease or in any other ways contrary to the provisions of this Lease.

25. Damage or Destruction.

If the Building is damaged by Casualty, the damage (excluding damage to removable trade fixtures or personal property of Lessee) shall be repaired by Lessor at its expense to a condition as near as reasonably possible to the condition prior to the Casualty; provided, however, that if more than twenty-five percent (25%) of the total usable area in the Building is rendered untenable, Lessor may choose not to repair the damage if it chooses to abandon occupancy of the Building in its entirety, and, in such instance, Lessor may terminate this Lease as of the date of the Casualty by giving written notice to Lessee within thirty (30) days after the Casualty, and shall thereafter proceed to abandon occupancy of the Building within a reasonable period of time. If this Lease is not terminated, Lessor shall begin repairs within ninety (90) days after the Casualty and complete the repairs within a reasonable time, subject to any Permitted Delay, and Lessee shall repair any improvements (other than the Leasehold Improvements) paid for by Lessee within sixty (60) days thereafter. If Lessor fails to undertake such repairs within ninety (90) days, then Lessee may, upon thirty (30) days' written notice to Lessor and failure by Lessor within such thirty (30) day period to commence such repairs, terminate this Lease. In the event this Lease is terminated in accordance with this Section, all proceeds of any policy of insurance covering the Building (excluding proceeds attributable to any removable trade fixtures or personal property of Lessee) shall be allocated as between, and paid to, Lessor and Lessee, and all cleanup costs related to the occurrence of the Casualty which are not covered by such policy of insurance, including, without limitation costs of demolition, shall be allocated as between, and paid by, Lessor and Lessee, as follows: (i) Lessor shall receive and pay eighty-three and four tenths percent (83.4%) of such proceeds and cleanup costs, respectively; and (ii) Lessee shall receive and pay sixteen and six-tenths percent (16.6%) of such proceeds and cleanup costs, respectively. One hundred percent (100%) of any proceeds of insurance covering and any removable trade fixtures and personal property of Lessee shall be paid to Lessee. In the absence of any termination of this Lease in accordance with this Section, all proceeds of any policy of insurance covering the Building, including without limitation the Leasehold Improvements (but excluding other improvements paid for by Lessee for any removable

trade fixtures or personal property of Lessee) shall be paid to Lessor and any proceeds of insurance covering any removable trade fixtures and personal property of Lessee shall be paid to Lessee. In the event Lessee is unable to use the Premises for a period of at least fourteen (14) days as a result of Casualty to the Premises, Building and/or Land, then thereafter, unless this Lease is terminated pursuant to the provisions of this Section 25, Lessee shall be entitled to an abatement of Rent until such time as Lessee's ability to use the Premises is restored.

26. Eminent Domain.

If there is a Taking of twenty-five percent (25%) or more of the total usable area of the Building, either party may terminate this Lease as of the date the public authority takes possession, by written notice to the other party within thirty (30) days after the Taking. If there is a Taking of any portion of the Premises so as to render the Premises unsuitable for Lessee's use, Lessee shall have the right to terminate the Lease effective as of the date the public authority takes possession by giving written notice to Lessor within thirty (30) days after the Taking. If this Lease is terminated under this Section, any rents and other payments (excluding Leasehold Costs) shall be prorated as of the termination and shall be proportionately refunded to Lessee, or paid to Lessor, as the case may be, and (i) in the case of a Taking by other than Lessee, all damages, awards and payments for the Taking, excluding damages, awards and payments attributable to any removable trade fixtures or personal property of Lessee, (collectively, the "Condemnation Damages") shall be allocated as between, and paid to, Lessor and Lessee, and all costs related to the occurrence of the Taking which are not covered by such Condemnation Damages, including without limitation costs of demolition, shall be allocated as between, and paid by, Lessor and Lessee, as follows: (A) Lessor shall receive and pay eighty-three and four tenths percent (83.4%) of such Condemnation Damages and costs, respectively; and (B) Lessee shall receive and pay sixteen and six-tenths percent (16.6%) of such Condemnation Damages and costs, respectively; and (ii) in the case of a Taking by Lessee, all Condemnation Damages shall belong to Lessor irrespective of the basis upon which upon which they were made or awarded, except that Lessee shall be entitled to any amounts awarded to the extent applicable to the Leasehold Improvements. In the absence of any termination of the Lease under this Section, all damages, awards and payments for the Taking shall belong to Lessor irrespective of the basis upon which they were made or awarded. Notwithstanding anything to the contrary in this Lease, One hundred percent (100%) of any damages, awards and payments attributable to any removable trade fixtures or personal property of Lessee, or to any relocation payment or allowance with respect to Lessee, shall be paid to Lessee. If this Lease is not terminated as a result of the Taking, Lessor shall restore the remainder of the Premises to a condition as near as reasonably possible to the condition prior to the Taking, and the Monthly Rent shall be abated for the period of time the space is untenantable in proportion to the square foot area untenantable and this Lease shall be amended appropriately to reflect the deletion of the space taken.

27. Defaults.

(a) If (i) Lessee defaults in the payment of Rent or other amounts under this Lease and such default continues for thirty (30) days after written notice by Lessor to Lessee, (ii) Lessee defaults in any other obligation under this Lease and such default continues for thirty (30) days after written notice by Lessor to Lessee, (iii) any proceeding is begun by or against Lessee to subject the assets of Lessee to any bankruptcy or insolvency law; or for an appointment of a receiver of Lessee or for any of Lessee's assets, or (iv) Lessee makes a general assignment of Lessee's assets for the benefit of creditors (individually, an "Event of Default," and collectively, the "Events of Default"), then Lessor may, with or without terminating this Lease, cure the default and charge Lessee all costs and expenses of doing so or reenter the Premises, remove all persons and property, and regain possession of the Premises, all without waiver or loss of any of Lessor's rights under this Lease, including, subject to Section 27(d) below, Lessor's right to payment of Rent. Lessor also may terminate this Lease.

(b) Lessee waives any right of restoration to possession of the Premises after re-entry, notice of termination, or after judgment for possession. If this Lease is terminated under this Section 27, subject to Section 27(d) below, Lessee shall indemnify Lessor against all loss of Rent and against other damages which Lessor may incur as a result of the termination for the remainder of the Term, and against all related attorney fees and other expenses.

(c) If Lessee is in default and notice of termination of Lessee's right to possession has been mailed to Lessee at the Premises and it appears in Lessor's reasonable judgment that Lessee has abandoned or vacated the Premises, Lessor may re-enter the Premises and retake possession without legal action and without relieving Lessee of the obligation to pay Rent or any other obligations under this Lease. In the event of litigation between Lessor and Lessee, the non-prevailing party shall pay reasonable attorneys' fees and disbursements to the prevailing party.

(d) Notwithstanding anything to the contrary in this Section 27, in the event of any termination of this Lease or any re-entry by Lessor of the Premises as aforesaid, whether under any proceeding, provision of law or otherwise, by reason of an Event of Default hereunder on the part of Lessee, Lessee covenants and agrees forthwith that Lessor may re-let the Premises or any part or parts thereof, either in the name of Lessor or otherwise (but shall have no obligation to do so), and in that connection may make any suitable alterations or refurbish the Premises, or both, or change the character or use of the Premises, for a term or terms, which may at Lessor's option be less than or exceed the period that would otherwise have constituted the balance of the Term of this Lease, and may grant reasonable concessions or free Base Rent in connection therewith; provided, however, in the event of any such re-letting of all or a portion of the Premises, or any occupation or use thereof by Lessor in lieu of re-letting, and to the extent thereof and for such portion of the Term so re-let, or used or occupied by Lessor, Lessee's obligations to pay Rent hereunder shall be

proportionately abated; provided further, however, Lessor shall be entitled to recover from Lessee all costs of re-entry and re-letting including, without limitation, the cost of any cleanup, removal of Lessee's property and fixtures, refurbishing to the extent required to bring the condition of the Premises, without substantial modification to the Premises, to a level consistent with other similar properties available for lease, expenses from Lessee's failure to quit the Premises, attorneys' fees, court costs, brokers' commissions, and advertising costs, and no such abatement of Lessee's obligations to pay Rent hereunder shall occur until such time as Lessor has received payment in full of the foregoing.

(e) If either party defaults in any of its obligations under this Lease, it shall promptly reimburse the other party for all costs (including reasonable attorneys' fees) incurred by the other party in enforcing its rights under this Lease, whether or not this Lease is terminated and whether or not suit is brought. No right or remedy shall preclude any other right or remedy, no right or remedy shall be exclusive of or dependent upon any other right or remedy, and any right or remedy may be exercised independently or in combination.

28. Termination of Lease by Lessor.

(a) Right to Terminate. Lessor may terminate this Lease ("Lessor's Voluntary Termination"), effective as of June 30 of any calendar year, upon 1) delivery by Lessor to Lessee, on or before February 1 of such calendar year, of advance written notice of termination; and 2) Lessor's payment to Lessee in any coin or currency of the United States of America which, at the respective date of payment, is legal tender for public and private debts, the sums described in subparagraph (b) of this Section.

(b) Payment Upon Voluntary Termination. If Lessor exercises its right of Voluntary Termination, Lessor shall, on or before the effective date of such termination, pay to Lessee each of the following amounts:

(1) The sum obtained by adding i) the then unamortized balance of the agreed amount of Three Million Eight Hundred Thousand and no/100 Dollars ($3,800,000.00) amortized over a period of thirty (30) years using straight line amortization from and after the Commencement Date and ii) Lessee's proportionate share of the then unamortized aggregate balance of any Required Capital Improvements and Related Building Capital Improvements, such improvements to be amortized pursuant to and using useful lives based upon generally accepted accounting principals assuming straight line amortization;

(2) Any redemption premiums or redemption penalties that would be incurred by Lessee if Lessee chose to prepay the revenue bonds associated with the Leasehold Improvements at the time of Voluntary Termination; and

(3) The lesser of (i) the Operating Losses (as hereinafter defined) incurred by the Community Center for the five (5) year period commencing as of the Commencement Date, or (B) Two Hundred Fifty Thousand and no/100 Dollars ($250,000.00). For purposes

of this Section 28, "Operating Losses" shall mean, for the five (5) year period commencing as of the Commencement Date, the difference between (i) Lessee's actual gross income received from Community Center operations during such period, less (ii) Lessee's actual and direct expenses incurred in connection with Community Center operations during such period.

(c) Agreement Not to Operate Community Center. In the event of termination under this Section 28, Lessor covenants and agrees that Lessor will not operate a fee generating community center of any nature whatsoever at the Building for the remaining balance of the Term of the Lease; provided, however, that nothing herein shall prevent Lessor from using the Premises for (i) educational activities that do not generate fees or for (ii) activities that generate fees provided such activities are not Adult Recreation and the fees generated are not annual membership fees (regardless of how structured or billed). This covenant shall survive the termination of this Lease.

(d) Effect. Payment by Lessor to Lessee of the sums described in this Section 28 and Lessor's agreement not to operate a community center shall be Lessee's sole and exclusive remedy for Lessor's Voluntary Termination, and Lessee hereby waives any and all rights to specific performance, damages, or any other remedy available in equity or in law except to the extent required to enforce the rights granted Lessee under this Section.

29. Accord and Satisfaction.

No waiver of any provision of this Lease shall be deemed a waiver of any other provision or a waiver of that same provision on a subsequent occasion. The receipt of Rent by Lessor with knowledge of a default under this Lease by Lessee shall not be deemed a waiver of the default. Lessor and Lessee shall not be deemed to have waived any provision of this Lease unless it is done by express written agreement between the parties. Any payment by Lessee and acceptance by Lessor of a lesser amount than the full amount of all Rent and other charges then due shall be applied to the earliest amounts due. No endorsement or statement on any check or letter for payment of rent or other amount shall be deemed an accord and satisfaction, and Lessor may accept such check or payment without prejudice to its right to recover the balance of any rent or other amount or to pursue any other remedy provided in this Lease.

30. Return of Possession to Lessor.

On expiration of the Term or sooner termination of this Lease, Lessee shall return possession of the Premises to Lessor, without notice from Lessor, in good order and condition, except for ordinary wear and damage, destruction or conditions Lessee is not required to remedy under this Lease. If Lessee does not return possession of the Premises to Lessor, Lessee shall pay Lessor all resulting damages Lessor may suffer and shall indemnify Lessor against all claims made by any new lessee of all or any part of the Premises. Upon expiration or termination, Lessee shall give Lessor all keys for the Premises and shall inform Lessor of all combinations on any locks and safes on the Premises. Any property left in the

Premises after expiration or termination of this Lease or after abandonment of the Premises shall be deemed abandoned by Lessee and shall be the property of Lessor to dispose of as Lessor chooses.

