

Draft 12-9-2015

DEVELOPMENT AGREEMENT

between

CITY OF DULUTH

and

CIRRUS DESIGN CORPORATION.

CIRRUS COMPLETION CENTER EXPANSION

Dated as of December ____, 2015

TABLE OF CONTENTS

	<u>Page</u>
Article I	Definitions 2
Article II	Assignment of Professional Services Agreement 7
Article III	Guarantees 7
Article IV	Preconditions to Project Construction 8
Article V	Project Plans 9
Article VI	Construction 11
Article VII	Project Financing 12
Article VIII	Disbursements 14
Article IX	Audits 17
Article X	Certificate of Completion 18
Article XI	Cirrus Equipment 18
Article XII	Easement Issues 19
Article XIII	Right of First Refusal 20
Article XIV	Cirrus's MIF Grant Obligations 20
Article XV	Business Subsidy Goals and Requirements 21
Article XVI	Construction or Alteration 27
Article XVII	Operating Covenants 29
Article XVIII	Provision Against Liens 31
Article XIX	Indemnification 32
Article XX	Insurance 35
Article XXI	Cirrus Defaults and Remedies Therefor 39
Article XXII	Representations, Covenants and Warranties 42
Article XXIII	Term 46
Article XXIV	Runs with the Land 46
Article XXV	Notices 46
Article XXVI	Recordation 47
Article XXVII	Disclaimer of Relationships 47
Article XXVIII	Applicable Law 48
Article XXIX	Judicial Interpretation 48
Article XXX	Title of Articles 48
Article XXXI	Severability 48
Article XXXII	Unavoidable Delays 49
Article XXXIII	Entire Agreement 49
Article XXXIV	Counterparts 49
Article XXXIV	Attorney's Fees 50

EXHIBIT A - Estimated Project Costs

EXHIBIT B - Cirrus Equipment

EXHIBIT C - Guaranty

EXHIBIT D - Loan Agreement

EXHIBIT E - Leasehold Mortgage

EXHIBIT F - Parity Agreement

EXHIBIT G - Assignment and Assumption Agreement – Architect

EXHIBIT H – [Intentionally Omitted]

EXHIBIT I - Assignment of Construction Contracts and Construction Plans
EXHIBIT J - Certificate of Completion
EXHIBIT K - Map of Airport Road & Vandenberg Drive
EXHIBIT L - Memorandum of Development Agreement

THIS AGREEMENT, entered on the _____ day of December, 2015, by and between the CITY OF DULUTH, a municipal corporation under the laws of the State of Minnesota, hereinafter referred to as "City", and CIRRUS DESIGN CORPORATION, a corporation created and existing under the laws of the State of Wisconsin, hereinafter referred to as "Cirrus."

WHEREAS, Cirrus is a major manufacturer of general aviation aircraft with its main manufacturing facilities and related offices located on the Duluth International Airport (the "Airport"); and

WHEREAS, Cirrus wishes to expand its manufacturing and assembly capacity at and near the Airport to add manufacturing and painting capacity for the Vision SF50 personal jet and to expand and reconfigure its research and development facilities into its existing building facilities; and

WHEREAS, the City owns certain land at the Airport located on the south side of Airport Road near Cirrus's other facilities which land is managed and controlled by the Duluth Airport Authority (the "DAA") pursuant to Laws of Minnesota, 1969, Chapter 577 as amended from time to time; and

WHEREAS, Cirrus has or will lease such land from the DAA pursuant to the terms of a Ground Lease between Cirrus and the DAA upon which Cirrus has proposed constructing the approximately 68,000 square foot Cirrus Completion Center Expansion Project which is expected to be used for painting and finishing operations for Cirrus's airplane product lines, including the new Vision SF50 personal jet; and

WHEREAS, Cirrus has requested that the State of Minnesota and City provide assistance in financing the Project, as defined herein, through a series of loans and grants as set forth herein; and

WHEREAS, the proposed financing includes (i) a loan pursuant to the Loan Agreement as hereinafter defined, in the maximum amount of \$8,150,000, most of the proceeds of which will be available to pay a portion of the Project Costs and will be funded through the City's issuance of its Taxable General Obligation Tax Abatement Bonds; (ii) a forgivable loan in the amount of \$4,000,000 available to pay certain Project Costs which will be funded through a Minnesota Investment Fund Grant; (iii) funds of

Cirrus; and (iv) if awarded, a Business Development Public Infrastructure Grant in an amount up to \$390,115; and

WHEREAS, the City has determined that the interests of the citizens of the City of Duluth and the well-being and quality of life in the City of Duluth would be enhanced by nurturing and encouraging the Project.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter contained, the parties covenant and agree for themselves and their successors and assigns as follows:

ARTICLE I

Definitions

For the purposes of this Agreement, the following terms shall have the meanings hereinafter ascribed to them unless a different meaning clearly appears from the context:

Agreement means this Development Agreement and its exhibits as may be amended, restated, supplemented or otherwise modified from time to time.

