

MEMORANDUM OF OPTION AND LAND AGREEMENT

THIS MEMORANDUM OF OPTION PURCHASE AGREEMENT is made this 6 day of JULY, 2012, by and between Kenneth H. Murphy, as trustee of the Kenneth H. Murphy Revocable Living Trust ("Seller"), and City of Delano, a municipal corporation under the laws of the State of Minnesota ("Buyer").

1. Seller and Buyer entered into an Option Purchase Agreement (the "Agreement") on JULY 6, 2012, for the real property and improvements thereon, (hereinafter called the "Property"), located in Wight County, Minnesota legally described as follows on Exhibit A, attached hereto and incorporated herein.
2. In the Agreement, Seller grants to Buyer three separate options to purchase three separate Option Parcels, identified on Exhibit A, over a 10 year term.
3. The terms, covenants and provisions of the Agreement, which are hereby incorporated by reference into this Memorandum, shall extend to and be binding upon the respective executors, administrators, heirs, successors and assigns of Seller and Buyer.

IN WITNESS WHEREOF, hereunto, Seller and Buyer have caused this Memorandum to be duly executed on the date written herein below.

SELLER:

**KENNETH H. MURPHY, TRUSTEE OF THE
KENNETH H. MURPHY REVOCABLE
LIVING TRUST.**

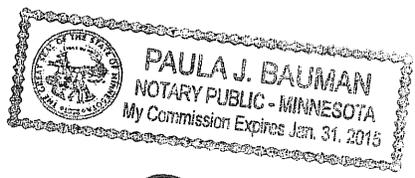
Dated: 2-3-2012

By Ken Murphy
Kenneth H. Murphy

STATE OF MINNESOTA)
) ss.
COUNTY OF WRIGHT)

This instrument was acknowledged before me this 3 day of JULY, 2012, by Kenneth H. Murphy, as trustee of the Kenneth H. Murphy Revocable Living Trust.

Paula J. Bauman
Notary Public



BUYER: CITY OF DELANO

Dated: 07-06-12

Dale J. Graunke
By DALE J. GRAUNKE
Its MAYOR

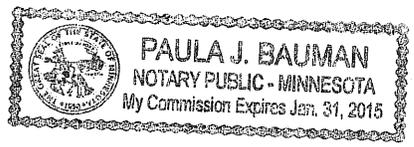
Dated: 07-6-12

Marlene E. Kittock
By MARLENE E. KITTOCK
Its CITY CLERK

STATE OF MINNESOTA)
) ss.
COUNTY OF WRIGHT)

This instrument was acknowledged before me this 6 day of JULY, 2012, by DALE J. GRAUNKE and MARLENE E. KITTOCK, the Mayor and the City Clerk, respectively, of the City of Delano, a Minnesota municipal corporation, by and on behalf of the entity.

Paula J. Bauman
Notary Public



Drafted by:
Gregerson, Rosow, Johnson & Nilan, LTD
650 Third Avenue South, Suite 1600
Minneapolis, MN 55402

EXHIBIT A

Legal Description of Option Parcel One:

PHASE I:

The East Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota, except the West 297.00 feet of the South 375.00 feet thereof.

AND

That part of Northeast Quarter of the Northeast Quarter of Section 10, Township 118, Range 25, Wright County, Minnesota, that lies Northerly of the centerline of 72nd Street Southeast, except the West 297.00 feet of the north 644.72 feet thereof.

AND

PHASE 2:

The North 773.66 feet of the West Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota.

Legal Description of Option Parcel Two:

PHASE 3 – OPTION A:

The South 774.05 feet of the North 1547.71 feet of the West Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota.

Legal Description of Option Parcel Three:

PHASE 3 –OPTION B:

That part of the West Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota that lies South of the North 1547.71 feet of said West Half of the Southeast Quarter and North of the South 375.00 feet of said West Half of the Southeast Quarter.

OPTION PURCHASE AGREEMENT

THIS OPTION PURCHASE AGREEMENT (the "Agreement") is made and entered into as of this 6 day of JULY, 2012, by and between Kenneth H. Murphy, as trustee of the Kenneth H. Murphy Revocable Living Trust ("Seller"), and City of Delano, a municipal corporation under the laws of the State of Minnesota ("Buyer").

RECITALS:

WHEREAS, Seller intends to grant Buyer the option to purchase certain vacant land in Delano, Minnesota and all rights, privileges, easements, tenements, hereditaments and appurtenances belonging thereto (the "Property"). The Property has been divided into three parcels, Option Parcel One, Option Parcel Two, and Option Parcel Three ("Option Parcel"), each of which Buyer will have the option to purchase. The three parcels are located in Wright County, Minnesota and are legally described on Exhibit A, attached hereto and incorporated herein.

WHEREAS, no option shall include the parcel of land legally described on Exhibit B, which shall be retained by the Seller ("Seller retained parcel").

PROVISIONS:

In consideration of the mutual covenants of the parties contained herein and other valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Recitals. The Recitals hereto are true and correct and are incorporated herein.
2. Definitions: The following terms are defined as follows:
 - (a) **Effective Date** means the date this Agreement is executed by the last of both parties.
 - (b) **Termination Date** means the date 10 years from the date the Seller and Buyer close on the purchase of Option Parcel One, unless Buyer fails purchase Option Parcel One under the terms set forth in paragraph 4 of this Agreement by July 31, 2013 at which point the termination date is August 1, 2013.
 - (c) **Option Parcel One** means Option Parcel One as legally described on Exhibit A, attached hereto and incorporated herein, and as shown for illustrative purposes as Phase 1 and Phase 2 on Exhibit C, attached hereto and incorporated herein. Option Parcel One also includes a 100 foot wide Temporary Construction Easement and a 50 foot wide Permanent Drainage and Utility Easement in the approximate locations shown on Exhibit D, attached hereto and incorporated herein. The legal descriptions for the Easements shall be determined by the Buyer, and the form for the Easements is attached as Exhibit E and incorporated herein.