31. Holding Over.

If Lessee remains in possession of the Premises after expiration of the Term without a new lease, it may do so only with written consent by Lessor, and any such holding over shall be from month-to-month subject to all the same provisions of this Lease; provided, however, Rent shall be as stated in Lessor's written consent, or, in the absence of any provision for such in Lessor's written consent, the same as provided for in this Lease except that Lessee shall pay Lessor one hundred and fifty percent (150%) of the amount that would otherwise be payable in regard to Operating Costs for the Premises. The month-to-month occupancy consented to by Lessor may be terminated by Lessor or Lessee on the last day of any month by at least thirty (30) days prior written notice to the other.

32. Brokers.

Lessor and Lessee represent and warrant to one another that neither of them has employed or otherwise used any broker or agent in relation to this Lease. Lessor shall indemnify and hold Lessee harmless, and Lessee shall indemnify and hold Lessor harmless, from and against any claims for brokerage or other commissions or fees arising out of any breach of the foregoing representation and warranty by the respective indemnitors.

33. Notices.

Any notice required or permitted to be sent hereunder shall be in writing and shall be sent in a manner requiring a signed receipt such as Federal Express type delivery, courier delivery, or if mailed, registered or certified mail, return receipt requested, to the following addresses, or to such other address as may be specified from time to time in writing by the Lessor or Lessee:

To Lessee:	President Waconia Economic Development Authority 109 Elm Street South Waconia, MN 55387
with a copy to:	J. Michael Melchert Melchert • Hubert • Sjodin, PLLP 121 West Main Street Suite 200 Waconia, MN 55387-1023

To Lessor:	Superintendent Independent School District #110 24 South Walnut Street Waconia, MN 55387
with a copy to:	Jeffrey D. Carpenter, Esq. Rider, Bennett, Egan & Arundel, LLP 2000 Metropolitan Centre 333 South Seventh Street Minneapolis, Minnesota 55402

Notice shall be deemed effective upon receipt in the case of courier delivery; upon the expiration of one (1) day following mailing via Federal Express type delivery; and upon the expiration of three (3) days following mailing in the case of registered or certified mail.

34. Governing Law.

This Lease shall be construed under and governed by the laws of Minnesota. If any provision of this Lease is illegal or unenforceable, it shall be severable and all other provisions shall remain in force as though the severable provision had never been included.

35. Entire Agreement.

This Lease contains the entire agreement between Lessor and Lessee regarding the Premises. Each party agrees that it has not relied on any statement, representation or warranty of any person except as set out in this Lease. This Lease may be modified only by an agreement in writing signed by Lessor and Lessee. No surrender of the Premises, or of the remainder of the Term, shall be valid unless accepted by Lessor in writing.

36. Successors and Assigns.

All provisions of this Lease shall be binding on and for the benefit of the successors and assigns of Lessor and Lessee.

37. Conflict of Interest: Representatives Not Individually Liable.

No member, official or employee of Lessor or Lessee shall have any personal interest, either direct or indirect, in this Lease, nor shall any such member, official, or employee participate in any decision relating to this Lease which affects his or her personal interest or the interest of any corporation, partnership or association in which he or she is, directly or indirectly, interested.

38. Waiver.

One or more waivers of any covenant, term or condition of this Lease by either party shall not be construed by the other party as a waiver of a subsequent breach of the same covenant, term or condition. The consent or approval of either party to or of any act by the other party of a nature requiring consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any subsequent similar act. The failure or delay on the part of either party to enforce or exercise, at any time, any of the provisions, rights or remedies in this Lease shall in no way be construed to be a waiver thereof, nor in any way to affect the validity of this Lease or any part thereof, or the right of the party to thereafter enforce each and every such provision, right or remedy.

39. Relationship of Parties.

Nothing contained herein shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent or of partnership or of joint venture or of any association whatsoever between Lessor and Lessee, it being expressly understood and agreed that neither the method of computation of rent nor any other provisions contained in this lease nor any act or acts of the parties hereto shall be deemed to create any relationship between Lessor and Lessee other than the relationship of Lessor and Lessee.

40. Headings.

The paragraph titles herein are for convenience only and do not define, limit or construe the contents of such paragraphs.

41. Memorandum of Lease.

At the request of either party to this Lease, the other party shall enter into a Memorandum of Lease for the purpose of recording the same in lieu of recording this Lease.

42. Force Majeure.

In the event that either party hereto shall be delayed or hindered in or prevented from the performance required hereunder by reason of strikes, lockouts, labor troubles; failure of power, riots, insurrection, war, acts of God, or other reason of like nature not the fault of the party delayed in performing work or doing acts (hereinafter, "Permitted Delay" or "Permitted Delays"), such party shall be excused for the period of time equivalent to the delay caused by such Permitted Delay.

43. Further Assurances.

Lessor and Lessee shall also execute and deliver such other or further documents or agreements, including without limitation any amendment or restatement hereof, and take

such other or further actions, as either party may reasonably request, in order to correct scrivener's errors or defects in this Lease Agreement, or to otherwise carry out the provisions and intent hereof.

44. Counterpart Signatures.

This Lease may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall be deemed to constitute and be construed as one and the same instrument.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease effective as of the date stated in the first paragraph of this Lease.

WACONIA ECONOMIC DEVELOPMENT AUTHORITY

By: _____
Tom Kaliher
Its: President

By: _____
Bruce Eisenhauer
Its: Secretary

STATE OF MINNESOTA)
) ss.:
COUNTY OF CARVER)

The foregoing was acknowledged before me this 15th day of March, 2000 by Tom Kaliher and Bruce Eisenhauer, the President and Secretary of the Waconia Economic Development Authority, a public body corporate and politic and a political subdivision duly organized and existing under the laws of the State of Minnesota, on behalf of the Waconia Economic Development Authority.

_____
Notary Public

J. MICHAEL MELCHERT
NOTARY PUBLIC - MINNESOTA
My Comm. Exp. Jan. 31, 2005

THIS IS A SIGNITURE PAGE TO THAT CERTAIN COMMUNITY CENTER LEASE AGREEEMENT BY AND BETWEEN INDEPENDENT SCHOOL DISTRICT 110 AND THE CITY OF WACONIA, MINNESOTA, DATED MARCH 15, 2000

INDEPENDENT SCHOOL DISTRICT #110

By: _____
Print Name: Robert Hiben
Its: Board Chair

By: _____
Print Name: JoAnn Gothmann
Its: Clerk

STATE OF MINNESOTA)
) ss.:
COUNTY OF ~~CARVER~~ Hennepin)

The foregoing was acknowledged before me this 15th day of March 2000 by Robert Hiben the Board Chair of Independent School District #110, an independent school district existing under the laws of the State of Minnesota, on behalf of the District.

_____
Notary Public

EVON M ANDERSON
Notary Public - Minnesota
My Commission Expires 1/31/2005

STATE OF MINNESOTA)
) ss.:
COUNTY OF CARVER)

The foregoing was acknowledged before me this 15 day of March, 2000 by JoAnn Gothmann the Clerk of Independent School District #110, an independent school district existing under the laws of the State of Minnesota, on behalf of the District.

_____
Notary Public

SUZANNE BORCHART
NOTARY PUBLIC - MINNESOTA
My Comm. Exp. Jan. 31, 2005

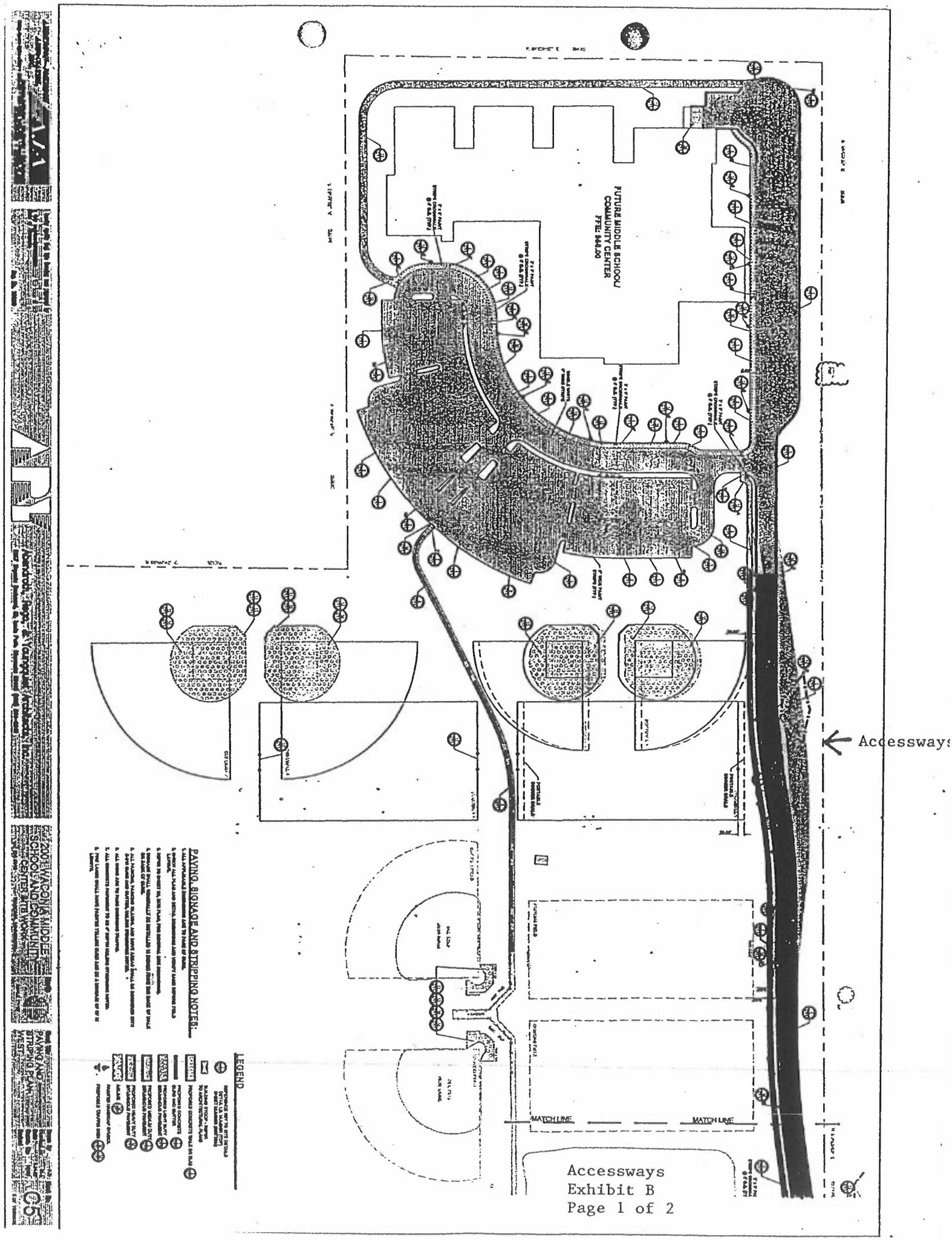
EXHIBIT A

Middle School Property Legal Description

The north 779.86 feet of the west 10.00 acres of the Southwest Quarter of the Southeast Quarter and the east 509.44 feet of the north 779.89 feet of the Southeast Quarter of the Southwest Quarter, all in Section 22, Township 116, Range 25, Carver County, Minnesota.

