

LEASE AGREEMENT

CITY OF RAMSEY/TK ENTERTAINMENT, LLC

This Lease Agreement (this "Lease Agreement" is made and entered into this day of June, 2011 and is by and between the City of Ramsey, a Minnesota municipal corporation, 7550 Sunwood Drive NW, Ramsey, Minnesota 55303 (the "City" or sometimes "Lessor") and TK Entertainment, LLC aka Ramsey Raceway, 9131 - 178th Avenue NW, Ramsey, Minnesota ("TK" or sometimes "Lessee").

WHEREAS, the City sponsors an annual community celebration known as Happy Days; and

WHEREAS, Happy Days is in need of additional revenue sources to aid its budget in order to make it a more successful community event; and

WHEREAS, TK is in the business of promoting and conducting a seasonal Go-Kart Track events which events generate revenue and profit; and

WHEREAS, TK has experience and knowledge in the operation of Go-Kart Track events; and

WHEREAS, the City is the fee owner of that certain real property commonly known as 14550 Armstrong Boulevard NW, Ramsey, Minnesota and legally described as:

Lot 3, Block 1, HAUSER ADDITION, Anoka County, Minnesota

(the "Property"); and

WHEREAS, TK would like to conduct its Go-Kart Track events on the Property and the City, in exchange for certain rents is willing, as a landowner, to rent the Property to TK for purposes of conducting certain Go-Kart Track events; and

WHEREAS, in order to use the Property for Go-Kart Track events the City Code requires that an interim use permit ("IUP") be issued; and

WHEREAS, the City's priority obligation to its residents is to insure compliance with the City Code, with the rental of land being a secondary responsibility; and

WHEREAS, in order to prepare the Property for a Go-Kart Track, the Property needs to be graded, landscaped, fenced and various other preparations. A list of items to be completed for installation of the Go-Kart Track is attached hereto as Exhibit A. On Exhibit A are descriptions of necessary items to be completed, which party shall be responsible for the item and payment of its cost. Said Exhibit A is incorporated herein by reference; and

WHEREAS, TK agrees to insure the Go-Kart Track and its related operations need to be insured for public liability purposes; and

WHEREAS, the City desires to limit its expense outlay to no more than \$8,000.00; and

WHEREAS, TK proposes to pay as rent \$100.00/mo. (the "Base Rent") plus 50% of the net profit from the Go-Kart Track operation (the "Profit Sharing Rent"). See attached Exhibit B, incorporated herein by reference which Exhibit defines in general terms the revenue/expense items which will be considered in determining the Profit Sharing Rent. The expense items identified in the determination of the Profit Sharing Rent shall EXCLUDE any Base Rent Paid; and

WHEREAS, there is an existing building on the Property which is need of demolition; and

WHEREAS, the potential for ground contamination exists on the Property which potential cannot be determined until after the above referenced building demolition; and

WHEREAS, depending if contamination is found and its severity, it may not be possible for the City to Lease Agreement the Property.

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. **Incorporation of Recitals.** The recitals above are integral hereto and incorporated herein by this reference.
2. **Lease.** The City will Lease, subject to the terms and conditions defined below, to TK the Property for the period, June 1, 2011 (the Commencement Date") through October 31, 2014 (the "Termination Date") for the purpose of operating a Go-Kart Track conditioned upon the City's issuance of an IUP for operation on the Property. The Lease Term as used herein is the period June 1, 2011 through October 31, 2014 (the "Lease Term").
3. **Early Termination.** Notwithstanding the 42 month Lease Term, the City, at its option, may terminate this Lease Agreement for any reason at any time during the Lease Term upon six (6) months prior written notice to TK.
4. **Interim Use Permit.** This Lease Agreement will be cancelled and void in the event the City does not issue to TK an Interim Use Permit ("IUP") for the Go-Kart Track use in 2011. Notwithstanding this Lease Agreement, the parties acknowledge that the City is under no obligation to issue an IUP for the Property, and that independent of this Lease Agreement, the City will follow its City Code in considering the IUP. Notwithstanding the Lease Term the GO-Kart Track will not be permitted to operate if it does not then have a current IUP permitting its use and operation for every event scheduled. Tenant will be permitted to have up to a total number of events per year during the Lease Term as indicated in the IUP.

In the event an IUP is issued, that IUP will be attached hereto as Exhibit C and its contents incorporated herein as if fully set forth at this point.