- (d) **Option Parcel Two** means Option Parcel Two as legally described on Exhibit A, attached hereto and incorporated herein, and as shown for illustrative purposes as Phase 3 Option A on Exhibit C, attached hereto and incorporated herein.
 - (e) **Option Parcel Three** means Option Parcel Three as legally described on Exhibit A, attached hereto and incorporated herein, and as shown for illustrative purposes as Phase 3 option B on Exhibit C, attached hereto and incorporated herein.
3. Grant of Option to Buyer to purchase the Option Parcels/Exercise of Option. Buyer shall have a separate option to purchase each Option Parcel, as defined herein. Buyer may purchase several, all, or none of the parcels. Each option may be exercised at any time, but if exercised must be exercised in numerical order, beginning with Option Parcel One.
4. Option Parcel One.
- (a) First Option. At any time before August 1, 2013, Buyer shall have the option to purchase Option Parcel One for the First Option Purchase Price (as hereinafter defined). If Buyer fails to exercise the First Option prior to August 1, 2013 this Option Agreement shall terminate automatically.
 - (c) First Option Purchase Price. The purchase price (“Purchase Price”) to be paid by Buyer to Seller for Option Parcel One shall remain the same from the Effective Date of the Option Agreement until the Termination Date. The Purchase Price for Option Parcel One is One Million and no/100 Dollars (\$1,000,000.00). This price includes the Temporary and Permanent Easements attached as Exhibit D and incorporated herein and the tracts of land labeled Phase One and Phase Two on Exhibit C. Buyer shall pay Seller the Purchase Price in cash or by wire transfer of U.S. Funds (subject to allocations and adjustments specified in Section 10) to be received in the trust account of Title on or before 4:00 p.m. on the Closing Date (as herein defined).
 - (d) Notice to Exercise Options. Buyer’s option to purchase Option Parcel One shall be effective until 5:00 p.m. CST, or CDT, as applicable, on July 31, 2013. If Buyer does not deliver the Notice to Purchase to Seller on or before 5:00 p.m. CST, or CDT, as applicable, on or before July 31, 2013, this Agreement shall expire at 5:00 p.m. CST, or CDT, as applicable, on said date, and neither party shall have any further duties or obligations hereunder. Buyer shall have the right to exercise any of the options by delivering to Seller the “Notice to Purchase” attached hereto as Exhibit F.

5. Option Parcel Two and Option Parcel Three. As soon as Seller and Buyer close on the purchase of Option Parcel One, Buyer shall have the option to exercise the Second Option and Third Option set forth herein.
- (a) Second Option. At any time after Seller and Buyer close on the purchase of Option Parcel One and before the Termination Date of this Option Agreement Buyer shall have the option to purchase Option Parcel Two, for the Second Option Purchase Price (as hereinafter defined).
 - (b) Second Option Purchase Price. The purchase price to be paid by Buyer to Seller for Option Parcel Two shall remain the same from the Effective Date of the Option Agreement until the Termination Date. The purchase price for Option Parcel Two is Six Hundred Fifty-Five Thousand Three Hundred Seventy Six and no/100 Dollars (\$655,376.00). Buyer shall pay Seller the Purchase Price in cash or by wire transfer of U.S. Funds (subject to allocations and adjustments specified in Section 10) to be received in the trust account of Title on or before 4:00 p.m. on the Closing Date (as herein defined).
 - (c) Third Option. At any time after Seller and Buyer close on the purchase of Option Parcel One and before the Termination Date of this Option Agreement Buyer shall have the option to purchase Option Parcel Three for the Third Option Purchase Price (as hereinafter defined).
 - (d) Third Option Purchase Price. The purchase price to be paid by Buyer to Seller for Option Parcel Three shall remain the same from the Effective Date of the Option Agreement until the Termination Date. The purchase price for Option Parcel Three is Six Hundred Fifty-Five Thousand Three Hundred Seventy Six and no/100 Dollars (\$655,376.00). Buyer shall pay Seller the Purchase Price in cash or by wire transfer of U.S. Funds (subject to allocations and adjustments specified in Section 10) to be received in the trust account of Title on or before 4:00 p.m. on the Closing Date (as herein defined).
 - (e) Notice to Exercise Options. Buyer's option to purchase under this provision shall be effective until 5:00 p.m. CST, or CDT, as applicable, on the Termination Date. If Buyer does not deliver the Notice to Purchase to Seller on or before 5:00 p.m. CST, or CDT, as applicable, on or before the Termination Date, this Agreement shall expire at 5:00 p.m. CST, or CDT, as applicable, on said date, and neither party shall have any further duties or obligations hereunder. Upon the exercise of Buyer's option to purchase pursuant to the Second Option or Third Option the Buyer may purchase in accordance with the terms of this Agreement. Buyer shall have the right to exercise any of the options by delivering to Seller the "Notice to Purchase" attached hereto as Exhibit F.

6. Second and Third Option Interest Payment.

- (a) Buyer shall pay to Seller the Second and Third Option Interest Payment, beginning on the date the Seller and Buyer close on the purchase of Option Parcel One and continuing until the earlier of: (i) the Termination Date of this Option Agreement, or (ii) the closing date of the final purchase of all three Options, at which time the payments shall cease. The total amount payable yearly shall consist of interest payments on the purchase price of the parcels of land in all Options that have not then been exercised by the Buyer, according to the schedule set forth below. The Second and Third Option Interest Payment shall be prorated with respect to any options exercised since the last Second and Third Option Payment. The amount due shall be payable quarterly on the first day of the first month following each quarter.

	Years 1-2	Years 3-4	Years 5-8	Years 9-10
Annualized, simple interest amount on purchase prices of un-purchased options	2.00%	3.00%	4.00%	5.00%

- (b) Should Buyer fail to make the Second and Third Option Interest Payment within 10 days of the due date of that payment, the payment shall be considered delinquent. Buyer shall thereafter have 30 days period following receipt of written notice from Seller to cure the delinquency. If Buyer fails to cure the delinquency, Seller may in addition to any other rights and remedies available to Seller at law or in equity, terminate this Agreement and retain all Payments already made under this Option Agreement.