EXHIBIT B

Accessways



Accessways
Exhibit B
Page 1 of 2

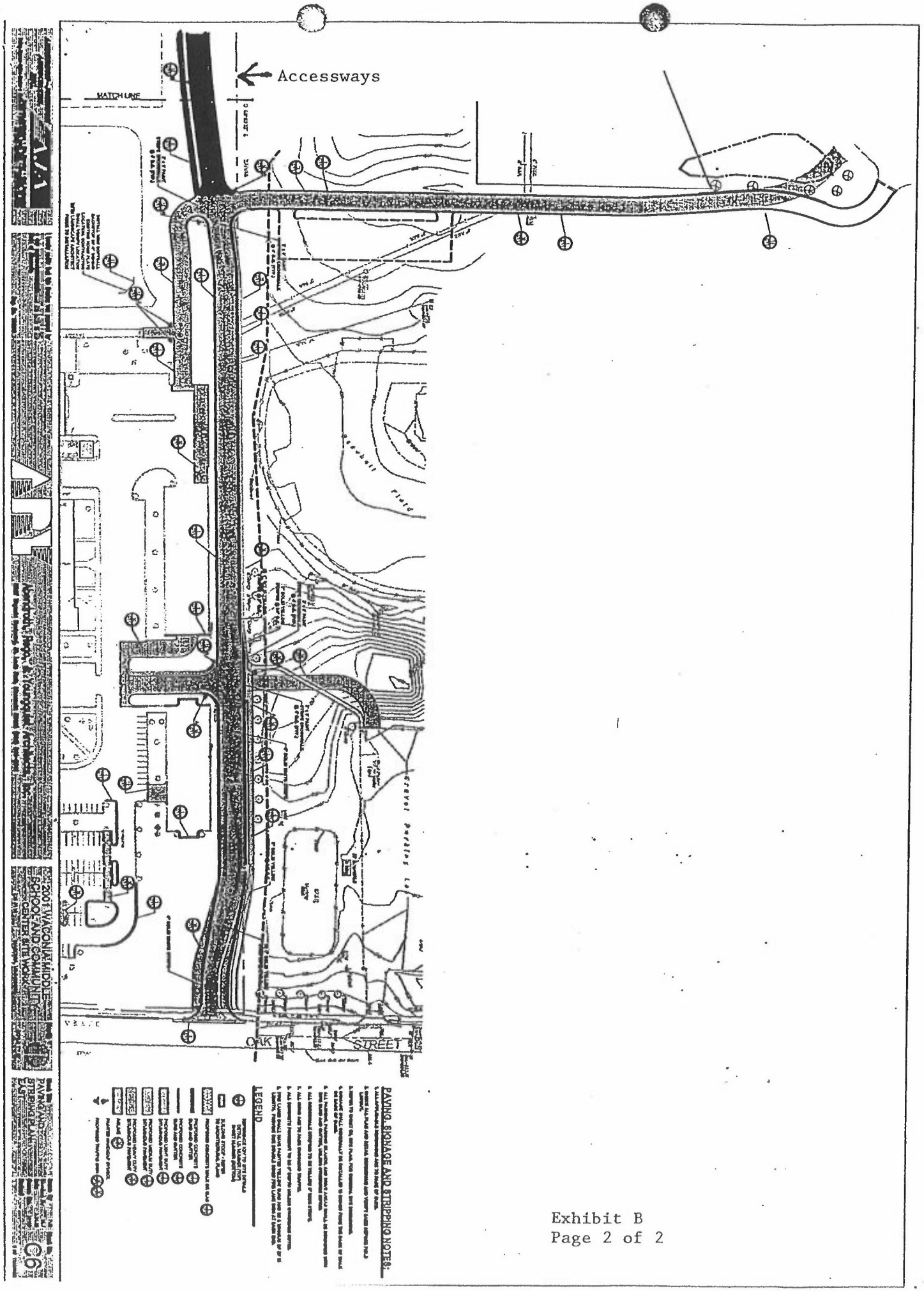
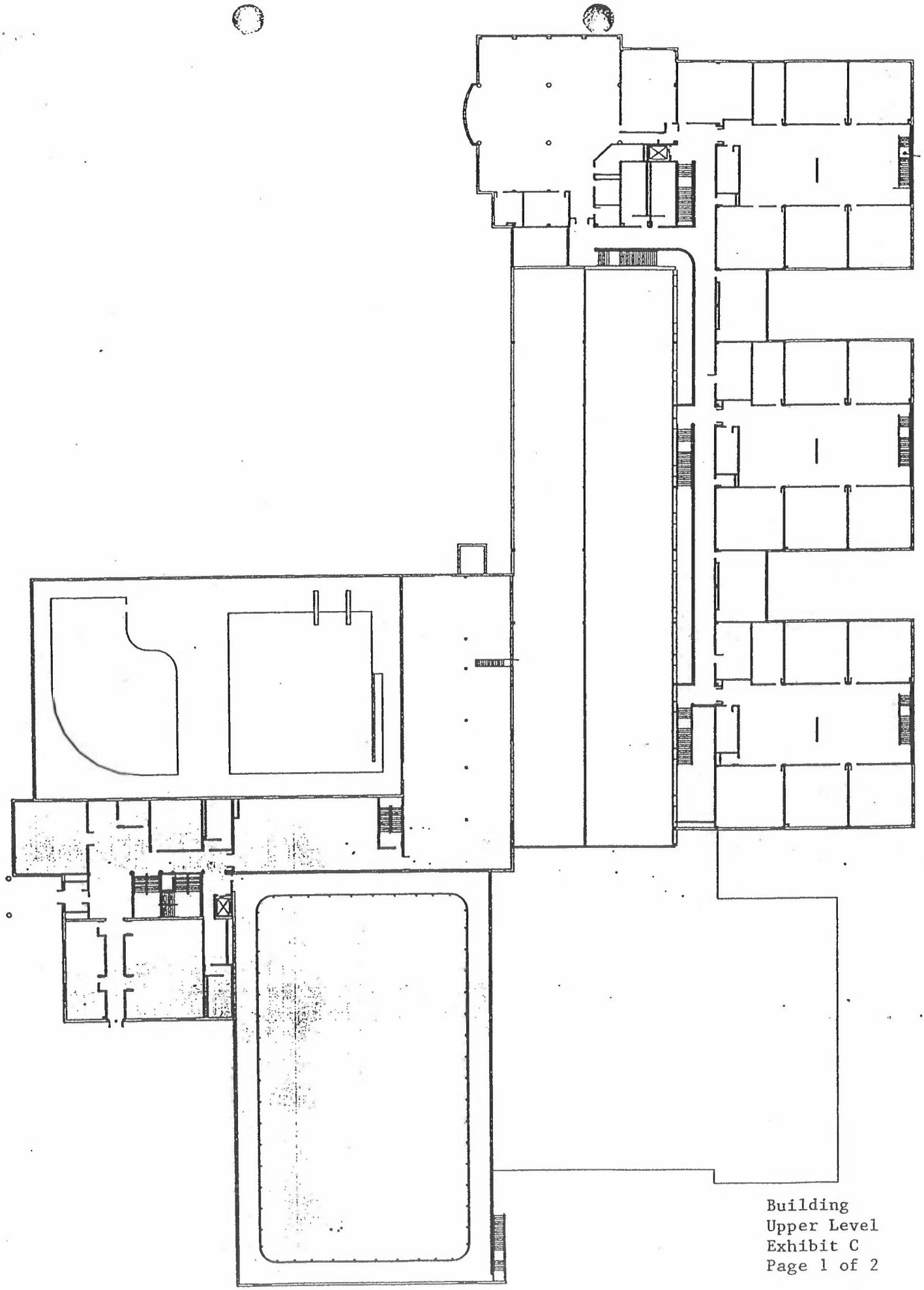


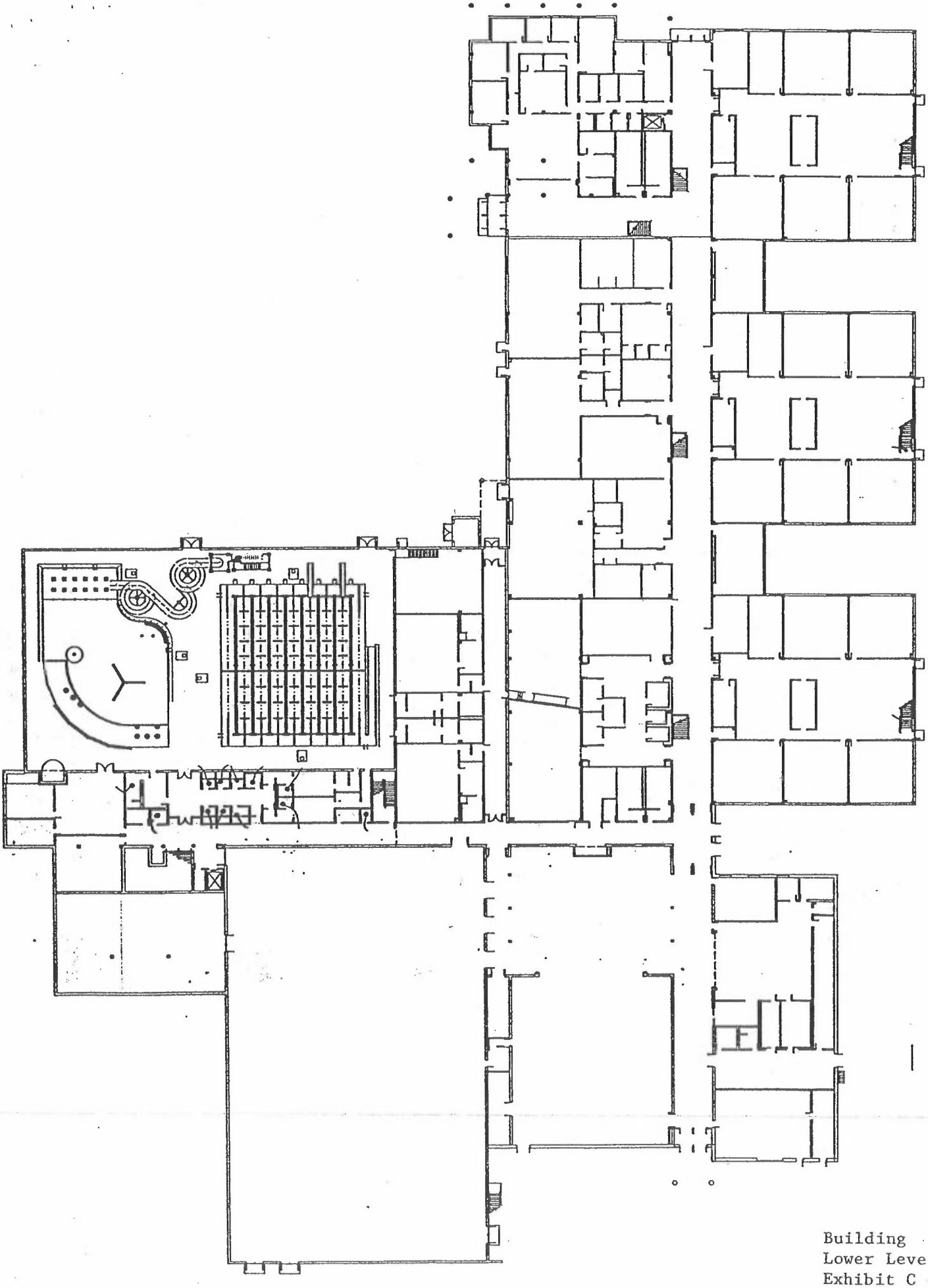
Exhibit B
Page 2 of 2

EXHIBIT C

Building



Building
Upper Level
Exhibit C
Page 1 of 2



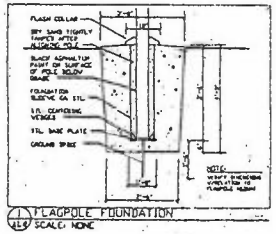
Building
Lower Level
Exhibit C
Page 2 of 2

EXHIBIT D

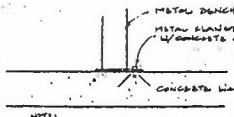
Common Areas

1. All of the driveways, approaches, entrances, parking lots, sidewalks, walkways, loading areas, refuse storage areas and other common areas depicted on the diagram attached as Exhibit D-1. The parties agree that the driveway depicted on the northern edge of the property shown in the diagram attached as Exhibit D-1 shall, as a Common Area, run up to and terminate at the west boundary line of the Land, as legally described in Exhibit A to this Lease Agreement, at which point such driveway as it extends eastward shall be considered an Accessway hereunder.

2. All of the hallways, pool deck areas and other areas depicted on the diagram attached as Exhibit D-2. Each party shall provide the other party with such keys to lockable doors as are necessary to allow the other party to use the Common Areas as contemplated hereunder.

