

## SECURITY AGREEMENT

This SECURITY AGREEMENT, is made this \_\_\_\_ day of \_\_\_\_\_, 2013 (the “Agreement”) by and between the Friends of the Saint Paul Public Library, a Minnesota nonprofit corporation (the “Debtor”) whose principal office is located at 325 Cedar Street, Suite 555, Saint Paul, Minnesota, 55101, and the City of St. Paul, a public body corporate and politic, whose address is 15 West Kellogg Boulevard, Saint Paul, Minnesota, 55102 (the “Secured Party”).

WHEREAS, the Secured Party owns and operates the Highland Park and Sunray Library (the “Libraries”); and

WHEREAS, the Secured Party has identified renovations to the Libraries budgeted at \$13,475,000 (the “Project”); and

WHEREAS, the Secured Party’s adopted 2012 and 2013 Capital Improvement Budgets include \$7,000,000 in Library bonds to help finance renovation projects at the Highland Park and Sun Ray libraries; and

WHEREAS, the Debtor is a Minnesota nonprofit corporation described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended, which is organized and operated for the purpose, among others, of benefiting the Saint Paul public library system, including the Libraries and has full corporate power and authority to make and deliver the Security Agreement; and

WHEREAS, the Debtor is currently conducting a capital campaign to fundraise for the library renovation to supplement the Secured Party’s bond funding; and

WHEREAS, the Debtor has pledged a total of \$6,475,000 from capital campaign fundraising to the project; and

WHEREAS, the Debtor has received over \$3,800,000 in cash contributions to date (“Current Contributions”); and

WHEREAS, the Debtor currently has \$1,254,618 in pledged contributions towards the Project; and

WHEREAS, contemporaneously with the execution of this Security Agreement, and at the request of the Debtor, the Secured Party, has loaned \$2,675,000 (the “Note”) to the project pursuant to a Record of Internal Loan, (the “Loan Agreement”) by and between the City’s Director, Office of Financial Services and Director, Saint Paul Public Library to enable the Secured Party to finance the 2014 Library renovations project with future donations; and

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants set forth below, the parties hereby agree as follows:

1. **Grant of Security Interest.** In order to secure the payment by the Debtor of the Note and the performance by the Debtor of its obligations hereunder and under the Loan Agreement

(all of which are referred to herein as the “Obligations”) the Debtor has agreed to grant to the Secured Party a security interest in the Collateral and all proceeds and products therefrom, described below (the “Collateral”) to secure payment of the principal and interest on all obligations under the Note, dated \_\_\_\_\_, 2013 of the Debtor payable to the order of Secured Party, in the principal amount of \$2,675,000. It is understood by the parties that all renewals and extensions of the Note, and all costs, expenses, advances and liabilities which may be made or incurred by Secured Party in the disbursement, administration and collection of the loan evidenced by the Note and the protection, maintenance and liquidation of the security interest hereby granted with interest at the maximum legal rate on such costs, expenses, advances and liabilities. The Note and all other obligations secured hereby are herein collectively called the “Liabilities”.

2. **Description of Collateral.** Collateral in which this security interest is granted shall consist of all of the following-described property and Debtor’s rights, title and interest in such property whether now owned or hereafter acquired by Debtor and wherever located, together with all proceeds and products therefrom.
  - a. All monies, instruments and savings, checking or other deposit accounts that are now or in the future in Debtor’s custody or control.

**3. Maintenance and Use of Unrestricted Net Assets.** During the term of this Security Agreement, Debtor shall maintain unrestricted net assets determined in accordance with generally accepted accounting principles as of each date listed and at least equal in amount to the amounts of the following schedule:

<u>Period</u>	<u>Amount</u>
1/1/2014	\$2,675,000
5/31/2014	\$2,705,094
12/31/2014	\$2,735,526
5/31/2015	\$2,188,066
12/31/2015	\$2,212,682
5/31/2016	\$1,659,340
12/31/2016	\$1,678,008
5/31/2017	\$1,118,651
12/31/2017	\$1,131,236
5/31/2018	\$565,728
12/31/2018	\$572,092

Between Dates the Debtor may not expend its unrestricted net assets, other than to replenish the unrestricted net assets to at least the amount required by the next Date.

3. **Filing; Further Assurances.** The Debtor will, at its expense, promptly execute, deliver, file and record in such manner and form as the Secured Party may require, or permit the Secured Party to file and record, any financing statements or other documents that Secured Party may request in order to perfect its security interest in the Collateral. Debtor agrees that it will promptly execute such additional financing statements or documents as Secured Party may

request for such purpose. The parties hereto agree that a carbon, photographic or other reproduction of this Security Agreement shall be sufficient as a financing statement and may be filed as such.

