

U.S. GOVERNMENT LEASE FOR REAL PROPERTY

DATE OF LEASE

6/30/11

LEASE NO.

GS-05B-18566

THIS LEASE, made and entered into this date by and between: **S&J Development, LLC**

whose address is **3801 Bemidji Avenue North, Suite 1,
Bemidji, MN 56601-4364**

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 considerations hereinafter mentioned, covenant and agree as follows:

1. The Lessor hereby leases to the Government the following described premises:
 - A. A total of approximately 4,896 rentable square feet (RSF), consisting of a minimum of 4,252 ANSI/BOMA Office Area square feet (USF) of space located in a one-story retail building known as 705 5th Street NW, Suite D, Bemidji, MN 56601-2932 as indicated on the attached Floor Plan, to be used for such purposes as determined by the General Services Administration.
 - B. In accordance with the SFO paragraph entitled Common Area Factor, according to Form 1364-Proposal to Lease Space, the common area factor is 1.151456.
 - C. In accordance with the SFO paragraph entitled Percentage of Occupancy, the percentage of Government occupancy is established as 20.40%.
 - D. A total of fourteen (14) surface parking spaces for Government employees are included in the rental rate at a \$0.00 cost per month per vehicle to the Government.
2. TO HAVE AND TO HOLD the said premises with their appurtenances for a term of ten (10) years, five (5) years firm, beginning upon the substantial completion of the space, and acceptance by the Government as satisfactorily complete which is estimated to be November 1, 2011 through October 31, 2021. The commencement date of this lease, along with any applicable termination and renewal rights, shall more specifically be set forth in a Supplemental Lease Agreement upon substantial completion and acceptance of the space by the Government.
3. The Government shall pay the Lessor rent as follows:
Years 1 through 5 Annual Rent: \$151,041.60 at the rate of \$12,586.80 per month in arrears.
Years 6 through 10 Annual Rent: \$109,327.68 at the rate of \$9,110.64 per month in arrears.
Accumulated operating cost adjustments will be included in the stated per annum rates at the time they become effective.

Years 1-5	RSF Rate	USF Rate
Shell Rent	\$16.05	\$18.48
T.I.	\$9.47	\$10.90
Operating Costs	\$3.84	\$4.42
Taxes	\$1.49	\$1.72
Full Service Rent	\$30.85	\$35.52

Years 6-10	RSF Rate	USF Rate
Shell Rent	\$17.00	\$19.57
T.I.	-	-
Operating Costs	\$3.84	\$4.42
Taxes	\$1.49	\$1.72
Full Service Rent	\$22.33	\$25.71

Rent for a lesser period shall be prorated. Rent checks shall be made payable to:

S&J DEVELOPMENT, LLC
3801 Bemidji Avenue North
Suite 1
Bemidji, MN 56601-4364

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4. The Government may terminate this lease at any time after the firm term estimated to be October 31, 2016 by giving at least 60 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 to the rental consideration, the following:

All cleaning, services, utilities, parking, maintenance of the building, space improvements, and Special Requirements as specified in the attached Solicitation for Offers- GS-05B-18566. Also, as part of the rental consideration, the Lessor shall meet all responsibilities and obligations as defined in this lease.

THIS IS A FULLY SERVICED LEASE.

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

- A. Attachment to Standard Form 2 consisting of 4 pages,
- B. Solicitation for Offers GS-05B-18566 dated 05/25/2010, consisting of 53 pages with 4 page Amendment No. 1;
- C. GSA Form 3517B entitled GENERAL CLAUSES (Rev. 11/05), consisting 33 pages;
- D. GSA Form 3518 entitled REPRESENTATIONS AND CERTIFICATIONS (Rev. 01/07), consisting of 8 pages;
- E. Block plan of leased space and parking, consisting of 2 pages;

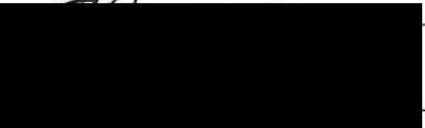



8. The following changes were made in this lease prior to its execution:

Paragraph 5 above was deleted in its entirety.

SFO paragraph 3.7 Green Lease Submittals (Aug. 2008) deleted in its entirety and replaced with Amendment No. 1 version of Green Lease Submittals (Sep. 2010).

SFO paragraph 8.3 Energy Cost Savings (Aug. 2008) deleted in its entirety and replaced with Amendment No. 1 version Of Energy Efficiency and Conservation (Sep. 2010).

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

		LESSOR	
SIGNATURE		NAME OF SIGNER	Steven W Hill
ADDRESS			
IN THE PRESEN		NAME OF SIGNER	Mr. Steven W. Hill
		UNITED STATES OF AMERICA	
SIGNATURE		NAME OF SIGNER	Patricia A. Benda
		OFFICIAL TITLE OF SIGNER	LEASING CONTRACTING OFFICER

8. The date of this lease is the date this contract was formed as a result of the Government's acceptance of the Lessor's final proposal revision dated May 2, 2011, submitted by the Lessor under Solicitation for Offers GS-05B-18566. This lease reflects the terms and conditions of the accepted final proposal revision.
9. In accordance with the lease paragraph entitled, Tenant Improvement Rental Adjustment, the Lessor agrees to provide up to \$195,039.24 (\$45.87 per usf x 4,252 usf) toward the cost of Tenant Improvements. The costs of the Tenant Improvements are amortized at 7.00% over 60 months which equates to \$9.47 per rsf. The amortized cost of these improvements is included in the stated rent in Paragraph 3 above. The rent will be adjusted accordingly based on the actual costs expended for buildout based on the design intent drawings.