5. **Potential Contamination.** If in the opinion of the City Engineer, ground contamination which poses an environmental hazard is found on the Property, this Lease Agreement will be null and void and neither party will have any further obligation to the other.

6. **Rent.** As and for rent for the Property for Lease Term, TK shall pay to the City \$100.00/mo. commencing on the first day of June, 2011, and a like sum on each first day of the month through the Termination Date. In addition to the Base Rent, TK shall pay the Profit Sharing Rent in two payments, one payment due on August 1 of each year during the Lease Term and one payment due on November 1 of each year during the Lease Term. TK shall be permitted to deduct from any Profit Sharing Rent paid to the City its Base Rent paid prior to the Profit Sharing Rent payment. TK shall provide sufficient financial records to the City to enable the City to reasonably be assured that the Profit Sharing Rent has been properly accounted for. At a minimum, said records shall be provided to the City twice annually at those times designated by the City's Finance Officer.

7. **Indemnification.** TK agrees that it will hold harmless, indemnify, and defend the City, its, officers, agents and employees against any and all claims, expenses (including attorneys fees), losses, damages or lawsuits for damages arising from or related to providing or failing to provide services hereunder, including but not limited to the negligence of TK. TK agrees that it will also hold harmless, indemnify, and defend Connexus Energy, its officers, agents and employees against any and all claims, expenses (including attorneys' fees), losses, damages or lawsuits caused by any person as a result of damage to or contact with the electric facilities of Connexus Energy on the Property.

8. **Insurance.** TK shall procure and maintain in full force and effect during the Lease Term, insurance coverage for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder or contact with the electric facilities of Connexus Energy by TK, its agents, representatives, employees or subcontractors. The insurance coverage shall satisfy the requirements set forth in Exhibit C, which is attached hereto and incorporated herein, and shall have single and combined limits of at least \$2,000,000 per occurrence.

9. **Maintenance.** TK agrees to keep and maintain the Property in properly functioning, safe, orderly and sanitary condition, will suffer no waste or injury thereto, and will at the expiration or other termination of the Lease Term, surrender the same with all improvements in the same order and condition in which they were on the Commencement Date. TK shall keep all rubbish, garbage or other refuse in proper containers and shall promptly empty same into the collection area designated from time to time by City.

10. **Assignment and Subletting.** TK may not assign its interest in this Lease Agreement nor sublet the Property to any third party without the prior written consent of the City.

11. **Right of Entry.** TK will permit the City, or its representative, to enter the Property, to examine, inspect and protect the Property, and to make such alterations, renovations, restorations and/or repairs as in the judgment of City may be deemed necessary or desirable for the Property.

12. **Services and Utilities.** City shall continue to furnish any utility service, if any, which is currently supplied to the Property. TK shall pay for the use of such utility service during the Lease Term. The term "utility service" shall include payment by Tenant of the quarterly payments for the storm water utility charged by the City.

13. **Waiver and Indemnity.** Notwithstanding anything apparently to the contrary in this Lease Agreement, City and TK hereby release one another and their respective partners, officers and employees 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 a customary form of policy of the insurance, even if such loss or damage shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible.

TK agrees to indemnify, defend and hold City and its officers and employees and harmless from and against any claim, loss or expense arising out of injury, death or property loss or damage occurring on the Property, except only to the extent caused by the negligent act or intentional misconduct of City or officers or employees.

14. **Default.** Any one of the following events shall constitute an Event of Default:

- a. TK shall fail to pay any monthly installment of Base Rent or additional rent as herein provided, and such default shall continue for a period of five (5) days after the due date therefore;
- b. TK shall violate or fail to perform any of the other conditions, covenants or agreements herein made by TK and such default shall continue for fifteen (15) days after notice from City; provided, however, that if the nature of such default is such that TK can cure the default, but not within fifteen (15) days, then the Event of Default shall be suspended for a period not in excess of thirty (30) additional days so long as TK commences cure within fifteen (15) days and thereafter diligently and continuously prosecutes the curing of the default, and so long as continuation of the default does not create material risk to the Project or to persons using the Project;
- c. TK shall file or have filed against it or any guarantor of this Lease Agreement any bankruptcy or other creditor's action, or make an assignment for the benefit of its creditors.

If an Event of Default shall have occurred and be continuing, City may at its sole option by written notice to TK terminate this Lease Agreement. Neither the passage of time after the occurrence of the Event of Default nor exercise by City of any other remedy with regard to such Event of Default shall limit City's rights under this Section

If an Event of Default shall have occurred and be continuing, whether or not City elects to terminate this Lease Agreement, City may enter upon and repossess the Property (said

repossession being hereinafter referred to as "Repossession") by force, summary proceedings, ejectment or otherwise, and may remove TK and all other persons and property therefrom.