**4. Representations and Warranties.** Debtor hereby represents and warrants as follows:

4.1. It is the owner of the Collateral, free and clear from all liens, claims, security interests, conditions and encumbrances whatsoever.

4.2. It has the authority to enter into this Agreement, and all consents necessary to the entering by the Debtor into this Agreement and the performance by the Debtor of its obligations hereunder have been obtained.

4.3. The execution, delivery and performance by Debtor of this Agreement do not and will not constitute a violation or breach of any agreement, law, judgment, order or decree to which the Debtor or the collateral is subject or to which Debtor is a party, and do not and will not result in the acceleration of any obligation of the Debtor under any agreement to which it is a party or by which it is bound.

4.4. Debtor's true and complete name is set forth above, the location of its principal office is 325 Cedar Street, Suite 555, Saint Paul, Minnesota, 55101, and, other than doing business under the name Friends of the Saint Paul Public Library, it does not now, and has not since its existence, used any name or any other name, other than Friends of the Saint Paul Public Library.

**5. Covenants of the Debtor.** The Debtor hereby covenants and agrees that so long as the Obligations have not been paid or performed in full:

5.1. It will keep the Collateral free from any and all liens, claims, security interests, conditions and encumbrances of any kind whatsoever.

5.2. It will observe and comply in all material respects with all present and future laws, regulations and rules applicable to it in the operation of its business.

5.3. It will not sell, offer to sell, assign, transfer, encumber or otherwise dispose of the Collateral or any interest therein without the prior written consent of the Secured Party.

5.4. It will not change the location of its principal office without the prior written consent of the Secured Party or change its name without promptly notifying Secured Party.

5.5. It will pay when due, or reimburse the Secured Party on demand, for all costs and expenses, including reasonable attorneys' fees, incurred by Secured Party in connection with the collection, creation, perfection, satisfaction, protection, defense or enforcement of the Obligations and any rights or remedies created thereby.

**6. Events of Default.** For the purposes of this Agreement the term "Event of Default" shall have the same meaning as the term "Default" as defined in the Note.

**7. Remedies on Default.** Upon the occurrence of an Event of Default, the Secured Party may exercise any one or more of the following rights and remedies:

7.1. Declare all amounts outstanding under the Note to be immediately due and payable, without presentment, dishonor, notice of dishonor or any other notice or demand.

7.2. Exercise any of the rights or remedies specified in any Loan Documents.

7.3. Exercise and enforce any and all of the rights and remedies available after default to a secured party under the Uniform Commercial Code as adopted in Minnesota. For the purposes hereof, notice to the Debtor of any public or private sale or any other disposition of the Collateral or any other action shall be deemed commercially reasonable if given at least ten (10) calendar days prior to the date of such disposition or other action.

**8. Termination of Security Interest.** Upon full payment of the Note and full performance of the other Obligations, the security interest created hereby shall terminate and all rights in the Collateral shall revert to the Debtor. The Secured Party shall at the Secured Party's expense promptly file such terminations of financing statements as the Debtor may request.

**9. Miscellaneous.**

9.1. Merger. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any prior negotiations, understandings or writings between the parties with respect to the subject matter hereof, other than the Loan Documents.

9.2. Amendments. This Agreement may be amended only by a writing signed by all of the parties hereto.

9.3. Assignment. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto. The Debtor may not assign any of its rights or delegate any of its obligations hereunder without the prior written consent of the Secured Party, which consent shall not be unreasonably withheld. Without limiting the discretion otherwise afforded the Secured Party in granting or withholding its consent to such an assignment or delegation, the parties agree that such consent may be withheld in regard to any such assignment or delegation which Secured Party or the appropriate legislative authority of the City finds to be inconsistent with the purposes for which the loan secured by this agreement was made.

9.4. Governing law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Minnesota.

9.5. Remedies Cumulative; Waiver. No failure or delay by the secured Party to exercise any right, power, or privilege provided hereunder or by applicable law shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or future exercise thereof or the exercise of any other right, power or

privilege. The remedies provided herein shall be cumulative and not exclusive of any rights or remedies provided by law.