7. Memorandum of Understanding. Paragraphs 3a, b, c, d, f, g, and h of that certain Memorandum of Understanding for Purchase and Development of Murphy Property, entered into between the City of Delano and Kenneth H. Murphy and Penni Murphy dated January 18, 2012, unless waived by the party in whose favor the condition operates, survive this Option Agreement and the Exercise of the Options. Said Memorandum is attached for reference as Exhibit G. In case of any discrepancy between the terms of Said Memorandum and this Agreement, the terms of this Agreement prevail.

8. Purchase of Option Parcels. Pursuant to Buyer's option to purchase granted herein, Seller hereby agrees to sell, and Buyer hereby agrees to purchase, each Option Parcel free and clear of all liens and encumbrances except the permitted exceptions ("**Permitted Exceptions**") , including all of Seller's interests in all permits, licenses and governmental registrations, filings, authorizations or approvals regarding the Option Parcel ("**Permits**"); and

9. Temporary and Permanent Easements. As part of Option Parcel One, Seller shall grant Buyer the Temporary and Permanent Easements defined in Section 2(c). When Buyer delivers to Seller the Notice to Purchase for Option Parcel One, Buyer shall also execute and deliver to Seller said Easements. At Closing, as hereinafter defined, for Option Parcel One, Seller shall deliver to Buyer the executed Temporary and Permanent Easements.
10. Prorations. Seller and Buyer agree to the following pro-rations and allocation of costs for each Option regarding this Agreement and the exercise of Buyer's options to purchase granted herein:
- (a) Title Insurance and Closing Fee. Buyer will pay all costs of the Title Evidence (as defined in Section 11 below). Buyer shall pay all premiums required for the issuance of any owner's and/or mortgagee's title insurance policy. Buyer shall pay any closing fee or charge imposed by any closing agent or by Title.
 - (b) Minnesota Deed Tax. Buyer shall pay the Minnesota Deed Tax payable in connection with the recording of the deed.
 - (c) Real Estate Taxes and Special Assessments. All real estate taxes which are due and payable in the year in which Closing occurs shall be prorated to the Closing Date and Seller's portion shall be paid by Seller at Closing. This proration shall result in Seller's payment of real estate taxes from January 1 to the date immediately prior to the Closing Date and Buyer's payment of real estate taxes from the Date of Closing to December 31. Seller shall pay all special assessments levied, pending or constituting a lien against the Option Parcel as of the date of this Agreement, and all deferred taxes and special assessments which may become payable with respect to the Option Parcel upon conveyance of the Option Parcel.
 - (d) Recording Costs. Seller will pay the cost of recording all documents necessary to place record title in Seller in the condition required by this Agreement. Buyer will pay the cost of recording all documents.
 - (e) Other Costs. All other operating costs of the Option Parcel shall be allocated between Seller and Buyer as of the Closing Date, so that Seller pays that part of operating costs payable before the Closing Date, and Buyer pays that part of operating costs payable on and after the Closing Date.
 - (f) Attorney's Fees. Each of the parties will pay its own attorney's fees, except that a party defaulting under this Agreement or any Closing Document will pay the reasonable attorney's fees and court costs incurred by the non-defaulting party to enforce its rights hereunder.

11. Evidence of Title and Title Examination. Buyer and Seller shall obtain the following relating to each Option Parcel (collectively the “**Title Evidence**”):

- (a) Buyer shall, within twenty (20) days after delivering the Notice to Purchase an Option Parcel from Buyer, obtain the following relating to that Option Parcel (collectively, the “Title Evidence”) an ALTA commitment (the “Title Commitment”) for an Owner’s Policy of Title Insurance committing to insure title to the Option Parcel in Buyer, in the amount of the Purchase Price, and issued by Title.
- (b) Within thirty (30) days after delivering the Notice to Purchase, Buyer may obtain at Buyer’s cost and deliver to Title a survey of the Option Parcel (the “Option Parcel Survey”). Within twenty (20) days following receipt of the Commitment and the Option Parcel Survey (hereinafter the “Title Evidence”), Buyer may make written objections (“Objections”) to any encumbrances disclosed by the Title Evidence that cause title to the Option Parcel to be unmarketable. Buyer’s failure to timely make Objections will constitute waiver of the Objections. Those matters not objected to by Buyer within twenty (20) days following receipt of the Title Evidence shall be “Permitted Exceptions”.
- (c) If title is not acceptable for closing, Buyer shall notify Seller in writing of objections to title by the time set for the closing. In such event Seller shall have a reasonable time, but not exceeding ninety (90) days, to remove the objections and the time for closing shall be extended as necessary for this purpose. In the event Seller is unable to remove the objections within the time specified, Buyer shall have fifteen (15) days from receipt of notice thereof to deliver notice that Buyer will take one or more of the following actions:
 - i. Waive the exceptions and proceed with the transaction, in which case the transaction will be closed within fifteen (15) days of said notice; or
 - ii. Terminate the Notice to Purchase the Option Parcel

12. Conditions Precedent to Buyer’s Obligations. Once Buyer has provided a Notice to Purchase to Seller, Buyer is obligated to purchase the Option Parcel identified in the Notice contingent upon satisfaction of each of the following conditions:

- (a) Buyer shall have determined, on or before the Closing Date, that it is satisfied with the results of and matters disclosed by soil tests, well tests, engineering inspections, and hazardous waste and environmental reviews of the Option Parcel, all such tests, inspections and reviews to be obtained at Buyer’s sole cost and expense.