15. **Covenant of Quiet Enjoyment.** City covenants that it has the right to make this Lease Agreement for the term aforesaid and covenants that if TK shall pay the rent and perform all of the covenants, terms and conditions of this Lease Agreement to be performed by TK, TK shall, during the Lease Term, freely, peaceably and quietly occupy and enjoy the full possession of the Property. The term "City" as used in this Lease Agreement shall mean solely the owner of the Property, the City of Ramsey, a Minnesota Municipal corporation. The liability of the City under this Lease Agreement is limited to its interest in the Property and any insurance proceeds payable to City with respect to the Property.

16. **No Representations by City.** Neither City nor any agent or employee of City has made any representations or promises with respect to the Property except as herein expressly set forth, and no right, privileges, easements or licenses are acquired by TK except as herein expressly set forth. TK, by taking possession of the Property, shall accept the same "as is" except as expressly provided in this Lease Agreement and such taking of possession shall be conclusive evidence that the Property is in good and satisfactory condition at the time of such taking of possession. In addition to and without limitation of the immediately preceding sentence, TK agrees that it is leasing the Property on an "AS IS", "WHERE IS" and "WITH ALL FAULTS" basis, based upon its own judgment, and hereby disclaims any reliance upon any statement or representation whatsoever made by City. CITY MAKES NO WARRANTY WITH RESPECT TO THE PROPERTY, THE PROJECT OR ANY PART THEREOF, EXPRESS OR IMPLIED, AND CITY SPECIFICALLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY AND OF FITNESS FOR A PARTICULAR PURPOSE AND ANY LIABILITY FOR CONSEQUENTIAL DAMAGES ARISING OUT OF THE USE OF OR THE INABILITY TO USE THE PROPERTY, THE PROJECT OR ANY PART THEREOF.

17. **Surrender; Holding Over.** Upon the expiration of this Lease Agreement or the earlier termination of TK's right to possession, TK shall immediately vacate the Property, remove all of its property therefrom, remove any Hazardous Materials installed, used, generated, stored or disposed of by TK, and leave the Property in the condition required by this Lease Agreement. Any property not removed shall be deemed abandoned, and TK shall be liable for all costs of removal and TK shall indemnify, defend and hold City harmless from any cost or liability due to disposition of any property in the Property in which a person other than TK has an interest. Should TK continue to occupy the Property, or any part thereof, after the expiration or termination of the Lease Term, whether with or without the consent of City, such tenancy shall be from month to month and the monthly Rent set forth herein shall be payable if TK's holdover is without the consent of City, neither this Section nor the acceptance of any rent hereunder shall prevent City from exercising any remedy to regain immediate possession of the Property.

18. **Miscellaneous.**

- a. This Lease Agreement is governed by and shall be construed according to the laws of the State of Minnesota.
- b. The captions in this Lease Agreement are for convenience only and are not a part of this Lease Agreement.

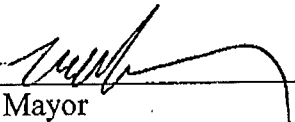
- c. Time is of the essence.
- d. The provisions of this Lease Agreement which relate to periods subsequent to the expiration of the Lease Term shall survive expiration.
- e. If any provision of this Lease Agreement is invalid or unenforceable to any extent, then such provision and the remainder of this Lease Agreement shall continue in effect and be enforceable to the fullest extent permitted by law.
- f. This Lease Agreement contains the entire agreement of the parties hereto with respect to the Property. This Lease Agreement may be modified only by a writing executed and delivered by both parties.
- g. Nothing contained in this Lease Agreement shall be deemed or construed to create a partnership or joint venture of or between City and TK, or to create any other relationship between the parties other than that of City and TK.
- h. This Lease Agreement shall be binding upon and inure to the benefit of the parties hereto and, subject to the restrictions and limitations herein contained their respective heirs, successors and assigns.

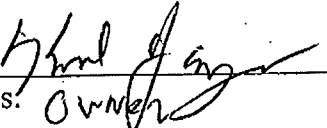
19. **Entire Agreement.** It is understood and agreed by the parties that the entire agreements of the parties is contained herein and that this Lease Agreement supersedes all oral negotiations between the parties relating to the subject matter hereof as well as any previous agreements presently in effect between the City and TK relating to the subject matter hereof. The parties hereto revoke any prior oral or written agreement between them and hereby agree that this Lease Agreement is the only and complete agreement regarding the Property.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands.