Airport means the Duluth International Airport.

Architect means the firm of Burns & McDonnell Engineering Company, Inc.

Assignment of Construction Contracts and Construction Plans means the collateral assignment of all contracts and agreements relating to the construction of the Project, including site preparation and all representations and warranties included thereby, substantially in the form of that attached hereto as Exhibit I.

BDPI Grant means that certain Innovative Business Development Public Infrastructure Grant or other available grant programs from the State of Minnesota acting through DEED for public infrastructure or other purposes needed for the Project which will be applied for by the City in such amounts as are available as determined by DEED.

Bonds means one or more series of Taxable General Obligation Tax Abatement Bonds in a maximum amount of \$8,150,000, said amount to include bond issuance costs and capitalized interest; the precise amount of which will be reduced by the amount, if any, of the BDPI Grant, by any cost savings as a result of Project Costs at amounts lower

than anticipated (as set forth attached Exhibit A) and by any savings in the bond financed costs (as set forth on line 60 of Exhibit A).

Building means the approximately 68,000 square foot Cirrus Completion Center Expansion Project to be constructed on the Land.

Capital Contribution means the amount of \$500,000 provided by Cirrus for Project construction and any such additional amounts to be provided by Cirrus pursuant to Paragraph C of Article VII.

Cirrus Equipment means that equipment to be located in the Building identified and described on Exhibit B attached hereto and made a part hereof, which shall have a cost, as installed, of not less than \$3,301,989.

Cirrus Equipment Progress Payment means Cirrus's progress payment on the Cirrus Equipment in the amount of \$1,147,000.

Closing Date means the date of issuance of the Bonds.

Consent means that whenever the consent or approval of the City is called for herein, it shall require that the consent or approval not be unreasonably withhold.

Construction Account means the account maintained by the City's Auditor into which the Proceeds and the Capital Contribution shall be deposited and from which Construction Costs shall be paid.

Construction Costs means, without intending thereby to limit or restrict any proper definition of such costs under any applicable laws or sound accounting practices, the following costs for construction of the Project:

- A. Obligations incurred for labor and to contractors, builders and materialmen in connection with the acquisition, construction and installation of the Project;
- B. Site improvement and off-site improvement costs required for the construction of the Project;
- C. Fees and expenses of the Construction Manager, the Architect and other professionals for surveys and estimates and other preliminary investigations, preparation of plans, drawings and specifications, assistance with bidding, and supervising construction, as well as for the performance of all other duties of the Construction Manager, the Architects

and other professionals in relation to the acquisition and betterment of the Project; and

- D. All construction costs incurred by the City related to the Project including but not limited to costs related to services provided pursuant to City agreements with the Construction Manager and the Architect prior to the time of City assignment and Cirrus assumption of these agreements, soil borings taken on the Land and Airport Road, hazardous material testing of a building currently located on the Land, and construction of a storm sewer in Airport Road.

Construction Manager means McGough Construction Co., Inc.

DAA means the Duluth Airport Authority.

DEED means the State of Minnesota Department of Employment and Economic Development.

Default means an event which, with notice or passage of time or both, would constitute a Special Event of Default in Paragraph J of Article XV of this Agreement or a General Event of Default in Paragraph A of Article XXI of this Agreement.

Director means the City's Director of Business and Economic Development or the person designated to act on behalf of him/her with regard to this Agreement.

FAA means the U.S. Federal Aviation Administration.

Ground Lease means a ground lease by and between Cirrus and the DAA for the Land for a term of at least 20 years.

Guaranties means the Guaranties from the Guarantors in the form of that attached hereto as Exhibit C.

Guarantor means any one of the Guarantors.

Guarantors means, collectively, all of Cirrus Industries, Inc.; Superior Aerospace Insurance Company; The-Jet Company; Dakota Aircraft; Aileron, LLC; Cirrus Aircraft Corporation; and a) Related or Affiliated Entities and b) entities to which the Ground Lease or Building have been transferred or sold as part of an organizational acquisition or merger pursuant to Article III of this Agreement.