- (b) Buyer shall have determined, on or before the Closing Date, that Buyer is satisfied with the physical condition of the Premises.
- (c) The representations and warranties of Seller contained in this Agreement must be materially true upon Buyer's exercise of the option granted herein and on the Closing Date as if made on the Closing Date and Seller shall have delivered to Buyer within five (5) days of receipt of the Notice to Purchase, attached as Exhibit F and incorporated herein, and on the Closing Date a certificate dated the date of receipt of the Notice to Purchase and the Closing Date, signed by Seller, certifying that such representations and warranties are true as of the Closing Date or specifying any change in said representations or warranties.
- (d) Seller shall have performed all of the obligations required to be performed by Seller under this Agreement, as and when required by this Agreement. Included within the obligations of Seller under this Agreement shall be the following:
 - (i) Seller shall allow Buyer and Buyer's agents access to the Property without charge and at all reasonable times to appraise, review, inspect, investigate and test the Property. Seller shall also allow Buyer and Buyer's agents access to the Property without charge and at all reasonable times for purposes of exhibiting the Property to others. Buyer shall pay all costs and expenses of such investigation and testing and shall hold Seller and the Property harmless from all costs and liabilities caused by the Buyer's activities involving such investigation and testing. Buyer shall further repair and restore any damage to the Property caused by Buyer's testing and return the Property to substantially the same condition as existed prior to such entry.

If any of the contingencies set forth in Section 12 above have not been satisfied on or before the Closing Date, then, at Buyer's option, the Notice to Purchase the Option Parcel may be terminated by written notice delivered from Buyer to Seller at any time on or before the Closing Date or Buyer may waive in writing the contingencies as satisfied and proceed to closing. Upon any such termination neither party will have any further rights or obligations regarding this Agreement or the Property except for the obligations of indemnification set forth in Sections 13, 18, 19 and 26. All the contingencies set forth in this Section 12 are specifically stated and agreed to be for the sole and exclusive benefit of the Buyer and the Buyer shall have the right, at its sole option, to waive any contingency by written notice to Seller.

13. Seller's Representations and Warranties. Seller shall represent and warrant to Buyer for each Option Parcel that:
- (a) Seller owns the Option Parcel free and clear of all encumbrances, except for the

Permitted Exceptions.

- (b) In order to permit Buyer to lawfully use the Option Parcel consistent with the current use of the Option Parcel, including, without limitation, any construction or development activities currently on the Premises, all zoning, subdivision, plat, and access licenses, permits, certificates and approvals which are required from any applicable federal, state, local, or authority exercising executive, legislative, judicial, regulatory, administrative or taxing functions of or pertaining to government (each a “**Governmental Entity**”), have been obtained and all conditions required to give full force and effect to such permits, certificates and approvals have been satisfied. The current uses of, and Improvements currently existing or under construction on, the Premises are permitted under applicable zoning laws as conforming uses and structures.
- (c) Seller has received no notice of any current violation of any zoning, building, health and safety, fire safety and environmental codes and laws from any Governmental Entity.
- (d) Seller has received no notice of any current violation of any statutes, ordinances, regulations, judicial decrees or orders, or the pending of any lawsuits, administrative or arbitration hearings or governmental investigations or proceedings affecting the Property.
- (e) Seller is not a “foreign person,” “foreign partnership,” “foreign trust” or “foreign estate” as those terms are defined in Section 1445 of the Internal Revenue Code.
- (f) All labor or materials which have been furnished to the Option Parcel by Seller have been fully paid for or will be fully paid for prior to the Closing Date so that no lien for labor or materials rendered can be asserted against the Option Parcel.
- (g) There is a capped well on Option Parcel One. Seller shall provide a well disclosure certificate at the Closing for Option Parcel One.
- (h) There are no: (i) wells on Option Parcels Two and Three; (ii) individual sewage treatment systems on the Option Parcel; or (iii) above or below ground tanks currently located on or about the Option Parcel or previously located therein but which have been removed or filled.

Seller makes no warranties other than those set forth in this Agreement.

The representations and warranties in this Section shall not merge with the deed but shall survive and be enforceable after the Closing. Seller will indemnify Buyer, its successors and assigns, against, and will hold Buyer, its successors and assigns, harmless from, any

expenses or damages, including reasonable attorneys' fees, that Buyer incurs because of the breach of any of the above representations and warranties.

14. Closing. The closing for each Option Parcel ("**Closing**") shall be held at the offices of Title, no later than twenty (20) days following the date Buyer delivers to Seller written notice of Buyer's readiness to close (the "**Closing Date**"). Seller agrees to deliver possession of the Option Parcel to Buyer on the Closing Date.

(a) Seller's Closing Documents. On the Closing Date, Seller shall execute and deliver to Buyer the following (collectively, "Seller's Closing Documents"):

- (i) A Warranty Deed conveying the Option Parcel to Buyer, free and clear of all encumbrances, except the Permitted Exceptions;
- (ii) A Seller's Affidavit indicating that on the Closing Date there are no outstanding, unsatisfied judgments, tax liens or bankruptcies against or involving Seller or the Option Parcel; that there has been no skill, labor or material furnished to the Option Parcel for which payment has not been made or for which mechanics' liens could be filed; and that there are no other unrecorded interests in Option Parcel, together with whatever standard owner's affidavit and/or indemnity which may be required by Title to issue an Owner's Policy of Title Insurance with the standard exceptions waived.
- (iii) A non-foreign affidavit, properly executed and in recordable form, containing such information as is required by IRC Section 1445(b) (2) and its regulations.
- (iv) Any and all certificates, affidavits, real estate transfer returns or other documents required of the Seller under Minnesota law for transfer of the Option Parcel to Buyer.
- (vi) All other documents reasonably determined by Buyer and Seller or Title to be necessary to transfer the Option Parcel to Buyer, subject to the Permitted Exceptions.
- (vii) On the Closing date for Option Parcel One, the Easements identified in Section 9 herein.
- (viii) On the Closing date for Option Parcel One, a Well Disclosure Certificate.

