

**U.S. GOVERNMENT
LEASE FOR REAL PROPERTY**

DATE OF LEASE

8/22/11

LEASE NO.

GS-05B-18465

THIS LEASE, made and entered into this date by and between

Mr. Gary Potter
whose address is **1322 3rd Street,**
Suite #4
International Falls, MN 56649

and whose interest in the property hereinafter described is that of owner, hereinafter called the Lessor, and the UNITED STATES OF AMERICA, hereinafter called the Government:

WITNESSETH: The parties hereto for the consideration hereinafter mentioned, covenant and agree as follows:

1. The Lessor hereby leases to the Government the following described premises:

316 8th Avenue, Second Floor - South Side, International Falls, MN, Office space consisting of 1,000 ABOA square feet (1,150 rentable) and two (2) reserved parking spaces.

2. TO HAVE AND TO HOLD the said premises with their appurtenances for a ten (10) year term, five (5) years firm term beginning the date the leasehold improvements constructed by the Lessor are substantially completed and accepted by the Government, subject to termination and renewal rights, if any, as may be hereinafter set forth. The date of substantial completion is no later than March 1, 2012.

3. The Government shall pay the Lessor annual rent of

Years 1-5: \$57,500.00, at the rate of \$4,791.67 per month in arrears based on a rate of \$57.50 per ABOA Usable Square Foot (\$50.00 per rentable square foot).

Years 6-10: \$35,638.50, at the rate of \$2,969.88 per month in arrears based on a rate of \$35.64 per ABOA Usable Square foot (\$30.99 per rentable square foot).

The Government shall pay the Lessor annual rent as follows:

<u>Years</u>	<u>Annual</u>	<u>Per RSF</u>
Years 1-5	\$57,500.00	\$50.00
Years 6-10	\$35,638.50	\$30.99

The operating expense portion of rent is subject to annual escalations as outlined in Paragraph 13 below and referred to in 4.3 Operating Costs of the SFO. Rent for a lesser period shall be prorated. Rent checks shall be made payable to:

Mr. Gary Potter
1322 3rd Street,
Suite #4
International Falls, MN 56649

4. The Government may terminate this lease at any time on or after the **FIFTH YEAR** or March 1, 2017 of the lease by giving at least 90 days notice in writing to the Lessor and no rental shall accrue after the effective date of termination. Said notice shall be computed commencing with the day after the date of mailing.

5. ~~This lease may be renewed at the option of the Government, for the following terms and at the following rentals:~~

~~provided notice be given in writing to the Lessor at least _____ days before the end of the original lease term or any renewal term; all other terms and conditions of this lease shall remain the same during any renewal term. Said notice shall be computed commencing with the day after the date of mailing~~

6. The Lessor shall furnish to the Government, as part of the rental consideration, the following:

All cleaning services, maintenance, space improvements, and special requirements as specified in the attached Solicitation For Offers (SFO) GS-05B-18465 and other documents Attached to this lease as described in paragraph 7 below.

7. The following are attached and made a part hereof:

- (A) US Government Lease for Real Property (SF2)
- (B) General Clauses
- (C) Representations and Certifications
- (D) The Pertinent Provisions of the offer, and
- (E) The pertinent provisions of the SFO,
- (F) Floor plans of the offered space
- (G) Occupancy permit provided with Best and Final Offer July 19, 2011.

8. The following changes were made in this lease prior to its execution:

- GSA Form 1364 Attachment 1—Lease Rate Structure,
- Lessor will be held to the International Falls, MN local fire code and regulations. Occupancy.
 - Permit will be inspected after acceptance of space and review by fire department to provide new Occupancy Permit to the build.
- Lessor will not be held to ABBAS regulations provided with in SFO paragraphs.
- Engineering and Design Fees have not been made a part of the shell rental rate and will be paid via the Tenant Improvement allocation provided by lessor and amortized.
- The building will not require sprinklers to be provided as this is a two story residential office space that does not require sprinklers.
- Shell rental rate includes back-up power generator, MDI security, and 20' awning over entry way.

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names as of the date first above written.

LESSOR: **Mr. Gary Potter, Owner**

BY _____
(Signature) _____ (Signature)

IN PRESENCE OF _____
(Signature) _____ (Address)

UNITED STATES OF AMERICA GENERAL SERVICES ADMINISTRATION

BY Tina Cl _____
(Signature) _____ Contracting Officer
(Official title)

**U.S. GOVERNMENT LEASE FOR REAL PROPERTY
CONTINUATION SHEET
LEASE #GS-05B-18465**

9. The date of this lease is the date this contract was formed as a result of the Government's acceptance of the Lessor's Best and Final Offer dated July 19, 2011, submitted by the Lessor under SFO No. GS-05B-18465. This lease reflects the terms and conditions of the accepted Best and Final Offer.

10. The lease commencement date of March 1, 2012 in Paragraph 2 of the Standard Form 2, U.S. Government Lease for Real Property, is the estimated effective date. If the actual date of beneficial occupancy is different from March 1, 2012, then the actual effective date shall be established by a Supplemental Lease Agreement. The lease term will then be in effect for ten (10) years thereafter, computed from the actual effective date. The anniversary date for adjustments shall be adjusted to coincide with any revised actual effective date.

11. Lessor shall not construct alter, remove, or add to the lease area without prior notification and approval from the General Services Administration (the Contracting Officer).