Land means the real estate located at 4926 Airport Road and legally described as Lots 1 through 6, inclusive, Block 2, Airport Division, St. Louis County, Minnesota.

Living Wage Ordinance means Article XXVI of Chapter 2 of the Duluth City Code, 1959, as amended.

Loan Agreement means the loan agreement to be executed between the City and Cirrus, substantially in the form of that attached hereto as Exhibit D, as may be amended, restated, supplemented or otherwise modified from time to time.

Loan means the loan by the City to Cirrus of the Proceeds pursuant to the Loan Agreement.

Loan Documents means this Agreement, the Loan Agreement, the Mortgage, the Ground Lease, the Guaranties, the Assignment of Construction Contracts and Construction Plans, the Parity Agreement, and any other documents given to the City to evidence, effect, secure or modify the Loan Documents.

Loan Repayments means the payments from Cirrus to the City described in Section 3.2 of the Loan Agreement.

Major Modifications and Alterations means all modifications and alterations of any kind to the Building or the Land. The term Major Modifications and Alterations shall not include work for which a building permit is not required under the City's Uniform Building Code as adopted and modified by the City or the installation of the Cirrus Equipment.

MIF means Minnesota Investment Fund.

MIF Account means the account maintained by the City's Auditor into which the MIF Grant shall be deposited and from which the costs of purchases of materials and supplies directly related to the construction of the Building shall be paid or reimbursed.

MIF Grant means a grant in the amount of \$4,000,000, pursuant a grant contract to be executed between DEED and the City, as may be amended, restated, supplemented or otherwise modified from time to time, the proceeds of which will fund the MIF Loan.

MIF Guaranty means any guaranty required pursuant to the provisions of the MIF Loan.

MIF Loan means the forgivable loan from the City to Cirrus funded with the MIF Grant in the amount of \$4,000,000, such loan shall be evidenced by the MIF Loan Agreement.

MIF Loan Agreement means the loan agreement between the City and Cirrus regarding the MIF Loan.

MIF Mortgage means the leasehold mortgage agreement from Cirrus to the City which will secure the MIF Loan.

MIF Note means the promissory note to be made by Cirrus in favor of the City in the amount of \$4,000,000 given pursuant to the MIF Loan Agreement.

MMB shall mean the State of Minnesota Office of Management and Budget.

Mortgage means the Leasehold Mortgage Agreement from Cirrus to the City, substantially in the form of that attached hereto as Exhibit E which will secure the Loan.

Mortgaged Property means the Mortgaged Property as defined in Section 2.1 of the Mortgage.

Parity Agreement means the parity agreement by and between Cirrus and the City and acknowledged and consented to by DEED in the form of that attached hereto as Exhibit F regarding the priority of the Mortgage and the MIF Mortgage.

Proceeds means the proceeds of the Bonds.

Project means the Building, which is expected to be used for painting and finishing operations for Cirrus's airplane product lines, including Cirrus's new Vision SF50 personal jet, to be constructed on the Land and together with infrastructure and amenities including, but not limited to, site work, relocating sanitary sewer and power lines, asphalt paving of roads, curb and gutter, and the NEPA study. The term Project does not include the Cirrus Equipment.

Project Costs means Construction Costs, costs of Bond issuance including underwriter's discount, and capitalized interest.

Project Labor Agreement means a project labor agreement as described in Section 2-29 of the Duluth City Code, 1959, as amended.

Related or Affiliated Entity means any entity under the umbrella of Cirrus Industries, Inc. and between Caiga (US) Co., Ltd. and Cirrus Industries, Inc.

ARTICLE II

Assignment of Professional Services Agreement

Prior to execution of this Agreement, the parties contemplated that the City would construct the Project. Therefore, the City entered into an agreement, City Contract No. 22549 dated July 7, 2015, with the Architect for services including but not limited to the design of the Project (the "Prior Contract"). Simultaneously with the execution of this Agreement, the parties agree to enter into Assignment and Assumption Agreement substantially in the form attached hereto as Exhibit G, pursuant to which the City transfers, assigns and conveys to Cirrus, and Cirrus takes and assumes from the City, all of the City's interests, rights, title and obligations in the Prior Contract. The City shall make payments for services performed on the Prior Contract up to the date of the assignment and assumption of the Prior Contract and Cirrus shall make such payments thereafter. All amounts paid by the City under the Prior Contract shall be reimbursed to the City from the Construction Account.