9.6. Notices. All notices and communications required hereunder shall be deemed effective if in writing, and delivered or mailed, first class postage prepaid:

If to Secured Party, to:

Office of Financial Services  
15 West Kellogg Blvd., Ste. 700  
St. Paul, MN 55102

If to Debtor, to:

Friends of the Saint Paul Public Library  
325 Cedar Street, Suite 555  
St. Paul, MN 55101  
Facsimile: (651) 222-1988

9.7. Severability. If any provision of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if the unlawful or unenforceable provision had never been contained herein.

9.8. Headings. The headings used herein are for the convenience of reference only and are not of substantive effect.

**IN WITNESS WHEREOF**, the parties have duly executed this Agreement on the date first above written.

**IN WITNESS WHEREOF**, Debtor consents to its property being collateralized as herein provided this \_\_\_\_\_ day of 2013.

**DEBTOR:**

Friends of the Saint Paul Public Library,  
a Minnesota non-profit corporation

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**SECURED PARTY:**

City of Saint Paul, Minnesota  
a municipal corporation

By: \_\_\_\_\_  
Its: Mayor

By: \_\_\_\_\_  
Its: Director, Office of Financial Services

Approved as to form:

By: \_\_\_\_\_  
Its: Assistant City Attorney

**PROMISSORY NOTE - INTERNAL LOAN TO LIBRARIES SECURED BY FRIENDS  
OF THE LIBRARY UNRESTRICTED ASSETS**

**Date:** December XX, 2013  
**Amount:** \$2,675,000.00  
**Project:** Highland Park and Sun Ray Library Renovation

**FOR VALUE RECEIVED**, the Friends of the Saint Paul Public Library, a Minnesota nonprofit corporation (the “Borrower”) promises to pay to the order of the **City of Saint Paul, Minnesota, Office of Financial Services**, a public body both corporate and politic (the “Lender”), the principal sum of **Two Million Six Hundred and Seventy Five Thousand and no/100 Dollars, (\$2,675,000.00)**.

1. The term of this loan shall be five (5) years.
2. The Loan represents pledged contributions for the Project described in the Security Agreement of even date herewith made by and between the Borrower and Lender (the “Security Agreement”), the terms and conditions of which are incorporated herein. Unless the context otherwise requires, any capitalized term used in this Note shall have the meaning set forth in the Security Agreement.
3. Payment of the principal shall be made in accordance with a payment schedule to be agreed upon by Borrower and Lender prior to the execution of the Internal Loan.
4. All payments must be made in lawful money of the United States. Checks must be made out to the **City of Saint Paul, Office of Financial Services** and sent to the following address:  
  
City of Saint Paul  
Office of Financial Services, Treasury Division – Friends of the Library Loan  
700 City Hall  
15 W. Kellogg Blvd.  
Saint Paul, MN 55102
5. If the payment of principal and/or interest is paid more than 15 days after the due date thereof, the undersigned agrees to pay a late payment charge of five percent (5%) of the payment due.
6. Payment of the entire or any portion of the outstanding principal balance plus accrued interest may be made prior to the maturity date hereof without any prepayment penalty.
7. In the event the undersigned shall fail to pay the principal amount of this Promissory Note (“Note”) when due, and if such failure be subsisting, or if any covenant of the Security Agreement executed and delivered of even date herewith by the Borrower in favor of

Lender (the "Security Document") is breached or if a default exists, the unpaid principal of the Note shall be immediately due and payable. Failure of Lender to exercise its remedies, legal or equitable, under this Note or the Security Document, shall not constitute a waiver of such defaults. Upon default under this Note or Security Document, Lender may accelerate the debt evidenced herein and enforce the Security Document.

8. If this Note is reduced to judgment, such judgment shall bear the lawful interest rate pertaining to judgments. The undersigned agrees to pay costs of collection including reasonable attorneys' fees and costs.
9. The remedies of the Lender, as provided herein, by law and in the Security Document, are not exclusive and shall be cumulative and concurrent and may be pursued singly, successively or together, at the sole discretion of the Lender, and may be exercised as often as occasion therefore shall occur, and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.
10. The Lender shall not be deemed, by any act or omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Lender and then only to the extent specifically set forth in writing. A waiver with reference to one event shall not be construed as a bar to or waiver of any right or remedy as to a subsequent event.
11. Demand, protest and notice of demand and protest are hereby waived.
12. This Note is made with reference to and shall be construed in accordance with the laws of the State of Minnesota.

**IN WITNESS WHEREOF**, the Borrower has executed and delivered this Note on the date first mentioned above.

**BORROWER:**

By: \_\_\_\_\_

Its: \_\_\_\_\_