Fees applicable to Tenant Improvements shall not exceed:
 - General Conditions flat fee of \$3,000.00
 - General Contractor flat fee \$8,000.00
 - Architectural/Engineering flat fee of \$6,000.00
 - Lessor Project Management flat fee of \$8,000.00
10. In accordance with the SFO lease paragraph 4.3 entitled, Operating Costs Base, the base is established as \$18,800.64 per annum or \$3.84 rsf equating to \$4.42 usf based on the Government's occupied space 4,896 RSF on the first floor.
11. In accordance with the SFO lease paragraph 4.4 entitled, Adjustment for Vacant Premises, the adjustment is established as \$0.00 per USF for any vacant space.
12. Information regarding Electronic Funds Transfer Payment Methods is provided in Paragraph 24, 552.232 -76, General Clauses, Form 3517B. Per the Debt Collection Improvement Act, effective July 27, 1996, Electronic Funds Transfer (EFT) shall be required on all existing and new lease contracts after January 1, 1998. An enrollment form is attached to be completed and returned with this contract.
13. The building known as 705 5th Street NW, is owned by S&J Development, LLC, with Steven W. Hill, Owner, having signatory authority.
14. The Lessor is a small business, not a woman-owned business nor a veteran-owned business concern. The Tax Identification Number is [REDACTED].
15. The Lessor's DUNS number is 830868993. The Lessor has registered his DUNS number in Central Contractor Registration (CCR) and will annually update this registry to assure monthly rental payments. Failure to do so will result in a stoppage of rent until CCR is successfully updated and GSA notified by the Lessor of the update.
16. All terms and conditions of this lease as expressly contained herein represent the total obligations of the Lessor and the Government. Any agreements, written or oral between the Lessor and the Government prior to the execution of this lease are not applicable or binding. This agreement may be amended only by written instrument executed by the Lessor and Government.
17. The Lessor shall not construct, change, alter, remove or add to the leased premises without prior notification and approval from the General Services Administration (GSA). All questions pertaining to this lease should be referred to the Contracting Officer of the General Services Administration or his/her designee. The Government occupant is not authorized to administer this lease. The General Services Administration assumes no responsibility for any cost incurred by the Lessor except as provided by the terms of the lease or authorized in writing by the GSA Contracting Officer
18. The Contracting Officer represents the General Services Administration as an agent with authority to enter into this lease on behalf of the Government and executes this document in his official capacity only not as an individual.

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19. The Lessor will ensure that the building and its interior and exterior space fully meets handicapped accessibility requirements prior to occupancy per the SFO.
20. Lessor shall perform alterations to the space according to approved layout drawings. The Lessor will complete alterations within 60 working days after receiving the Notice to Proceed from the Government. Occupancy may occur earlier if the space is completed, the Lessor has an occupancy permit, and the Government has inspected and accepted the space and it is free of safety hazards.
21. In accordance with Paragraph 3.6, the Government's percentage of occupancy for tax purposes is 20.40% based upon occupancy of 4,896 rentable square feet in a building of 24,000 square feet.
22. The Lessor and Government Broker Representative have agreed to a cooperating lease commission of [REDACTED] of the scheduled total annual rent per year for the initial term of the lease, or [REDACTED]. The Lessor shall pay the Broker no additional commissions associated with this lease transaction. In accordance with the "Broker Commission and Commission Credit" paragraph, the Broker has agreed to forego [REDACTED] of the commission that it is entitled to receive in connection with this lease transaction ("Commission Credit"). The Commission Credit is [REDACTED]. The Commission paid to the Broker is [REDACTED]. The Lessor agrees to pay the Commission less the Commission Credit to the Broker in accordance with the "Broker Commission and Commission Credit" paragraph in the SFO attached to and forming a part of this Lease.

Notwithstanding Paragraph 3 of this Standard Form 2, 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 commence with the first month of the rental payments and will continue until the commission credit has been accounted for.

The monthly rent adjusted for the commission credit is as follows:

Rent Period	Scheduled Total Monthly Rent	Scheduled Monthly Shell Rent	Commission Credit	Commission Credit Remaining	Adjusted Monthly Rent Payment
Month 1	\$12,586.80	\$7,156.32	[REDACTED]	[REDACTED]	[REDACTED]
Month 2	\$12,586.80	\$7,156.32	[REDACTED]	[REDACTED]	[REDACTED]
Month 3	\$12,586.80	\$7,156.32	[REDACTED]	[REDACTED]	[REDACTED]
Month 4	\$12,586.80	\$7,156.32	[REDACTED]	\$0.00	[REDACTED]

23. If heating or cooling is required by the Government on an overtime basis after normal business hours of 6:00A.M. to 6:00P.M., Monday through Friday, except Saturdays, Sundays, and Federal holidays, the overtime rate will be \$2.00 per hour. The client will contact their respective GSA Field Office to schedule the overtime utilities and the GSA Field Office will contact the Lessor.

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