ARTICLE III

Guaranties

As security for its obligations hereunder and simultaneously with the execution of this Agreement, Cirrus shall cause the Guaranties to be executed by the Guarantors and delivered to the City. In the event a Related or Affiliated Entity is created after execution of this Agreement, the Related or Affiliated Entity shall be added as a Guarantor. Upon its creation, Cirrus shall provide written notice to the City of the added Guarantor and shall cause the added Guarantor to execute a Guaranty; said Guaranty shall be delivered to the City within 10 days of its execution in a form or joinder consistent with the Guaranties provided at the time of execution of this Agreement. Additionally, in the event the Ground Lease or the Building are transferred or sold as part of an organizational acquisition or merger, the transferee or acquiring entity shall be added as a Guarantor. Upon such transfer or sale, Cirrus shall cause the added Guarantor to execute a Guaranty; said Guaranty shall be delivered to the City within 10 days of its execution. In

the event of dissolution of any Guarantor, Cirrus shall provide written notice of the same to the City 30 days prior to such dissolution.

At the time of execution and delivery of any such Guaranty, Cirrus shall deliver the following to the City, a) a corporate resolution of the Guarantor authorizing execution of the Guaranty, b) a good standing certificate of the Guarantor, c) a legal opinion addressed to City stating that the Guaranty is enforceable against the Guarantor and that the Guarantor is in compliance with its organizational documents, and d) all other documents related to the Guarantor reasonably determined by the Director to be necessary.

In the event of a transfer of all the assets of Cirrus, or acquisition or merger of all the equity ownership of Cirrus, the transferee or acquiring entity shall, with the consent of City, be substituted as the obligor herein and Cirrus and Guarantors shall be released from any obligations hereunder.

ARTICLE IV

Preconditions to Project Construction

Prior to the commencement of construction of the Building and as a precondition to the commencement thereof, Cirrus shall provide to the City the following items:

A. **Ground Lease.**

Proof reasonably satisfactory to the City that Cirrus has entered into the Ground Lease.

B. **Approvals and MIF Grant Award.**

The award of the MIF Grant Contract and the approval of the MIF Loan Agreement, the MIF Note, the MIF Mortgage and the Parity Agreement.

C. **Project Costs.**

Cirrus's certified estimate of the Project Costs.

D. **Construction Management Contract.**

A copy of the executed contract between Cirrus and the Construction Manager necessary to complete the construction of the Project in accordance with the plans, specifications and elevations, approved pursuant to this Agreement.

Such contract shall contain a guaranteed maximum price and shall provide that payments for the work thereunder are the sole obligation of Cirrus. Such contract shall provide City staff access to the Construction Manager's books and records regarding the Project as required by Article IX.

E. Construction Bonds.

Copies of executed payment bonds and executed performance bonds provided by the Construction Manager's contractors in connection with the construction of the Project which bonds shall be in the penal amount of not less than 100% of the price under each contraction contract written by bonding companies licensed to do business in the State of Minnesota and certified by the Construction Manager to be true and correct copies thereof which name the City and DEED as additional beneficiaries thereof. The Director may approve another form of completion assurance, including guaranties or other assurances in lieu of such construction bonds.

F. Financing.

Copies of loan commitments, as well as other financing commitments or capital commitments by Cirrus or a certification as to availability of funds acceptable to Director, which are utilized by Cirrus for the Capital Contribution and the Cirrus Equipment Progress Payment, the total of said commitments and certification to be in an amount not less than the Capital Contribution and the Cirrus Equipment Progress Payment.

G. Survey.

A survey of the Land prepared by a Registered Land Surveyor under the laws of the State of Minnesota.

ARTICLE V

Project Plans

A. Plans, Specifications and Elevations.

No less than 30 days prior to the commencement of construction of the Project by Cirrus, or such lesser time as approved by the Director, Cirrus shall

submit working drawings, specifications and elevations for the Project together with detailed site grading, utility and landscaping plans and elevations to the Director for approval. All such plans, specifications and elevations shall be in conformance with this Agreement, with the schematic design which shall consist of drawings and other documents illustrating scale and relationship of various Project components, and with all applicable laws, ordinances, rules, regulations and requirements of the City, the DAA, the State of Minnesota and the United States of America. The Director shall review such plans, specifications and elevations within 15 days of submission of same by Cirrus. The Director's approval shall be provided to Cirrus in writing. If the Director rejects such plans, specifications and elevations in whole or in part as not being in compliance with the foregoing requirements, and upon notification to Cirrus of said rejection together with a detailed explanation of the reason or reasons therefor, Cirrus shall submit new or corrected plans, specifications and elevations meeting said objections within 15 days of said notice. The provisions of this Paragraph relating to approval, rejection and resubmission of corrected plans hereinafter provided for with respect to the originally submitted plans, specifications and elevations shall continue to apply until said plans, specifications and elevations have been approved in writing by the Director. The Director's approval of Cirrus's plans, specifications and elevations shall not constitute a waiver of building code or zoning ordinance or other applicable codes or ordinances imposed in the future upon Cirrus by law.