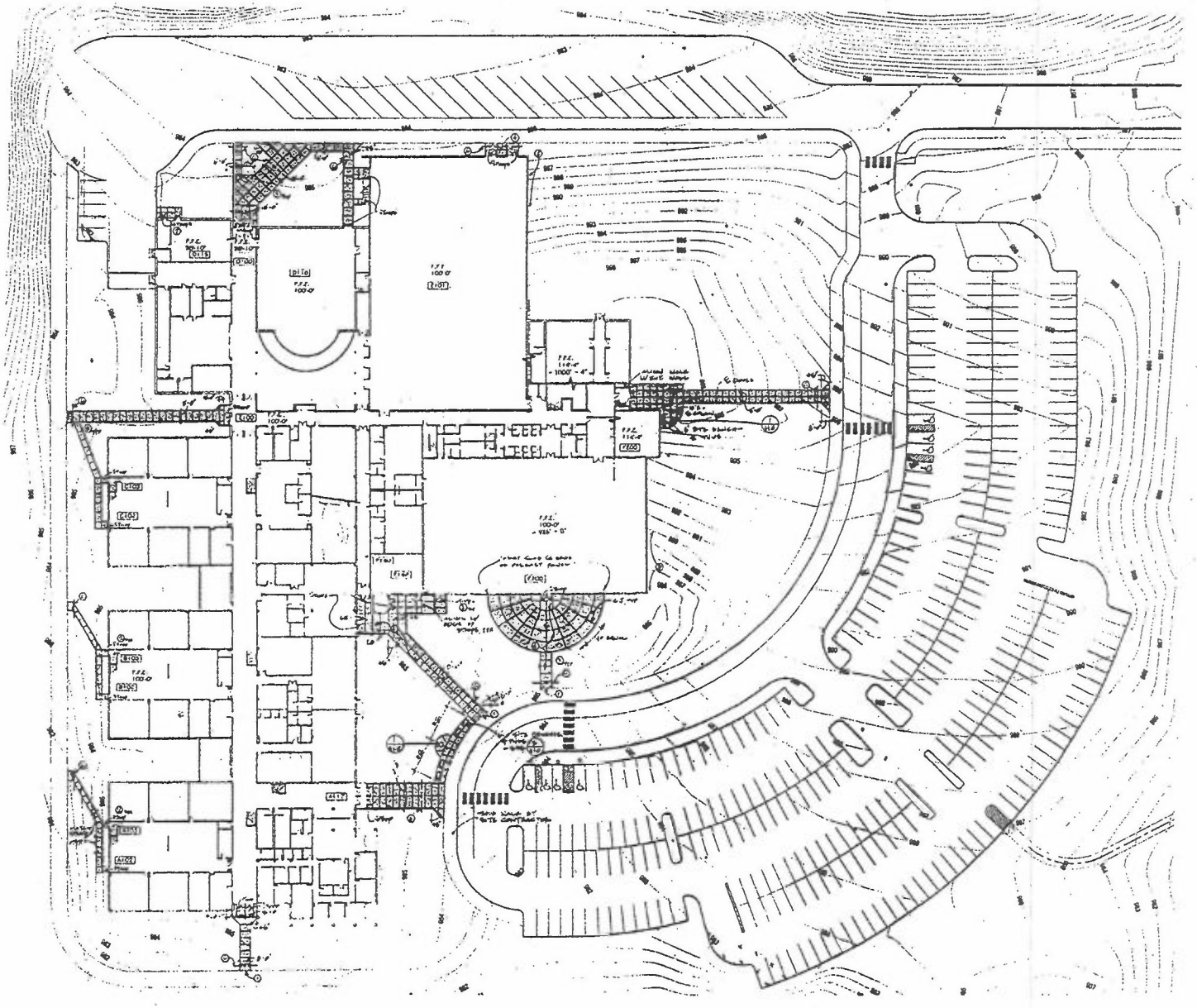


1 FLAGPOLE FOUNDATION
SCALE: NONE



NOTE:
LOCATE ANCHORS AWAY FROM CONTROL JTS. AND AS PER MANUFACTURER'S DIRECTIONS SO THAT BOLTS NOT ROUGH SPALL ANCHORING.

2 BENCH BMDDD SUPPORT
NO SCALE



PLAN NOTES

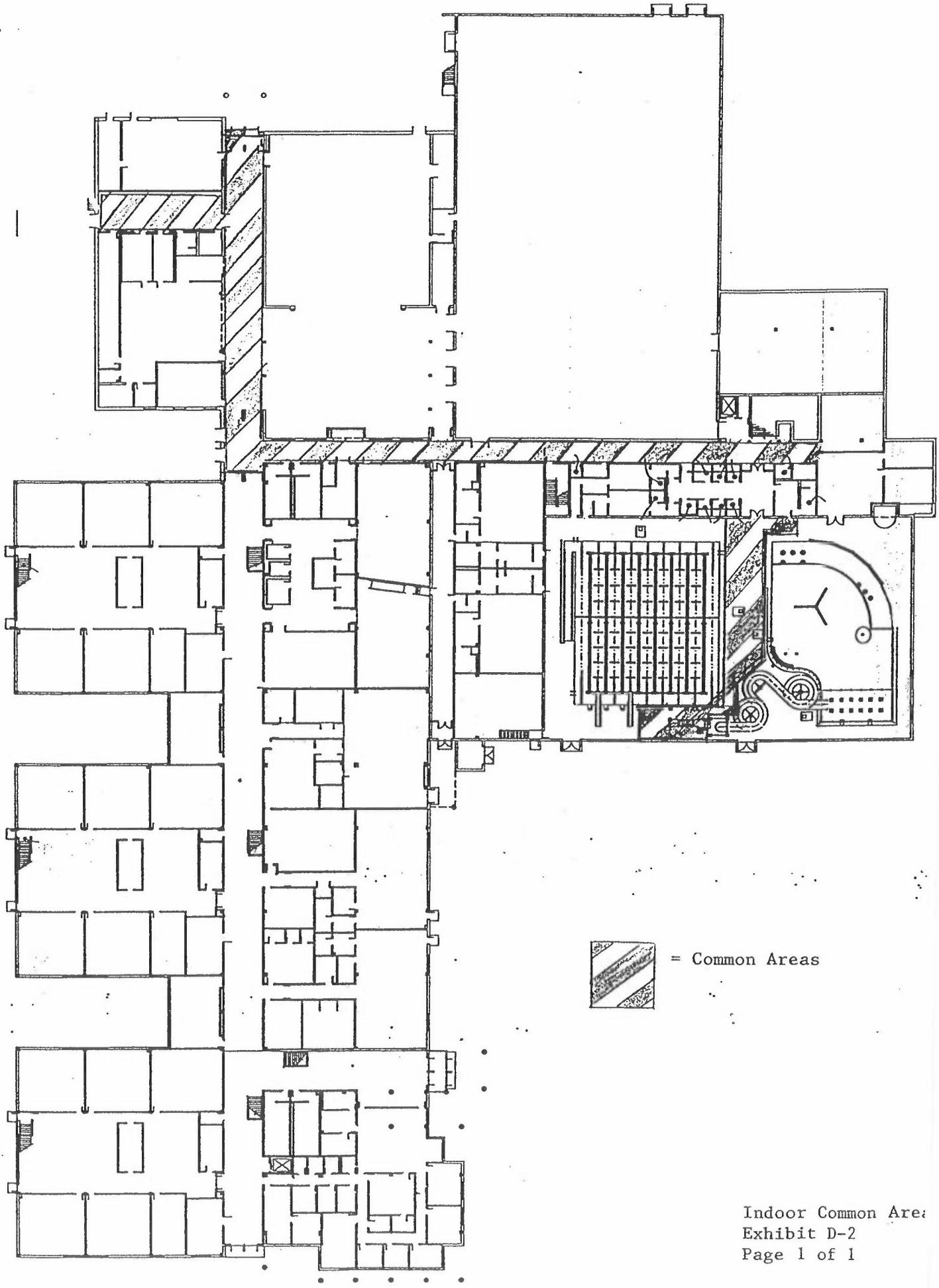
1. Match new walk edge elevation to perimeter walk or ramp installed by site contractor. Coordinate work.
2. New location of slope outside each entry. Install expansion material between slopes and walk.
3. Sand cushion and excavation for walks shall be provided by this contractor. Site contractor shall bring grade to final elevation less 6" for topsoil at time of walk installation. Topsoil is by site contractor.
4. 6" concrete slab with #3 rebar @ 18" o.c. each way at this location.
5. Coordinate footing excavation work with site grading contractor for adjustment of grades by site contractor to conform with building requirements.
6. DEEPEN ELEVATOR UNDER WALLS WHERE INDICATED

Abendroth, Rego & Youngquist Architects, Inc.

2001
WAGONIA MIDDLE SCHOOL
&
COMMUNITY CENTER

SIDEWALK PLAN
1"=30'-0"