(b) Buyer's Closing Documents. On the Closing Date, Buyer shall execute and/or deliver to Seller the following (collectively, "Buyer's Closing Documents"):

- (i) The cash payment toward the Purchase Price to be paid as required in Section 4 and 5 hereof.
 - (ii) All other documents reasonably determined by Buyer and Seller or Title to be necessary to record the applicable Seller's Closing Documents.
- 15. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of Seller and Buyer, and their respective successors and assigns; provided, however, that Seller and Buyer's rights and obligations hereunder may not be assigned without the written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed.
- 16. Remedies. Time is of the essence of this Agreement. If Buyer defaults in the performance of its obligations under this Agreement, and Buyer fails to cure such default within thirty (30) days after written notice from Seller specifying the default, Seller may, in addition to any other rights and remedies available to Seller at law or in equity, terminate this Agreement and retain the Option Agreement Payments, including Second and Third Option Interest Payments, as liquidated damages. If Seller defaults in the performance of its obligations under this Agreement, and Seller fails to cure such default within thirty (30) days after written notice from Buyer specifying the default, Buyer's may in addition to any other rights and remedies available to Buyer at law or in equity, (i) to terminate this Agreement and receive a refund of the Earnest Money and all Option Agreement Payments, or (ii) to pursue an action against Seller for specific performance of this Agreement, provided such action is commenced within six (6) months after Seller's default.
- 17. Notices. Any notice required or permitted hereunder shall be in writing and shall be either personally served or mailed by certified mail, postage prepaid, return receipt requested, or by overnight courier service such as Federal Express, addressed:

If to Seller, at: Kenneth and Penni Murphy
7021 Davidson Avenue SE
Delano, MN 55328

If to Buyer, at: City of Delano
234 Second Street North
P.O. Box 108
Delano, MN 55328
Attn: City Administrator
Phone: 763-972-0565
Fax: 763-972-6174

With copy to: Gregerson, Rosow, Johnson, & Nilan LTD
Attn: Richard F. Rosow
650 Third Avenue South
Suite 1600
Minneapolis, MN 55402
Phone: 612-338-0755
Fax: 612-349-6718

or, in any case, such other address as Seller or Buyer as any of the above-named persons may from time to time designate by written notice to the other persons listed above. Mailed notice shall be deemed to have been given one day following the date it is mailed as herein provided. Personally delivered notice shall be deemed given on the date the same is delivered.

18. Fees and Commissions. Buyer represents and warrants to Seller and Seller represents and warrants to Buyer that each will deal with no broker, agent, finder or other intermediary in connection with the sale contemplated by this Agreement. Seller agrees to indemnify, defend and hold Buyer harmless from and against the claims of any and all brokers and other intermediaries claiming a commission in connection with the sale contemplated by this Agreement. Buyer agrees to indemnify, defend and hold Seller harmless from and against any broker's claim arising from any breach by Buyer of Buyer's representation and warranty in this paragraph.
19. Mutual Indemnification. Seller and Buyer agree to indemnify each other against, and hold each other harmless from, all liabilities (including reasonable attorneys' fees in defending against claims) arising out of the ownership, operation or maintenance of the Property for their respective periods of ownership. Such rights to indemnification will not arise to the extent that (a) the party seeking indemnification actually receives insurance proceeds or other cash payments directly attributable to the liability in question (net of the cost of collection, including reasonable attorneys' fees), or (b) the claim for indemnification arises out of the wrongful act or neglect of the party seeking indemnification. If and to the extent that the indemnified party has insurance coverage, or the right to make a claim against any third party for any amount to be indemnified against as set forth above, the indemnified party will, upon full performance by the indemnifying party of its indemnification obligations, assign such rights to the indemnifying party or, if such rights are not assignable, the indemnified party will diligently pursue such rights by appropriate legal action or proceeding and assign the recovery and/or right of recovery to the indemnifying party to the extent of the indemnification payment made by such party.
20. Recording of Option. The parties hereto agree that this Option Agreement shall be recorded with the County Recorder or Registrar of Deeds, whichever is applicable, of Wright County, Minnesota. Upon the termination or expiration of the Buyer's option rights hereunder,

Buyer agrees to execute any documentation required by Seller to reflect the termination of all such rights.

21. Governing Law; Jurisdiction. This Agreement shall be governed by the laws of the State of Minnesota. Seller and Buyer hereby consent to the personal jurisdiction of the courts of the State of Minnesota and agree that such courts shall have exclusive jurisdiction over any dispute hereunder.
22. Entire Agreement. This Agreement embodies the entire agreement between Seller and Buyer in relationship to the transaction contemplated hereby, and there have been and are no covenants, agreements, representations, warranties or undertakings of any sort or kind between the parties hereto with respect thereto other than those specifically set forth herein and in the attached exhibits. This Agreement may be amended only by a written instrument executed by both Seller and Buyer.
23. Headings. The headings of the paragraphs of this Agreement are for convenience of reference only and do not form a part hereof and are not to be taken into account in any way in interpreting or construing the text of this Agreement or any part thereof.
24. Grammatical Adjustments. Words of any gender used in this Agreement shall be held and construed to include any other gender, and words of a singular number shall be held to include the plural and vice versa, unless the context requires otherwise.
25. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and together which shall constitute one and the same Agreement. This Agreement may be delivered by facsimile transmittal of signed original counterparts.
26. Patriot Act. Buyer and Seller represent and warrant that they are not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by the United States Treasury Department as a Specially Designated National and Blocked Person, or for or on behalf of any person, group, entity, or nation designated in Presidential Executive Order 13224 as a person who commits, threatens to commit, or supports terrorism; and that they are not engaged in this transaction directly or indirectly on behalf of, or facilitating this transaction directly or indirectly on behalf of, any such person, group, entity, or nation. Each party hereby agrees to defend, indemnify, and hold harmless the other party from and against any and all claims, damages, losses, risks, liabilities, and expenses (including reasonable attorneys' fees and costs) arising from or related to any breach of the foregoing representation and warranty.