B. Changes After Initial Approval.

Any material or substantial changes made to plans by Cirrus after initial review by the Director shall be submitted to the Director for approval in the same manner provided for in Paragraph A above.

ARTICLE VI

Construction

A. Construction.

Upon the fulfillment of the preconditions to construction provided for in Articles IV, V and VII and upon award of the construction of the Project and the deposit of any amounts required into the Construction Account, Cirrus shall commence construction of the Project in conformance with the plans approved pursuant to Article V as may be modified pursuant to Article V. Said construction work shall be completed not later than December 31, 2016. Notwithstanding the above, the construction period may be extended upon the prior written approval of the Director.

B. Cirrus to Bear All Costs.

Except for payments of Project Costs to be paid from funds derived under the Loan Agreement, the MIF Loan Agreement, and if awarded, under the BDPI Agreement, Cirrus specifically agrees to bear all costs related to the construction of the Project and any modifications thereto.

C. Prevailing Wage.

Cirrus shall cause the laborers, mechanics or apprentice-trainees directly employed in the construction of the Project to be paid the wage rates as provided in the federal Davis Bacon Act, as amended. Payroll for the construction trades must be submitted to the Director on a monthly basis.

D. Project Labor Agreement.

A project labor agreement will be required for the Project and will be negotiated between Cirrus and the building trades and contractor.

E. Progress Reports.

Until construction of the entire Project has been completed, Cirrus shall make reports in such detail and at such times as may reasonably be requested by the Director as to the actual progress of Cirrus with respect to the Project. Additionally, upon reasonable notice, Cirrus also agrees that it will permit the City access to the Land and the Building to ascertain the progress of the Project.

F. City Support.

The City shall make available for the Project upon Cirrus's request the City's Property and Facility Manager who will represent the interests and perspective of the City as appropriate throughout the entire design and construction of the Project, provide Project consultation and coordination as requested by Cirrus and the rest of the Project team, and facilitate the administration and management of the Project between the City and Cirrus.

ARTICLE VII

Project Financing

A. Sources.

Financing will be made available to Cirrus from the following sources: the Loan; the MIF Loan; the Capital Contribution; and the BDPI Grant, if awarded. Cirrus shall provide the Capital Contribution to the City on or before December 31, 2015, said amount to be deposited into the Construction Account. Upon said deposit, all amounts paid by the City for Project Costs shall be reimbursed to the City from the Construction Account.

B. Contingencies.

Upon the execution of the MIF Grant, the deposit of the Capital Contribution, and upon the award of contracts for the construction of the Project, the City agrees to issue the Bonds and deposit the Proceeds in the Construction Account in accordance with the Loan Agreement. In the event the MIF Grant is not available as of February 28, 2016, then this Agreement shall terminate, except that any terms of this Agreement which by their nature extend beyond termination of this Agreement shall survive and bind the parties and their successors and assigns including but not limited to the requirement that the City be reimbursed any and all Project costs incurred by the City. If the BDPI Grant is awarded, the amount of the Bonds shall be reduced by the amount of the BDPI Grant. Additionally, the amount of the Bonds shall be reduced to reflect cost savings as a result of Project Costs at amounts lower than anticipated (as set forth attached Exhibit A) and by

any savings in the bond financed costs (as set forth on line 60 of Exhibit A). The proceeds of the BDPI Grant shall be credited to a separate account and will be used solely for Project Costs eligible for reimbursement under the terms and conditions of the BDPI Grant.

C. Increased Costs

Cirrus agrees that any increase in the Project Costs at amounts higher than as shown on attached Exhibit A, any Cirrus desired add/alternatives to the Project and all cost overruns will increase Cirrus's Capital Contribution by the amount of said increase, said amount to be paid to the City for deposit into the Construction Account at the time any such increase in cost is determined. Unspent funds from the Construction Account will be utilized for either Building upgrades or the interest portion of loan repayment as determined in or at Cirrus's discretion. Any amount not so used will be applied as a reduction to the final loan repayment.