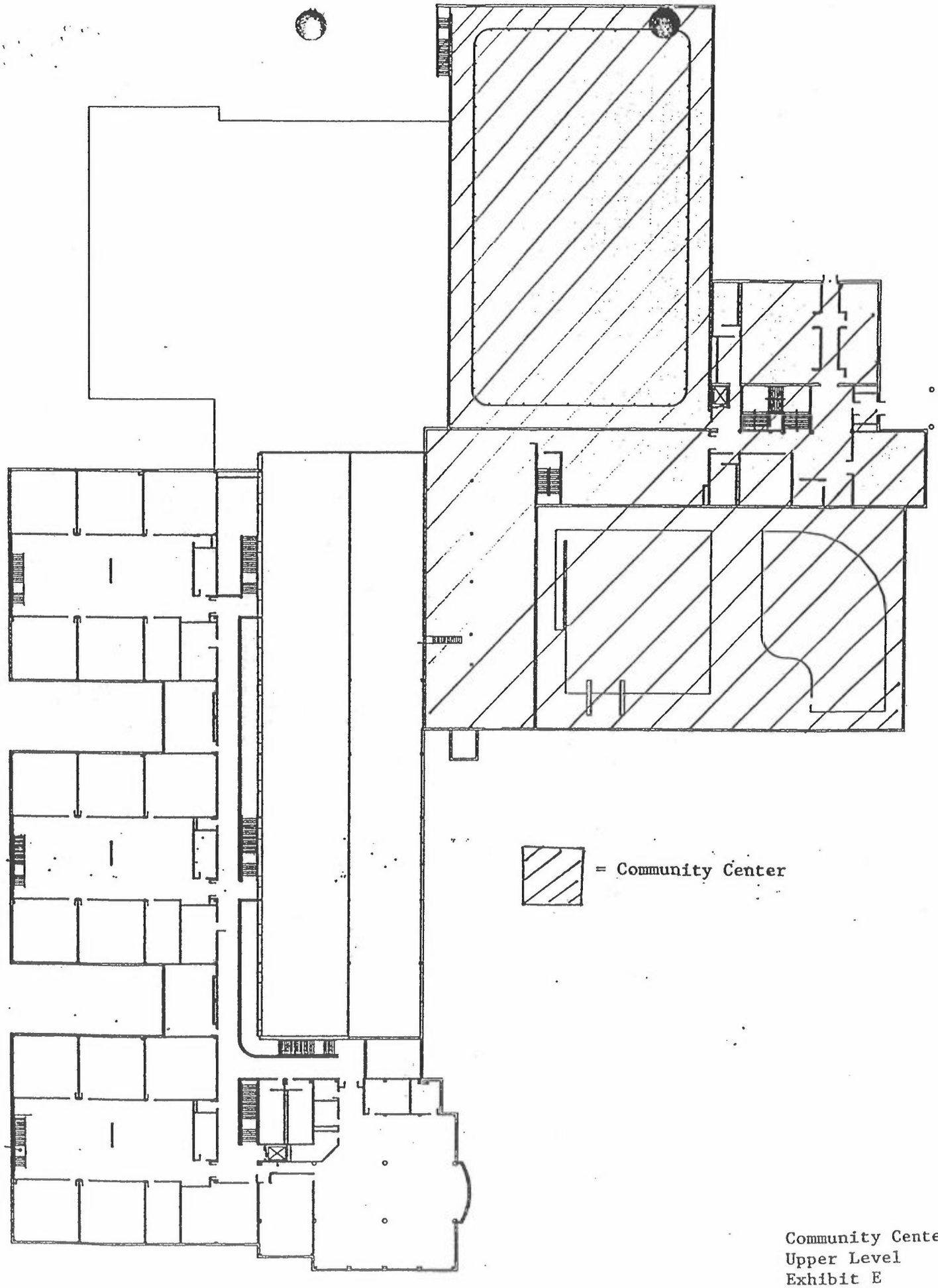
A 1.0



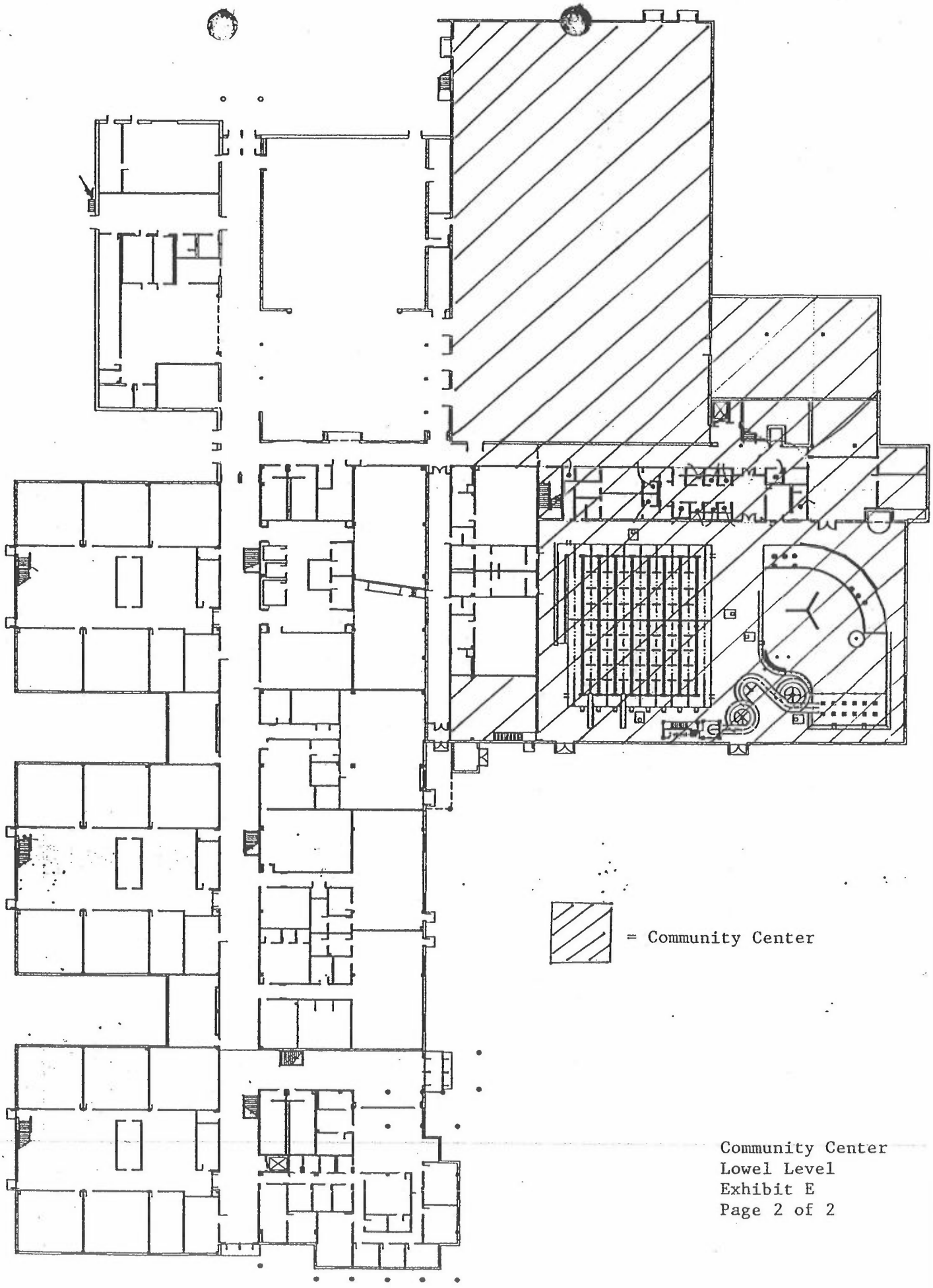
Indoor Common Area
Exhibit D-2
Page 1 of 1

EXHIBIT E

Community Center



Community Center
Upper Level
Exhibit E
Page 1 of 2



Community Center
Lowel Level
Exhibit E
Page 2 of 2

EXHIBIT F

High School Parcel

The South Half of the Southeast Quarter of Section 22, Township 116, North, Range 25 West of the 5th Principal Meridian, EXCEPTING therefrom two parcels of land described as follows:

Parcel 1

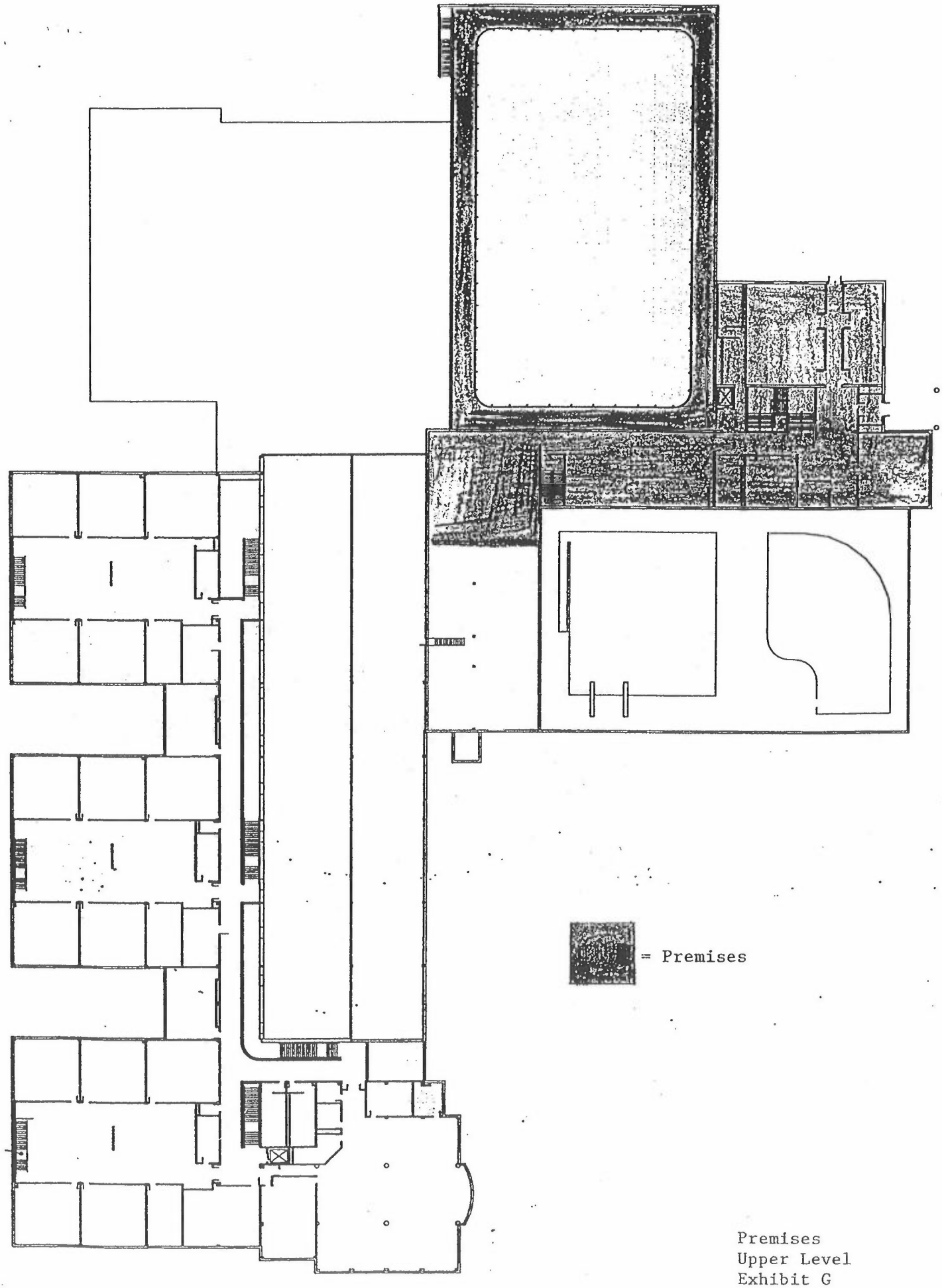
The West 10 acres of the South Half of the Southeast Quarter of said Section 22.

Parcel 2

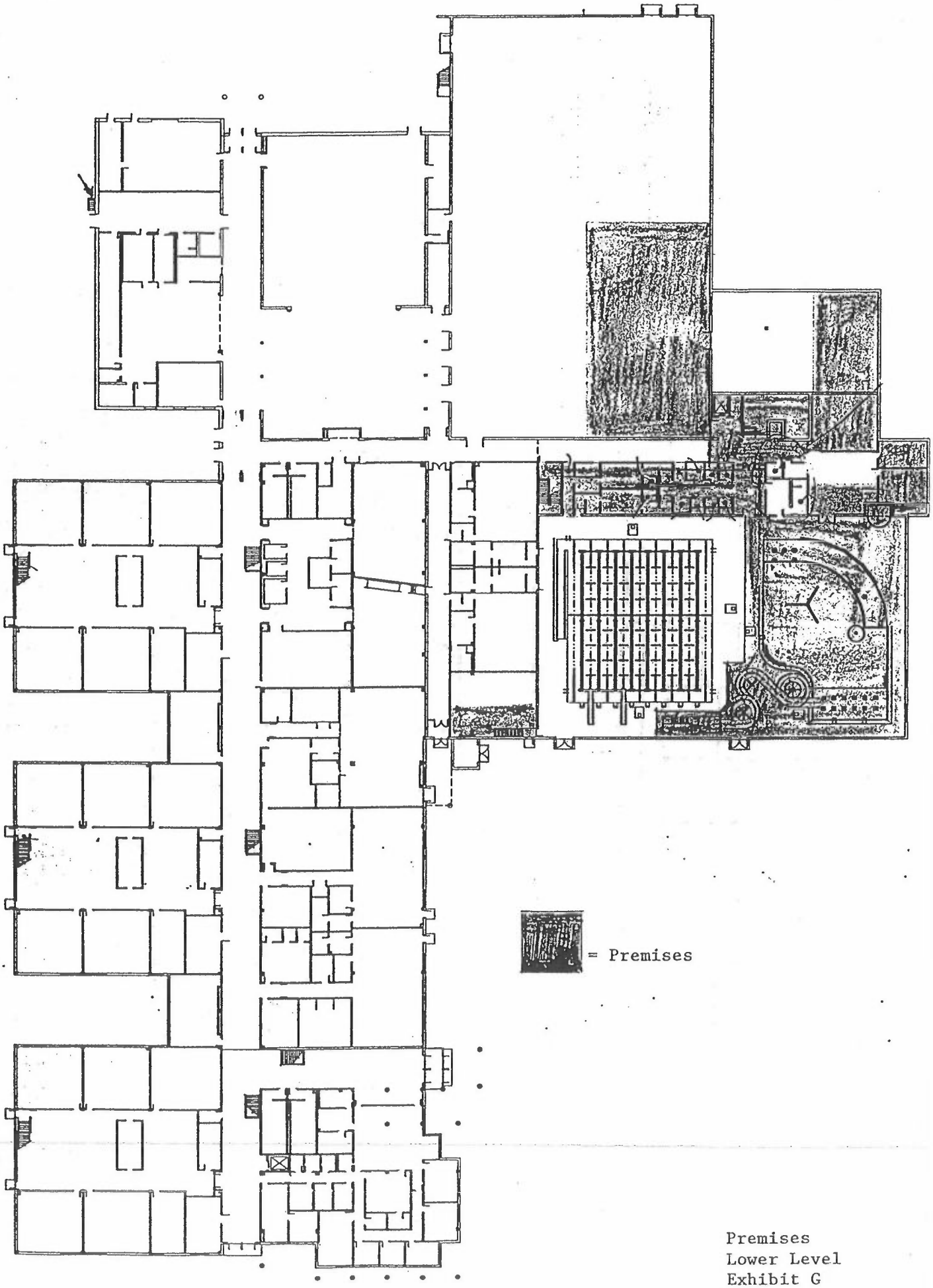
That part of the South Half of the Southeast Quarter of said Section 22 lying southerly of the northerly right-of-way line of the Chicago and North Western Transportation Co.

EXHIBIT G

Premises



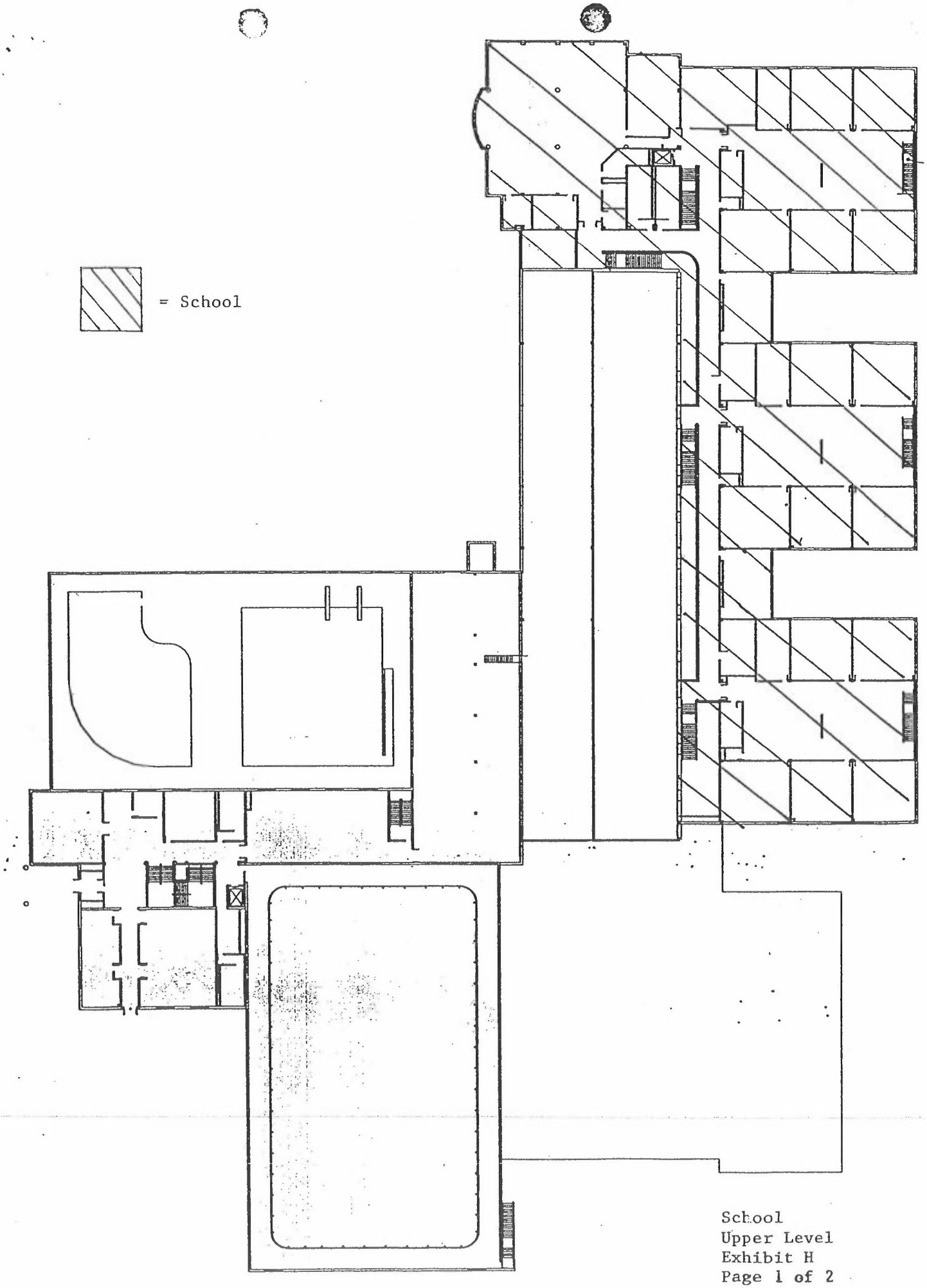
Premises
Upper Level
Exhibit G
Page 1 of 2