Seller and Buyer have executed this Agreement as of the Effective Date.

SELLER:

**KENNETH H. MURPHY, TRUSTEE OF THE
KENNETH H. MURPHY REVOCABLE
LIVING TRUST.**

Dated: _____

By *Ken Murphy*
Kenneth H. Murphy

STATE OF MINNESOTA

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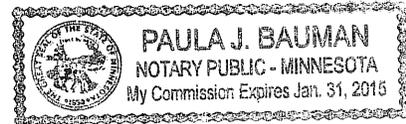
) ss.

COUNTY OF WRIGHT

)

This instrument was acknowledged before me this 3 day of JULY, 2012, by Kenneth H. Murphy, as trustee of the Kenneth H. Murphy Revocable Living Trust.

Paula J. Bauman
Notary Public



BUYER:

CITY OF DELANO

Dated: JULY 6, 2012

Dale J. Graunke
By DALE J. GRAUNKE
Its MAYOR

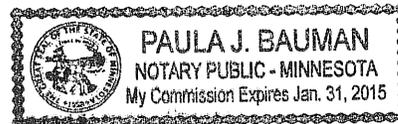
Dated: JULY 6, 2012

Marlene E. Kittock
By MARLENE E. KITTOCK
Its CITY CLERK

STATE OF MINNESOTA)
)
COUNTY OF WRIGHT) ss.

This instrument was acknowledged before me this 6 day of JULY, 2012, by DALE J. GRAUNKE and MARLENE E. KITTOCK, the Mayor and the City Clerk, respectively, of the City of Delano, a Minnesota municipal corporation, by and on behalf of the entity.

Paula J. Bauman
Notary Public



Drafted by:
Gregerson, Rosow, Johnson & Nilan, LTD
650 Third Avenue South, Suite 1600
Minneapolis, MN 55402

EXHIBIT A

Legal Description of Option Parcel One:

PHASE I:

The East Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota, except the West 297.00 feet of the South 375.00 feet thereof.

AND

That part of Northeast Quarter of the Northeast Quarter of Section 10, Township 118, Range 25, Wright County, Minnesota, that lies Northerly of the centerline of 72nd Street Southeast, except the West 297.00 feet of the north 644.72 feet thereof.

AND

PHASE 2:

The North 773.66 feet of the West Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota.

Legal Description of Option Parcel Two:

PHASE 3 – OPTION A:

The South 774.05 feet of the North 1547.71 feet of the West Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota.

Legal Description of Option Parcel Three:

PHASE 3 –OPTION B:

That part of the West Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota that lies South of the North 1547.71 feet of said West Half of the Southeast Quarter and North of the South 375.00 feet of said West Half of the Southeast Quarter.

EXHIBIT B

Legal Description of Parcel to be Retained by Seller:

The South 375.00 feet of the West Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota.

AND

The West 297.00 feet of the South 375.00 feet of the East Half of the Southeast Quarter of Section 3 Township 118, Range 25, Wright County Minnesota.