12. The Lessor will alter the space ready for occupancy no later than March 1, 2012.

13. The total net usable square foot area referred to in Paragraph 1 is subject to adjustment but may not be less than the minimum of 1,000 ABOA offered. The Lessor may deliver up to the maximum usable square footage allowable identified in Paragraph 1 of the SFO. Should there be any adjustments in the usable square footage delivered that has been determined through mutual field measurement, the per annum rental referred to above shall be adjusted on the basis of \$57.50 ABOA per square foot per annum for Years 1-5 and \$35.63 ABOA per square foot per year for Years 6-10 of the lease. The lease shall be amended by Supplemental Lease Agreement after the actual field measurement to establish the square footage and rental in compliance with the terms of the lease. In the event the actual amount of space exceeds 1,150 ABOA square feet, 1,150 Rentable there will be no additional cost to the Government.

14. If the property housing the leased premises is sold or transferred the following information is required before the Government can acknowledge the successor in interest and change the payee for rent or other payments.

(I) Evidence of the transfer of title.

(II) A letter from successor - lessor (transferee) assuming, approving, and adopting the lease and agreeing to be bound by its terms.

(III) A letter from prior lessor (transferor) waiving all rights against the United States of America, except unpaid rent through a specified Date, usually the date of ownership transfer.

(IV) The IRS tax identification number for the new owner.

Where leased premises are transferred by death of lessor, a copy of the letters of administration where there is no will, showing the lessor(s), is required. Unless an interim court order is received, rents will be accrued and paid to the new owner(s) upon final settlement of the estate.

INITIALS: GP & TC
LESSOR & GOVERNMENT

**U.S. GOVERNMENT LEASE FOR REAL PROPERTY
CONTINUATION SHEET
LEASE #GS-05B-18465**

15. The lessor's tax identification number of shall be: [REDACTED]
16. The lessors DUNS number will be: 843723599
17. For the purpose of computing operating cost adjustments in accordance with SFO GS-05B-18465 paragraph 4.3, the first year's base cost is hereby established as \$13,742.50 per annum or \$13.74 per ABOA square foot, \$11.95 per rentable square foot.
18. For the purpose of computing Real Estate Tax adjustments in accordance with Clauses 3.4 and 3.5 of Solicitation for Offers GS-05B-18465 (the "SFO"), it is agreed that the Government occupies 21% of the Building (5,400 RSF) of which the Government shall pay taxes when they exceed the base year of \$1,300 budgeted for taxes per GSA Form 1217, signed June 13, 2011.
19. If overtime HVAC is required, there will be no extra charge per hour.
20. The Lease Common Area Factor is 1.15 (1,150 rentable square feet divided by 1,000 ABOA square feet).
21. In accordance with paragraph 3.2 A and Amendment #1 provided on May 31, 2011, the Lessor shall provide Tenant Improvement funds not to exceed \$57,330.00 total at acceptance of space and supplemental agreement to accept all funds will be amortized at 8.95% over 60 months, the firm term of five (5) years of the ten (10) year lease. All tenant improvement shall be inspected and accepted by a Contracting Officer or authorized representative of the government and documented with supplemental lease agreement at occupancy.
22. The Contracting Officer represents the General Services Administration as an agent with the authority to enter into this Lease on behalf of the Government and executes this document in his or her official capacity only, and not as an individual.
23. The Lessor shall control the dissemination of Sensitive but Unclassified information contained in the Solicitation for Offers, design standards, space programming documents, construction drawings and any other sources of information relating to the Government occupancy, as established in Lease Attachment #1, "Document Security Form". The Lessor shall issue the Document Security Form, acquire required documentation and verify information prior to disseminating any Sensitive but Classified information. In addition, the Lessor shall maintain a file of Document Security Forms issued and received in conjunction with this project.
24. COMMISSION AND COMMISSION CREDIT: In accordance with SFO Paragraph 2.3. Broker Commission and Commission Credit, UGL Services Equis Operations Co. ("Broker") is the authorized real estate broker representing GSA in connection with this lease transaction. The total amount of the Commission is [REDACTED] and is earned upon lease execution, payable according to the Commission Agreement signed between the two parties, executed on May 4, 2011. Due to the Commission Credit described in SFO Paragraph 2.3.B, only [REDACTED] of the Commission, will be payable to UGL Services Equis Operations Co. with the remaining [REDACTED] which is the "Commission Credit", to be credited to the shell rental portion of the annual rental payments due and owing to fully recapture this Commission Credit. The reduction in shell rent shall commence with the first month of the rental payments and continue until the credit has been fully recaptured in equal monthly installments over the shortest time period practicable.

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**U.S. GOVERNMENT LEASE FOR REAL PROPERTY
CONTINUATION SHEET
LEASE #GS-05B-18465**

Notwithstanding Paragraph 3 of this Lease, the shell rental payments due and owing under this lease shall be reduced to fully recapture this Commission Credit. The reduction in shell rent shall apply to the first four months of the rental payments as indicated in this schedule for adjusted Monthly Shell Rent:

First Month's Shell Rental Payment is \$2,429.33 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted First Month's Shell Rent

Second Month's Shell Rental Payment is \$2,429.33 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Second Month's Shell Rent

Third Month's Shell Rental Payment is \$2,429.33 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Third Month's Shell Rent

Fourth Month's Shell Rental Payment is \$2,429.33 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Fourth Month's Shell Rent

25. Information regarding Electronic Funds Transfer Payment Methods is provided in Paragraph 24, 52.232-76, General Clauses, Form 3517B.

26. The Lessor's Central Contractor Registration (CCR) as referenced in Paragraph 11 of the Representations and Certifications, Form 3518, as a requirement for payment of rent by the Government, is active.

INITIALS: GP LESSOR & TC GOVERNMENT