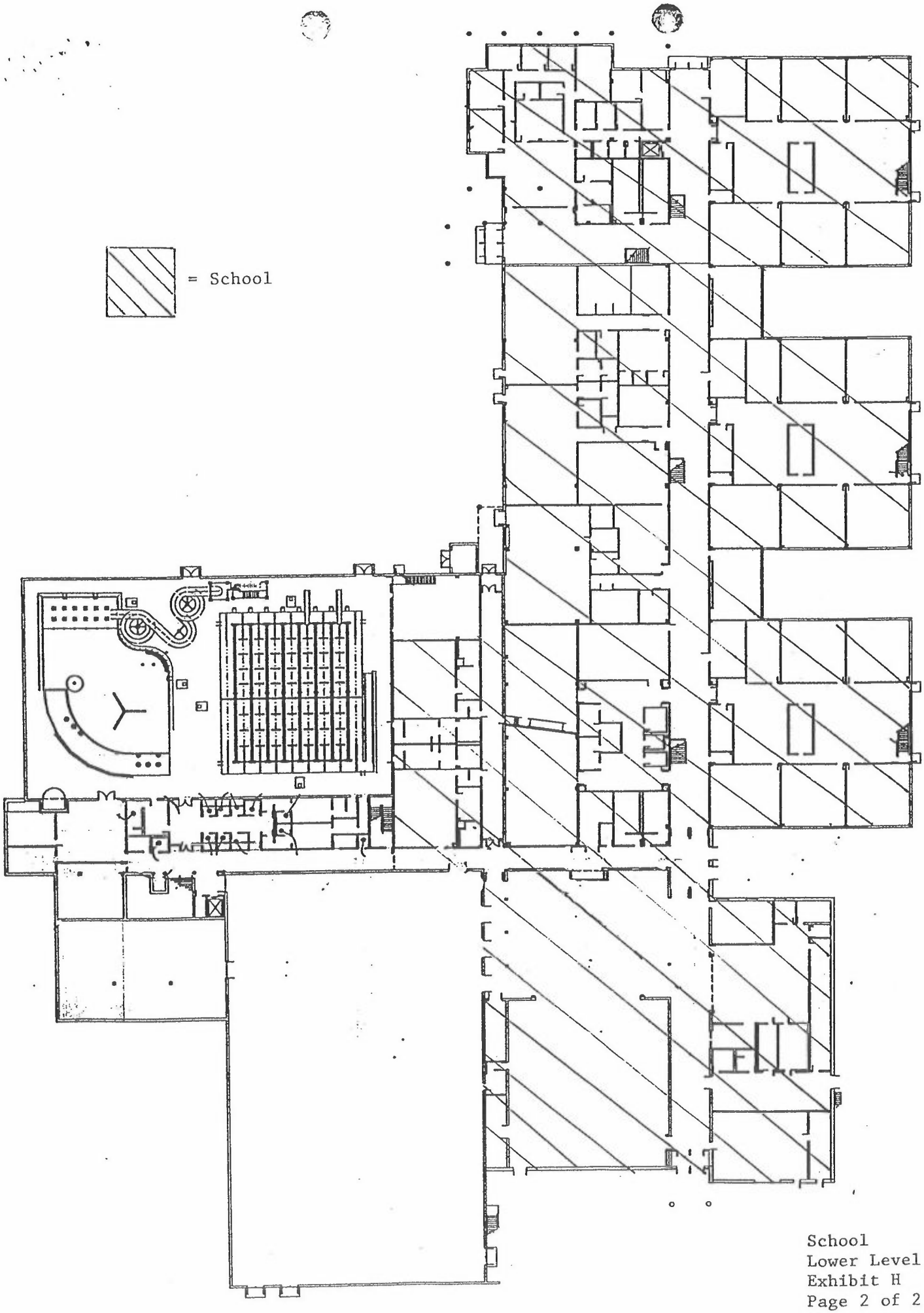
Premises
Lower Level
Exhibit G
Page 2 of 2

EXHIBIT H

School



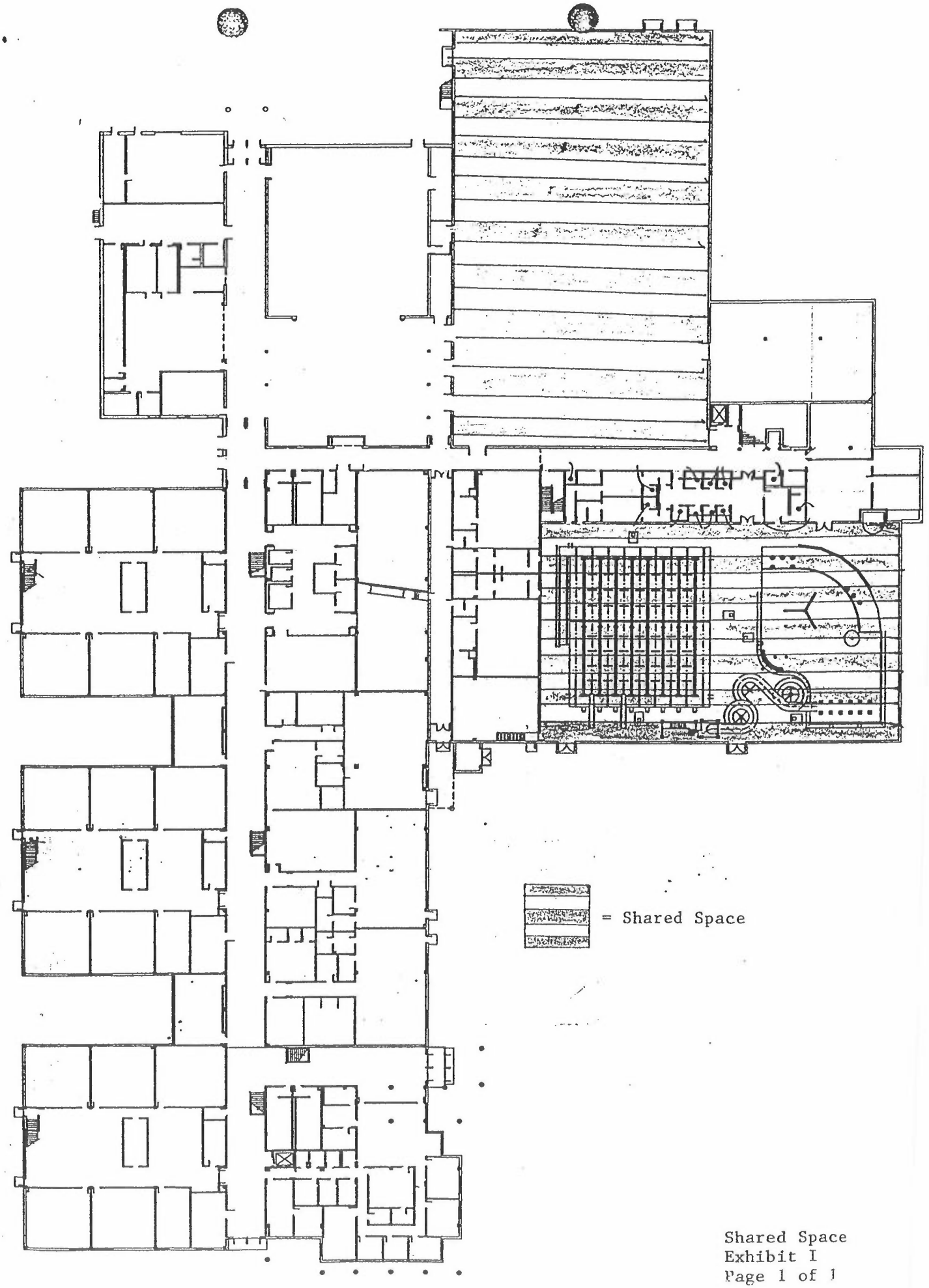
School
Upper Level
Exhibit H
Page 1 of 2



School
Lower Level
Exhibit H
Page 2 of 2

EXHIBIT I

Shared Space



Shared Space
Exhibit I
Page 1 of 1

EXHIBIT J

Description of Plans and Specifications

1. Specifications for General Construction, 2001 Waconia Middle School & Community Center, Waconia, Minnesota, dated September 7, 1999, as prepared by Abendroth, Rego & Youngquist Architects, Inc., Commission No. 1530.

2. Specification for Mechanical Construction, 2001 Waconia Middle School & Community Center, Waconia, Minnesota, dated September 7, 1999, as prepared by Abendroth, Rego & Youngquist Architects, Inc., Commission No. 1530.

3. Specifications for Electrical Communications Construction, 2001 Waconia Middle School & Community Center, Waconia, Minnesota, dated September 7, 1999, as prepared by Abendroth, Rego & Youngquist Architects, Inc., Commission No. 1530.

4. Blueprints for General Construction, 2001 Waconia Middle School & Community Center, Waconia, Minnesota, dated September 7, 1999, as prepared by Abendroth, Rego & Youngquist Architects, Inc., Commission No. 1530.

5. Blueprints for Mechanical Construction, 2001 Waconia Middle School & Community Center, Waconia, Minnesota, dated September 7, 1999, as prepared by Abendroth, Rego & Youngquist Architects, Inc., Commission No. 1530.

6. Blueprints for Electrical & Communications Construction, 2001 Waconia Middle School & Community Center, Waconia, Minnesota, dated September 7, 1999, as prepared by Abendroth, Rego & Youngquist Architects, Inc., Commission No. 1530.

7. Together with all addendums and change orders to the above-described documents.

EXHIBIT K

Removable Fixtures and Personal Property

1. Office equipment, furniture, and supplies
2. Athletic/fitness equipment and supplies
3. Children's play structure
4. Tables and chairs
5. Storage racks

EXHIBIT L

Signs

1. Lessor hereby grants Lessee, its sublessees and assigns a non-exclusive license for the Term of the Lease to place signs regarding the Community Center at each of the following locations:

   a. One sign pylon (allowing multiple signs) next to the Building within Location A or Location B as depicted on attached Exhibit L-1.

   b. One sign structure (allowing multiple signs) attached to the Building within Location C as depicted on Exhibit L-1.

   c. One sign pylon (allowing multiple signs) on the High School Parcel within location D as depicted on attached Exhibit L-2.

2. Lessee, its sublessees and assigns shall determine the exact location, design, style, and construction of each sign pylon/structure regarding the Community Center; provided, however, that any sign pylon/structure erected shall comply with all zoning requirements of the City of Waconia, Minnesota.

3. Lessee, its sublessees and assigns shall bear all costs of construction, maintenance and repair other than the cost of electricity for lighted signs, which the party with the closest electrical service shall assume; provided, however, that all costs of connecting the sign pylon or sign structure to such electrical service shall be paid as part of the costs of construction, maintenance and repair. If Lessor and Lessee agree that it would be mutually beneficial to jointly erect a sign to be used by each party, then the costs of construction, maintenance and repair (except for electricity as described above) of any such sign pylon/structure shall be borne by the parties together in direct proportion to the area of signage allocated to each party.