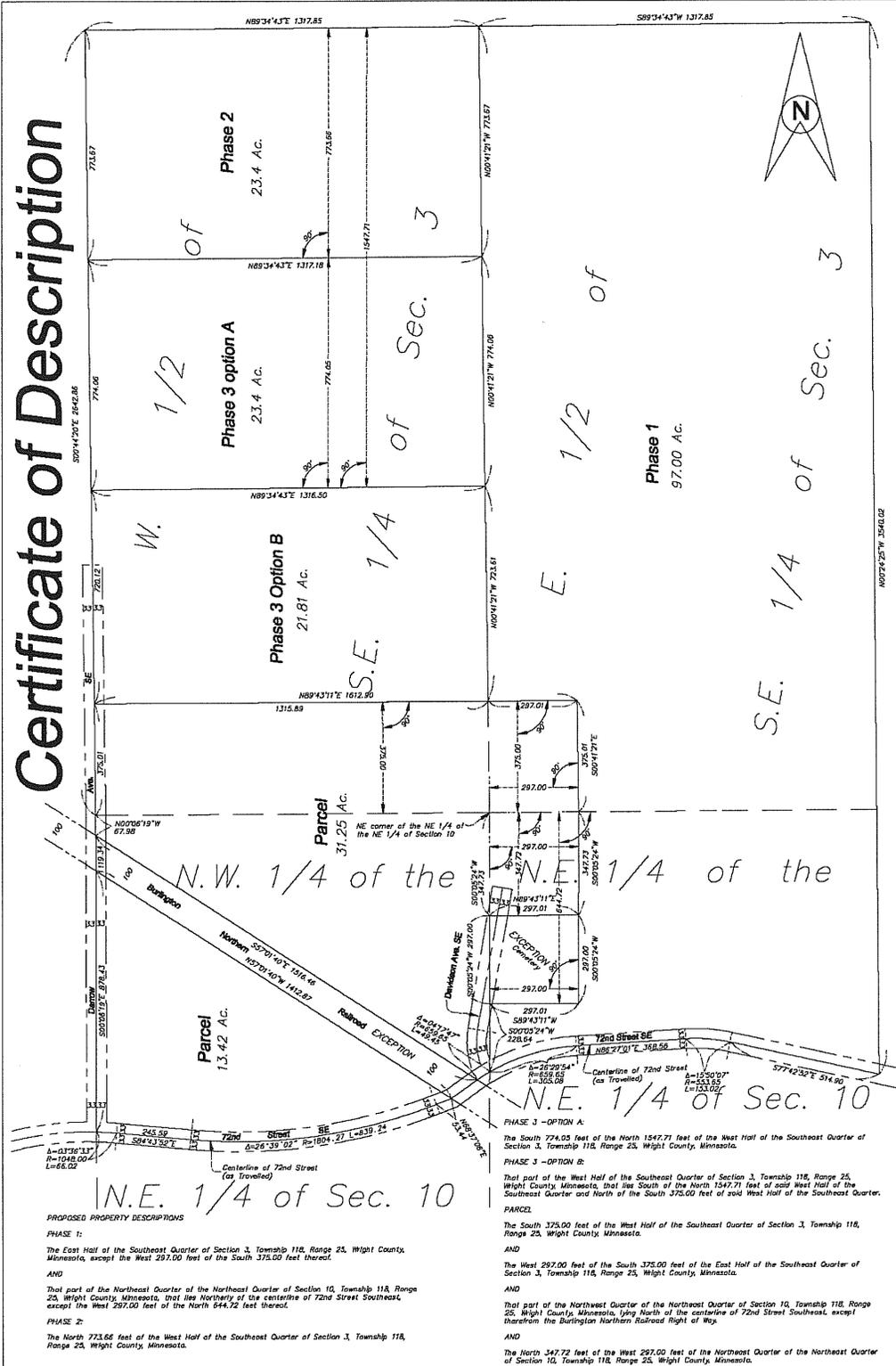
AND

That part of the Northwest Quarter of the Northeast Quarter of Section 10, Township 118, Range 25, Wright County, Minnesota, lying North of the centerline of 72nd Street Southeast, except therefrom the Burlington northern Railroad Right of Way.

AND

The North 347.72 feet of the West 297.00 feet of the Northeast Quarter of the Northeast Quarter of Section 10, Township 118, Range 25, Wright County, Minnesota.

EXHIBIT C



Certificate of Description

PROPOSED PROPERTY DESCRIPTIONS

PHASE 1:
The East Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota, except the West 297.00 feet of the South 375.00 feet thereof.

AND
That part of the Northeast Quarter of the Northeast Quarter of Section 10, Township 118, Range 25, Wright County, Minnesota, that lies Northerly of the centerline of 72nd Street Southeast, except the West 297.00 feet of the North 644.72 feet thereof.

PHASE 2:
The North 773.66 feet of the West Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota.

PHASE 3 - OPTION A:
The South 774.05 feet of the North 1547.71 feet of the West Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota.

PHASE 3 - OPTION B:
That part of the West Half of the Southeast Quarter of Section 3, Township 118, Range 25, Wright County, Minnesota, that lies South of the North 1547.71 feet of said West Half of the Southeast Quarter and North of the South 375.00 feet of said West Half of the Southeast Quarter.

PARCEL:
The South 347.72 feet of the West 297.00 feet of the Northeast Quarter of the Northeast Quarter of Section 10, Township 118, Range 25, Wright County, Minnesota.

Requested By: M.L.A. Patrol Remedy	Job No. 1-12-0116
Wenck Associates Drawn By: CSO Checked By: PEO Date: 4/16/12 Scale: 1"=200'	
denotes iron monument found denotes iron pipe set and marked as shown denotes soil boring denotes percolation test hole	Requested By: Checked By: Date: Scale:

EXHIBIT D

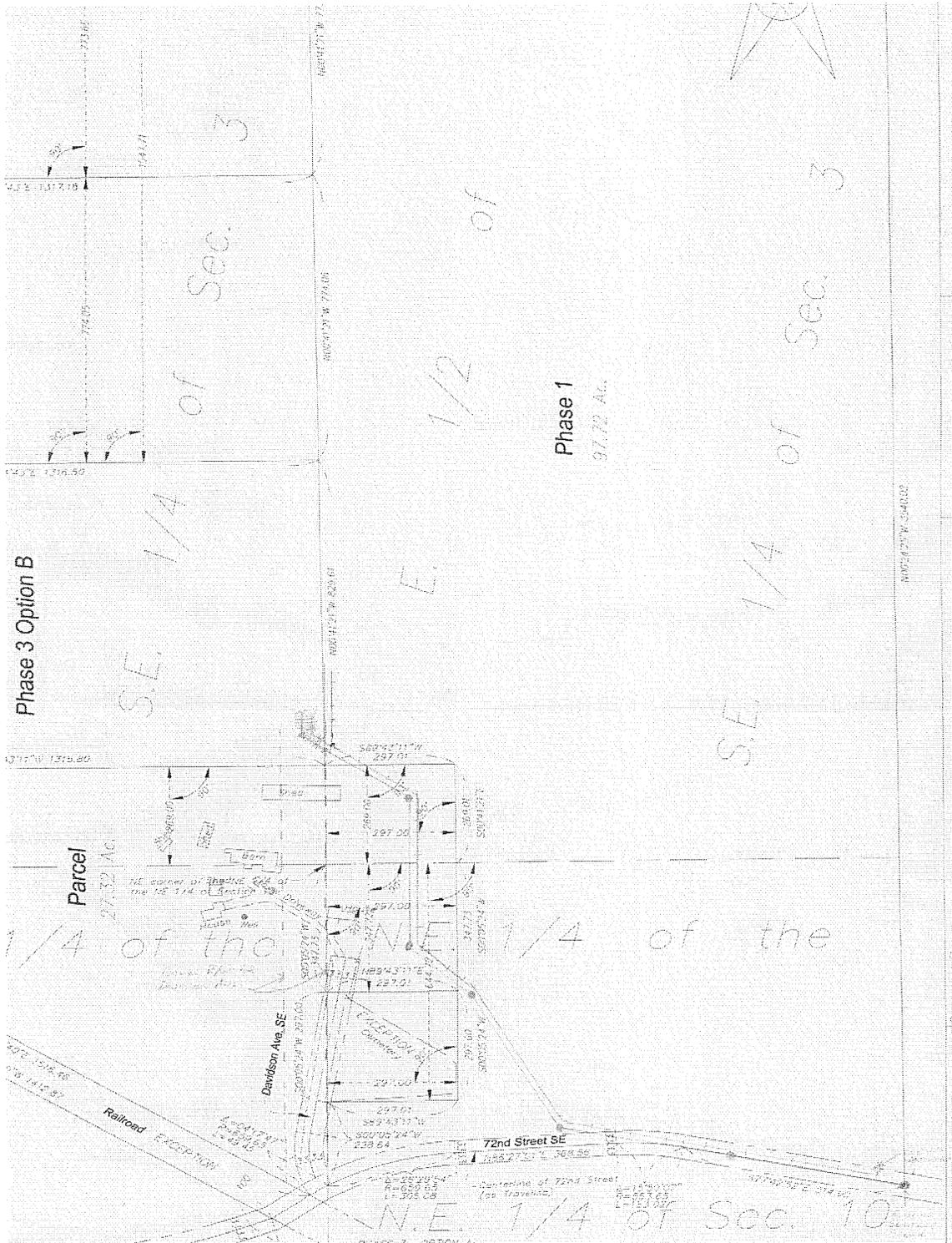


EXHIBIT E

EASEMENTS

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PERMANENT DRAINAGE AND UTILITY EASEMENT

THIS PERMANENT DRAINAGE AND UTILITY (the "Easement") is made this _____ day of _____, 20____, by and between the City of Delano, a Minnesota municipal corporation, herein referred to as the "City" and Kenneth H. Murphy, as trustee of the Kenneth H. Murphy Revocable Living Trust, hereinafter referred to as the "Grantor."

NOW, THEREFORE, Grantor, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, grants to the City, a permanent drainage and utility easement upon, across, and under the property in the County of Wright, in the State of Minnesota, legally described as follows:

The easement, right, and privilege herein granted shall be perpetual, appurtenant to the land, and shall inure to the benefit of the City's successors and assigns. Grantor represents that it is the owner of the above-described tract of land and bind itself, its heirs, assigns, and legal representatives to warrant and forever defend the easement and rights described herein to the City, its successors and assigns.

Grantor further covenants that Grantor, its heirs, successors and assigns shall facilitate and assist City personnel in exercising their rights and privileges herein described at all reasonable times. Grantor further covenants that Grantor, its heirs, successors and assigns shall not construct or locate on the easement area any structure, obstruction or improvement which will interfere with the City's use of the easement. The City shall have the right to remove from the easement property any structure, improvement, or obstruction and this agreement shall be a covenant running with the land for the benefit of the City.

IN WITNESS WHEREOF, the parties to this Agreement have caused these presents to be executed as of the day and year aforesaid.

GRANTORS:

**KENNETH H. MURPHY, AS TRUSTEE OF
THE KENNETH H. MURPHY REVOCABLE
LIVING TRUST**

Dated: _____

By _____
Kenneth H. Murphy

STATE OF MINNESOTA

)

) ss.

COUNTY OF WRIGHT

)

This instrument was acknowledged before me this ____ day of _____, 2012, by
Kenneth H. Murphy, as trustee of the Kenneth H. Murphy Revocable Living Trust.

Notary Public

CITY OF DELANO

Dated: _____

By _____
Its _____

Dated: _____

By _____
Its _____

STATE OF _____

)

) ss.

COUNTY OF _____

)

This instrument was acknowledged before me this ____ day of _____, 2012, by
_____ and _____, the Mayor and the City
Clerk, respectively, of the City of Delano, a Minnesota municipal corporation, by and on behalf
of the entity.

Notary Public

Drafted by:
Gregerson, Rosow, Johnson & Nilan, LTD
650 Third Avenue South, Suite 1600
Minneapolis, MN 55402

TEMPORARY EASEMENT AGREEMENT

THIS TEMPORARY EASEMENT, made this ____ day of _____, 20____, between the City of Delano, a Minnesota municipal corporation, herein referred to as the "City" and Kenneth H. Murphy, as trustee of the Kenneth H. Murphy Revocable Living Trust, hereinafter referred to as the "Grantor."

WITNESSETH:

Grantor, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby grant and convey unto the City, its successors and assigns, a temporary construction easement over, across and under the following described premises, situated within Wright County, Minnesota (the "Easement Area"):

The grant of the foregoing temporary easement for construction purposes includes the right of the City, its contractors, agents and servants to enter upon the premises at all reasonable times and in a manner designed to minimize disturbance to resident owners and occupants, to construct, reconstruct, inspect, repair and maintain utility and drainage systems over, under and across the said premises; and the further right stockpile supplies, stage construction and to remove trees, brush, undergrowth and other obstructions necessary thereto.

Said temporary easement shall terminate on _____.

IN WITNESS WHEREOF, parties hereto have signed this Temporary Easement Agreement effective as of the date first above written.

GRANTOR:

**KENNETH H. MURPHY, AS TRUSTEE OF
THE KENNETH H. MURPHY REVOCABLE
LIVING TRUST**

Dated: _____

By _____
Kenneth H. Murphy

STATE OF MINNESOTA)
) ss.
COUNTY OF WRIGHT)

This instrument was acknowledged before me this ____ day of _____, 2012, by
Kenneth H. Murphy, as trustee of the Kenneth H. Murphy Revocable Living Trust.

Notary Public

CITY OF DELANO

Dated: _____

By _____
Its _____

Dated: _____

By _____
Its _____

STATE OF _____)
) ss.
COUNTY OF _____)

This instrument was acknowledged before me this ____ day of _____, 2012, by
_____ and _____, the Mayor and the City
Clerk, respectively, of the City of Delano, a Minnesota municipal corporation, by and on behalf
of the entity.

Notary Public

Drafted by:
Gregerson, Rosow, Johnson & Nilan, LTD
650 Third Avenue South, Suite 1600
Minneapolis, MN 55402

EXHIBIT F

Notice to Purchase

DATE: _____

Attention: _____

Dear _____:

Pursuant to the provisions of that certain Option Agreement dated _____, 2012 (the "Option Agreement," a copy of which is attached hereto for your convenience) you are hereby notified that the City of Delano elects to purchase "Option Parcel _____" as defined in the Option Agreement, all in accordance with the terms and provisions thereof.

Very truly yours,

By: _____

Its: _____