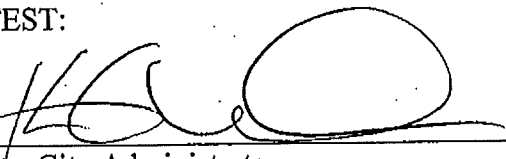
CITY OF RAMSEY, a Minnesota municipal corporation

TK ENTERTAINMENT, LLC

By 
Its: Mayor

By: 
Its: Owner

ATTEST:

By 
Its: City Administrator

Dated: 6/14/11

Dated: 6-8-11

EXHIBIT A

the break down of items needed to install Go-Kart Track

CITY OF RAMSEY

to remove building and do rough grade	
to give us electrical source/part of building removal?	
do / pay for site plan	\$3,500.00
do / pay for grading plan	
buy or pay for cedar/wood fencing	\$2,600.00
buy or pay for landscaping materials	\$800.00
buy or pay for the RAMSEY RACEWAY sign	\$288.50
	\$7,188.50

POWER BY KARL / KARL JANZEN

have all fencing installed and cedar / wood fencing painted	\$1,500.00
install all landscaping	\$725.00
purchase the chain link fencing	\$3,900.00
purchase bleachers 3 sections @ \$1000.00 each	\$3,000.00
remove the lighting from the old holiday gas station and install at the track	\$800.00
buy and install are scoring tower / stand. 8x10 shed	\$850.00
take care of garbage	
do all up keep: mowing/watering/cleaning/snow removal	
have portable toilets and have them serviced 2 units@ \$53.00 bi-weekly service	\$106.00
final grading:\$70.00 per hour @ 16 hours	\$1,200.00
electrical wiring	\$725.00
clay needed for track service need to see final grade plan apx.144 yards @ \$12.75 a yard	\$1,800.00
misc. needed to run the track: watering mower / sweeper vehicle	\$2,150.00
	\$16,756.00

EXHIBIT B

Note: expenses listed here do not include any start-up costs (i.e. installing fencing, hauling and grading dirt etc)

REVENUE	40	50	75
Each Spectator at \$5.00 per person	\$200.00	\$275.00	\$375.00
Each Racer at \$20.00 per Driver	\$800.00	\$1,100.00	\$1,500.00
Each Racer at \$10.00 for Pit Pass	\$400.00	\$550.00	\$750.00
Each Pit Member at \$10.00 for Pit Pass	\$400.00	\$550.00	\$750.00
Total Revenue per evening	\$1,800.00	\$2,475.00	\$3,375.00
Total Revenue for 14 Race Season	\$25,000.00	\$34,650.00	\$47,250.00

EXPENSES	40	55	75
Insurance \$5 per racer	\$200.00	\$275.00	\$375.00
Insurance \$5 per pit member	\$200.00	\$275.00	\$375.00
Parking/Staging Personnel	\$20.00	\$20.00	\$20.00
Scoring Personnel (2)	\$80.00	\$80.00	\$80.00
Corner Workers (2)	\$40.00	\$40.00	\$40.00
Flag Man	\$40.00	\$40.00	\$40.00
Tech Personnel	\$30.00	\$30.00	\$30.00
EMT (To be determined)	\$0.00	\$0.00	\$0.00
Total Expense Per Evening	\$610.00	\$760.00	\$960.00
Total Expense for 14 Race Season	\$8,540.00	\$10,640.00	\$13,440.00

Net Profit Per Evening	\$1,190.00	\$1,715.00	\$2,415.00
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Net Profit Per 14 Race Season	\$16,660.00	\$24,010.00	\$33,810.00
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PERCENTAGES TO EACH			
Potential Income for Power by Karl at 70%	\$11,662.00	\$16,807.00	\$23,667.00
Potential Income for City of Ramsey at 30%	\$4,998.00	\$7,203.00	\$10,143.00
Potential Income for Power by Karl at 60%	\$9,996.00	\$14,406.00	\$20,286.00
Potential Income for City of Ramsey at 40%	\$6,664.00	\$9,604.00	\$13,524.00
Potential Income for Power b Karl at 50%	\$8,330.00	\$12,005.00	\$16,905.00
Potential Income for City of Ramsey at 50%	\$8,330.00	\$12,005.00	\$16,905.00

EXHIBIT C