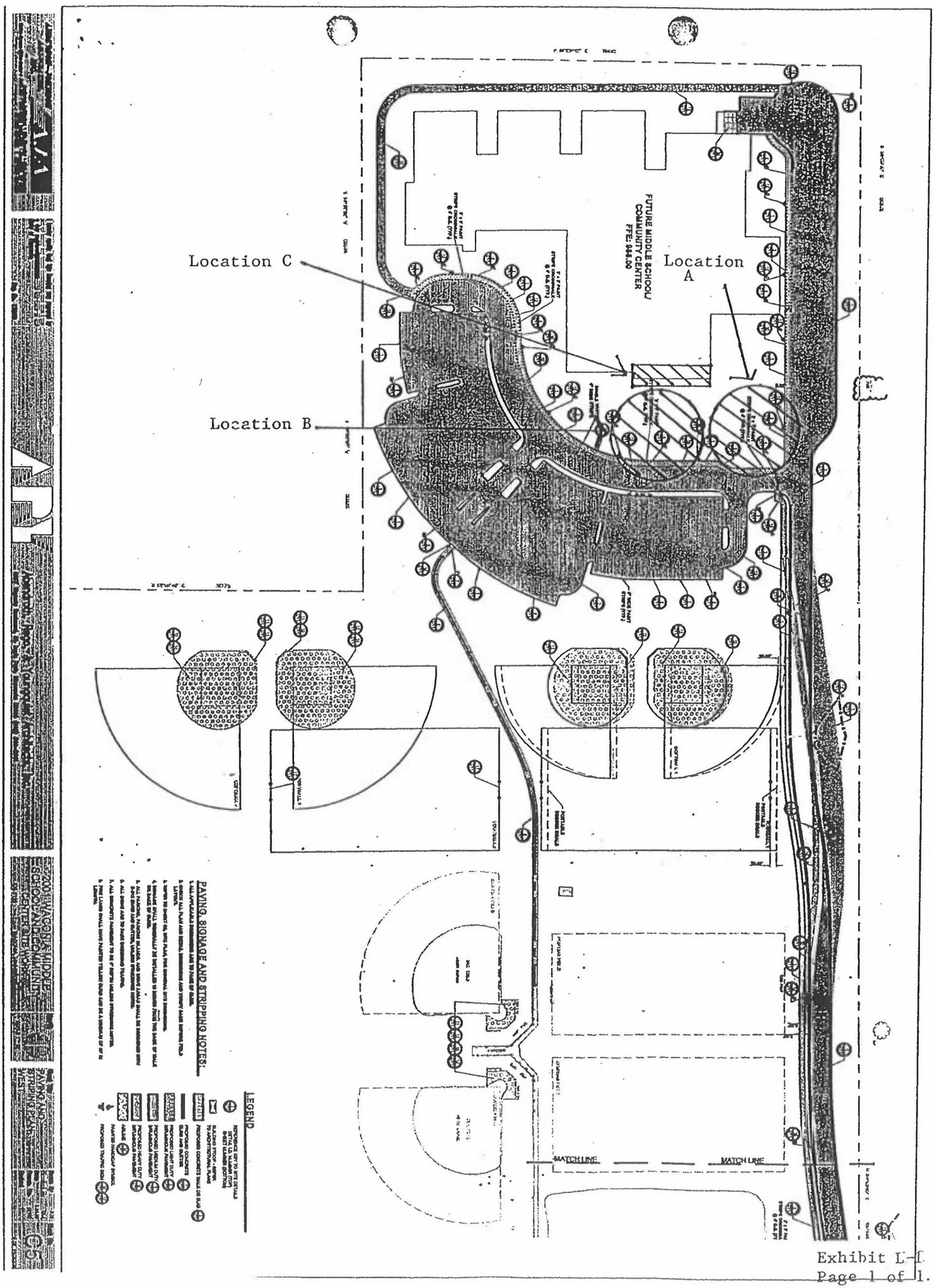
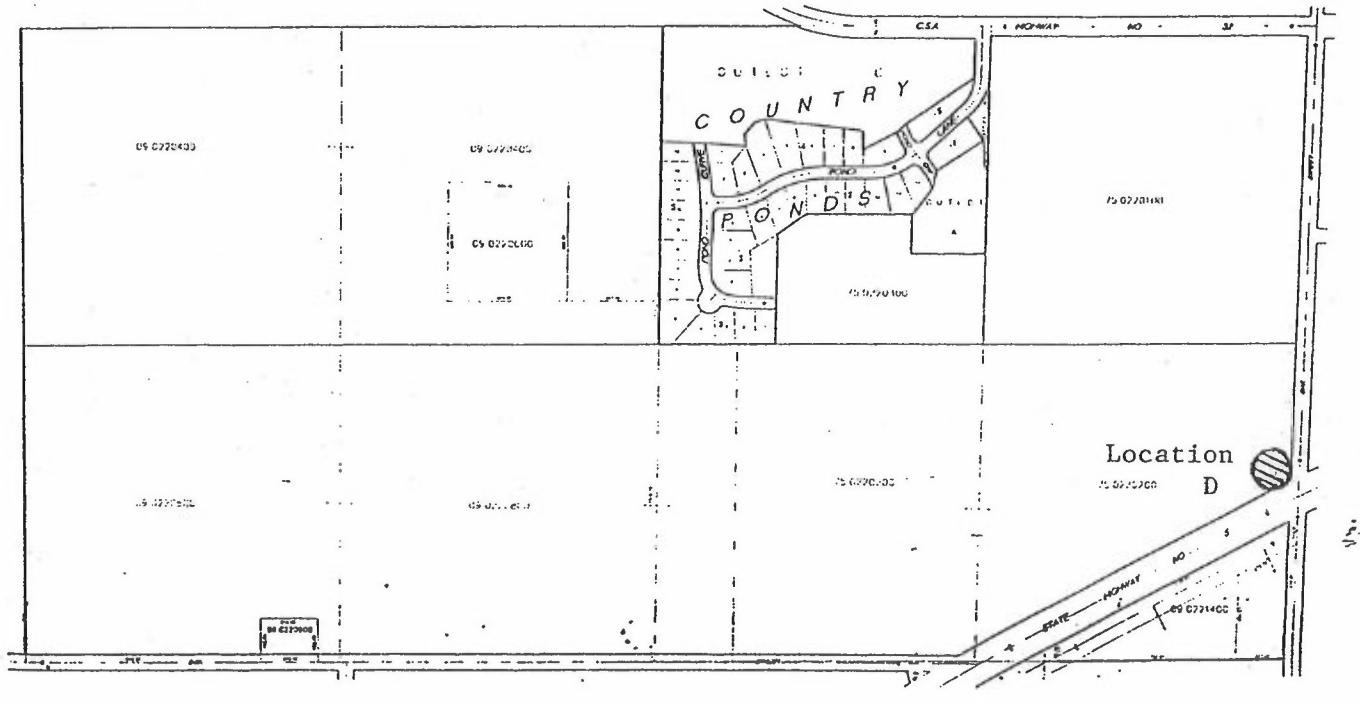


Exhibit L-1
Page 1 of 1.

THIS IS NOT A LEGALLY RECORDED PLAT. THIS MAP IS A COMPILATION OF RECORDS AS THEY APPEAR IN THE CARVER COUNTY OFFICE AND OTHER SOURCES. THIS MAP IS ONLY TO BE USED FOR REFERENCE PURPOSES. THE COUNTY AND ITS AGENTS ARE NOT RESPONSIBLE FOR ANY INACCURACIES CONTAINED HEREIN

S1/2 SEC. 22, T.116, R.25

COPIED WITH PERMISSION OF CARVER COUNTY SCALE: 400 FT TO 1 INCH



Carver County, Mn.

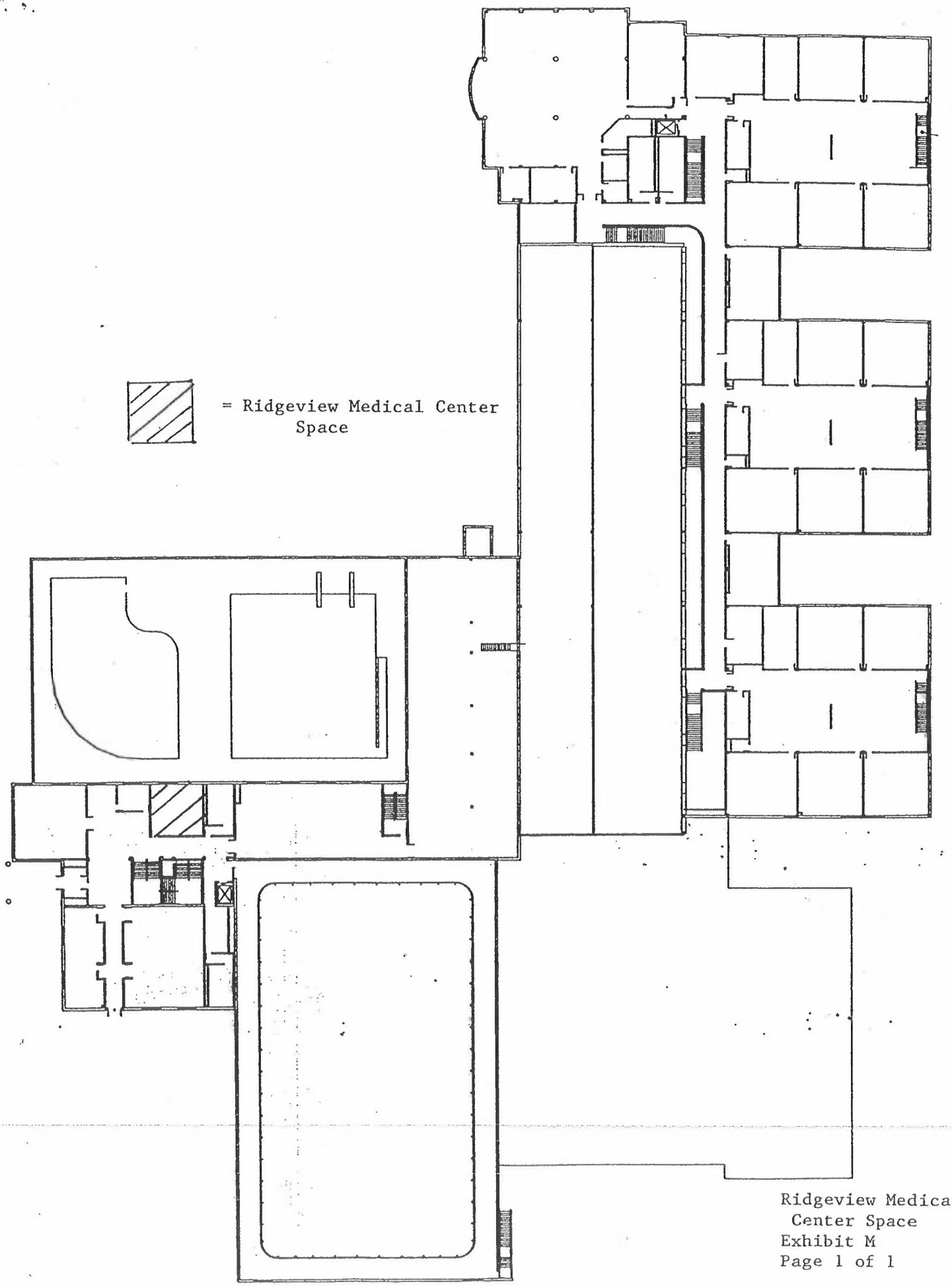
Revised - December, 1998

Plat System Services, Inc.
12450 Wayzata Blvd #108
Minnetonka, Mn. 55305

Phone: 612-544-0012 Email: Plat@usinternet.com
Fax: 612-544-0617 Webpage: www.platsystems.c

EXHIBIT M

RIDGEVIEW MEDICAL CENTER SPACE



Ridgeview Medica
Center Space
Exhibit M
Page 1 of 1

Summer - Sunday

	Gym 1	Gym 2	Gym 3	Gym 4	Lane Pool	Play Pool
6-7:00 a.m.						
7-8:00 a.m.						
8-9:00 a.m.						
9-10:00 a.m.						
10-11:00 a.m.						
11-12:00 Noon						
12-1:00 p.m.						
1-2:00 p.m.						
2-3:00 p.m.						
3-4:00 p.m.						
4-5:00 p.m.						
5-6:00 p.m.						
6-7:00 p.m.						
7-8:00 p.m.						
8-9:00 p.m.						
9-10:00 p.m.						

- City Clear Time
- School Clear Time
- Shared Time Priority C or S

2.A.	Safari Island Partnership - Part I (Shared Use)	**Presenter:** Paul Sparby, Steven Jensen, Bucky Mieras

Safari Island Partnership

Presented By
Steven Jensen, Director of Community Education
Paul Sparby, High School Principal
Bucky Mieras, Activities Director

Agenda

- Examine day-to-day realities
- Improve security
- Align scheduling
- Establish clear fiscal governance
- Improve community stakeholder experience

Building Access & Shared Spaces

Contractual Daytime Access: The existing agreement grants Safari Island members access to gym spaces for 1 hour per day during high school contact hours.

Overlapping Traffic: Public member usage during the school day creates constant traffic and boundary challenges adjacent to instructional corridors.

Perimeter & Separation Challenges: Interior doors separating public recreation facilities from high school learning spaces are difficult to monitor and restrict access.

Managing HS PE Courses: Need to adjust PE schedules every trimester to accommodate the 1HR of Safari Island contract time each day.

Division of Campus: General

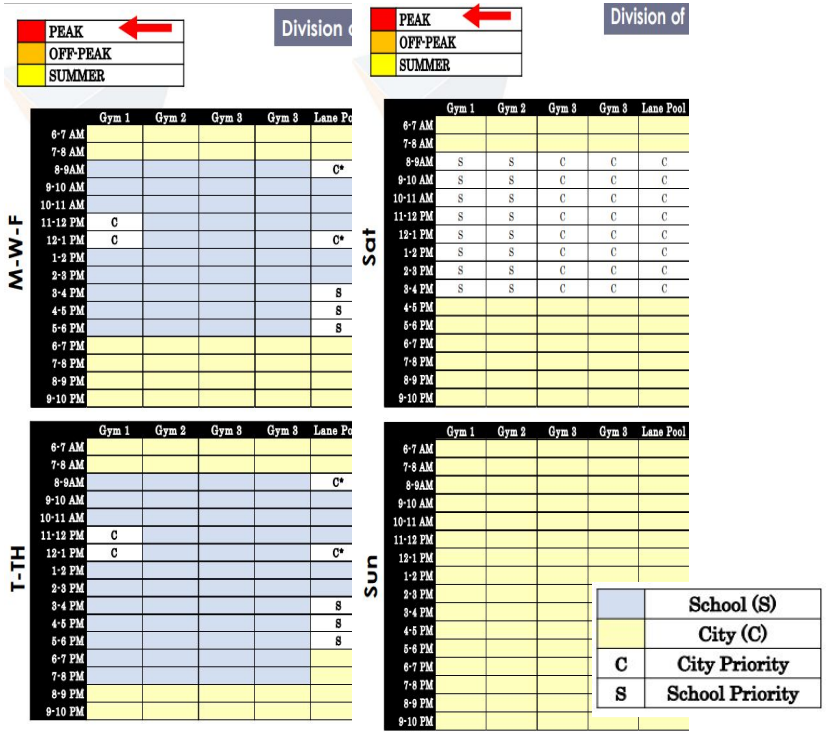
	Middle School	Exclusive to District*
	Community Center	Exclusive to City**
	Shared Space	Exclusivity/Priority defined by seasonal schedule

*City has license to use:

Complex Seasonal Schedules

Multi-Tiered Calendar Structure

- **Facility use relies on 3 distinct seasonal schedules: Fall (Aug–Oct), Winter (Nov–Mar), and Spring (Apr–May).**
- **Within each season, variations exist between M/W/F, T/TH, and weekend schedules, making tracking extremely difficult for staff, coaches, and the public.**
- **The School District needs to rent space from Safari, if space is needed outside of the scheduled time.**



Scheduling & System Conflicts

- **Safari Island and ISD 110 utilize different scheduling platforms.**

- **The lack of automated integration forces manual cross-referencing, resulting in scheduling conflicts, double bookings, and communication bottlenecks between administrative teams.**

- **Schedule changes for activities due to conflicts, officials, etc.**

Facility Rentals & Disparities

Impact on Local Sports Associations

Current rental structures drive local organizations out of local community spaces.

Complex Split Rentals: Hosting a single tournament often requires renting 2 courts from ISD 110 and 2 courts from the City under different rates and rules.

Community Flight: Orgs like the Waconia Basketball Association have sought outside community facilities due to high costs and administrative hurdles.

Rental Price Inconsistencies

Rental fees for weekend and evening activities outside standard contract hours are cost-prohibitive. ISD 110 charges $20 per court, whereas Safari Island charges $40 per court.

This inconsistency creates financial hurdles for youth associations and municipal programs operating across both systems.

Shared Spaces & Ownership

Aquatics & Lifeguards

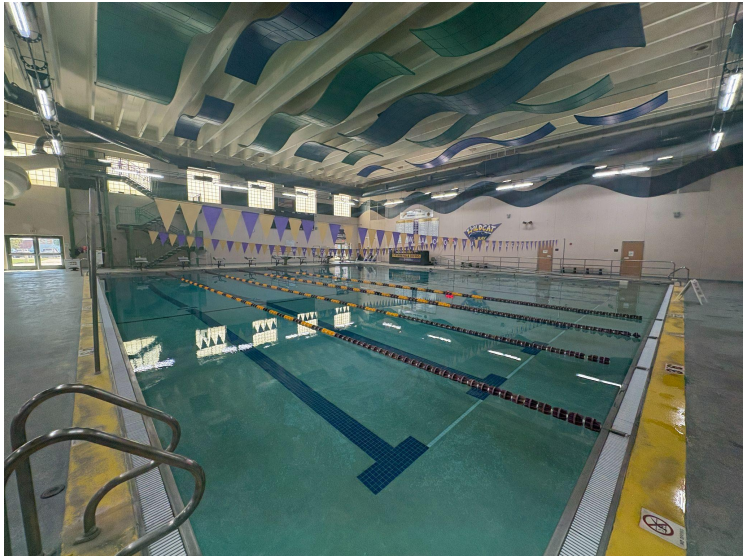
Providing mandatory lifeguard supervision during PE swimming classes requires coordinated staffing and clear legal liability protocols.

Track & Fitness Areas

Walking track, weight room, and court spaces require balanced priority rules between student athlete training and public membership access.

Sauna & Special Assets

Recent sauna installation highlighted ambiguities in contract language regarding rights to modify space and construct new amenities



Storage, Equipment & Maintenance

Custodial & Maintenance Roles

Confusion persists over which entity handles specific maintenance duties. Ambiguities exist around daily cleaning, pool deck upkeep, sauna sanitation, and routine facility repairs, leading to delayed service and accountability gaps.

Storage & Capital Replacement

Storage space allocation is constrained and undefined. Questions remain regarding capital replacement costs for shared equipment such as volleyball nets and basketball hoops when wear and tear occurs across both school and public use.

Questions?

2.B.	Safari Island Partnership - Part 2 (Contract & Financial Review)	**Presenter:** Pam Carman, Director of Finance and Facilities and Tim Bisek, Director of Buildings and Grounds

Safari Island Partnership

Contract & Financial Review

Pam Carman, Director of Finance & Operations
Tim Bisek, Director of Buildings & Grounds

October 12, 2026

Agenda

- Agreement Framework
- Contract vs. Current Practice
- Financial & Capital Responsibilities
- What We Are Learning

Two Agreements | One Partnership

COMMUNITY CENTER LEASE
District ↔ City (WEDA)

- Ownership & Lease
- Rent & Operating Costs
- Utilities
- Capital Improvements
- Insurance

SHARED USE AGREEMENT
District ↔ City

- Shared Spaces
- Pool Operations
- Scheduling & Access
- Cost Sharing
- Administrative Responsibilities

Executed March 2000 | 30-Year Term | Expires 2030

The Shared Use Agreement explicitly references the Lease and imports many of its definitions, including operational costs and proportionate-share concepts.

Utilities | A 2000 Methodology

CONTRACT

Utilities allocated through specific meters and percentages

Electricity

0%	34%	100%	0%
Meter A	Meter B	Meter C	Meter D

Natural Gas

4%	68%
Main Meter	Gas Sub-meter

Water

17%	14%	46%
Hot Water Sub-meter	Cold Water Meter A	Cold Water Meter B

TODAY

Meters identified in the agreement no longer exist as contemplated.

Historical allocation percentages continue to be used.

QUESTION

Do the existing allocations still reasonably reflect current usage?

Cleaning, Custodial & Routine Maintenance

CONTRACT REQUIREMENT

Related Building Operating Costs include janitorial services, maintenance and repair, service contracts, and related supplies.

- Who cleans what?
- Who purchases supplies/ chemicals?
- How are costs allocated?

CURRENT PRACTICE

District performs certain cleaning/services that the agreement assigns differently.

RESULT

Responsibility and cost do not consistently follow contract language.

Agreement Administration | Built-In Governance

ADVISORY GROUP

Does it meet as contemplated?

ANNUAL REVIEW

Is the formal review occurring?

DESIGNATED REPRESENTATIVES

Are roles and decision authority clear?

AMENDMENTS

Have operational changes been formally incorporated?

The agreements anticipated ongoing coordination and review— not a "set it and forget it" structure.

Financial Structure | More Than Rent

Base Rent:
$1 / Year

The Lease establishes a nominal rent of $1 per year with additional financial obligations outlined in both the Lease and Shared Use Agreement.

CITY → DISTRICT

- Operating Costs
- Utilities
- Shared-Space Costs (Pool & Gyms)
- Capital Contributions

DISTRICT → CITY

- Pool Operations Payment
- Other Shared-Use Obligations

OTHER FINANCIAL PROVISIONS

- Capital Improvements
- Insurance
- Termination Provisions
- Leasehold Improvements

The financial relationship is a series of interconnected obligations—not a traditional rent structure.

Shared Spaces | Where the Agreements Intersect

SHARED FACILITY
Pool + Gyms

TWO SYSTEMS

DISTRICT

- District rental rates
- District scheduling process
- District operating responsibilities

CITY / SAFARI ISLAND

- Safari Island rental rates
- City scheduling process
- City operating responsibilities

LIVED EXPERIENCE

Different rates and processes can apply within the same shared facility.

Capital Improvements | Shared Responsibility

83%
DISTRICT

17%
CITY

For most building systems, the City contributes 17% and the District 83%.

Contract includes major building systems such as:

- HVAC
- Plumbing
- Electrical
- Roof
- Other Shared Systems

Shared-Use Spaces

For designated shared-use spaces (such as the pools and gyms), the City's share is 34% and the District's share is 66%.

66%
DISTRICT

34%
CITY

In practice, some shared spaces have been split 50%/50% based on verbal agreements.

The Lease expressly defines Related Building Capital Improvements to include major systems materially benefiting the Community Center, including supporting walls/roofs, HVAC, plumbing, telecommunications and electrical systems.

Capital responsibilities can extend well beyond routine operating costs.

Capital Planning | Different Priorities, Shared Resources

CITY CAPITAL PLAN

Safari Island projects identified for

2027–2036

Some projects involve shared spaces and anticipated District participation.

DISTRICT CAPITAL PLAN

Approximately

$650,000

annually in LTFM

District-wide needs include:

- Mechanical
- Roofing
- Safety
- Security
- Technology
- Deferred Maintenance

How do we jointly prioritize shared projects within two separate capital plans?

Building Ownership | Beyond the Initial Cost

CITY-FUNDED IMPROVEMENT
City may fund 100%

- Vendor Selection
- Design / Product
- Installation

DISTRICT-OWNED BUILDING
District owns the asset

- Building Systems
- Security / Access
- Infrastructure Integration

LONG-TERM IMPACT
Initial cost ≠ total responsibility

- Maintenance
- System Compatibility
- Emergency Access
- Future Replacement

Example: Access-Controlled Door

A City-funded improvement with a different vendor and access system can affect compatibility with District-wide building systems.

Who pays for an improvement is not necessarily the same as who carries its long-term operational responsibility.

Capital Governance | Planning Before Spending

1 — IDENTIFY THE NEED

Understand the scope, purpose and timing of the project.

2 — CONSIDER BOTH PLANS

Evaluate how the project fits within the City's and District's capital plans and priorities.

3 — COORDINATE SYSTEM REQUIREMENTS

Consider building systems, security, emergency response and infrastructure integration.

4 — DISCUSS AND ALIGN

Review scope, responsibilities, funding approach and timing between both parties.

5 — MOVE FORWARD TOGETHER

Reach agreement on the project and how each party's obligation will be funded.

This review is showing the importance of having these conversations before costs are incurred.

One Community | Shared Public Resources

What We Are Learning

1 PHYSICAL ENVIRONMENT

The facility has changed.

- Meters
- Building configuration
- Uses
- Systems

2 OPERATIONAL PRACTICE

How we operate has changed.

- Cleaning
- Scheduling
- Cost sharing
- Responsibilities

3 FINANCIAL STRUCTURE

The obligations remain interconnected.

- Operating costs
- Utilities
- Pool payments
- Capital

4 GOVERNANCE

The agreements have not always evolved with practice.

- Review
- Amendments
- Decision rights
- Coordination

The partnership continues to serve one community—but 26 years of change have created areas where the agreements, current practice and future planning need to be **better understood and coordinated.**

Questions?

3. **Review and Discuss Recent School Board Retreat and Options**	**Presenter:** Kelly Amott, Board Chair