D. Closing Documents

On the Closing Date, the parties shall provide, enter into, execute or cause to be executed the following documents: the Loan Agreement, the Mortgage, the Project Labor Agreement, the MIF Loan Agreement, the MIF Note, the MIF Mortgage, the MIF Guaranty, the Assignment of Construction Contracts and Construction Plans, the Parity Agreement, and if awarded, any documents necessary to be executed related to the BDPI Grant. Additionally, on the Closing Date, Cirrus shall also deliver the following documents to the City:

1. Corporate Resolutions authorizing the Loan Documents and the MIF Loan;
2. A certificate of Cirrus's good standing
3. An opinion of legal counsel addressed to the City stating that the Loan Documents and the MIF Loan are enforceable against Cirrus and that Cirrus in compliance with its organizational documents and other agreements
4. UCC Financing Statements
5. Insurance Certificates
6. Update estimated Project Costs substantially in the form of Exhibit A

7. All other documents reasonably determined by the Director to be necessary to proceed with the Project on the terms stated herein.

ARTICLE VIII

Disbursements

A. The Proceeds.

On the Closing Date, a portion of the Proceeds shall be used to pay for the cost of Bond issuance, including underwriter's discount, and capitalized interest, and the rounding amount will be credited to the debt service account for the Bonds. The remaining portion of the Proceeds shall be placed in the Construction Account and shall be used to reimburse the City for any previously unreimbursed Project Costs it has incurred and to pay Cirrus for its costs in constructing the Project. The Cirrus Contribution shall be deemed to be the first money disbursed from the Construction Account.

B. The MIF Account.

The proceeds of the MIF Grant shall be placed in the MIF Account. The MIF Loan can be used solely for the purchases of materials and supplies which are directly related to the Building, including the foundation. Funds in the MIF Account will be released on a cost-sharing ratio of 50% MIF Loan funds to 50% other funds which shall be comprised of funds from the Construction Account for Construction Costs and the cost of the Cirrus Equipment Progress Payment.

C. No Disbursement in the Event of Default.

No funds shall be disbursed from the Construction Account, the MIF Account or the BDPI Account if the City has issued to Cirrus a written notice that a General or Special Event of Default under this Agreement or the Loan Documents has occurred and has not been cured.

D. Draw Requests.

The Director shall disburse the funds upon receipt of draw requests from Cirrus which are approved by the City, setting forth the following:

1. The amount to be disbursed.

2. The address to which such monies are to be forwarded.
3. A description of the purpose of the payment.
4. A statement as to whether the draw request is a request for final disbursement.

Draw requests for the purchase of materials and supplies directly related to the construction of the Building shall be separated out from all other draw requests for the Project. Draw requests for reimbursement shall be made no more frequently than monthly and shall be accompanied by such documentation the City shall request as set forth below. No reimbursements shall be made by the City to Cirrus after December 31, 2016, unless an extension is approved by the Director on request of Cirrus for such approval.

E. Attachments to Draw Requests.

The draw requests shall contain the following as attachments in form and substance satisfactory to the Director:

1. Bills, receipts, invoices or other documents acceptable to the City evidencing the amount and purposes for which the disbursement is requested;
2. Mechanics and material lien waivers (which may be provided on the next subsequent draw); and
3. Certification of the Construction Manager to the effect that the amounts requested to be disbursed were properly incurred for work actually completed and materials actually delivered to the Land and incorporated into the Project.

Cirrus agrees to submit to the City such additional materials and information as the Director may reasonably request to evidence the proper expenditure of the monies for the Project.

F. Initial Disbursement.

Except for initial disbursement amounts reimbursed to the City from the Construction Account following Cirrus's Capital Contribution on December 31, 2015, prior to the initial disbursement, Cirrus shall furnish or cause to be furnished to the Director:

1. A sworn construction statement in form reasonably satisfactory to the Director, executed by Cirrus and the Construction Manager, disclosing the sources and uses of funds to pay the total cost for the Project, and setting forth the names and addresses of all contractors/subcontractors, including material suppliers, with whom Cirrus or the Construction Manager has contracts prior to the date of such sworn construction statement; a description of the work and materials to be furnished by such contractors/subcontractors and suppliers; the amounts of any construction contracts, and amounts, if any, paid to date thereon; and, if any, the balances due thereon.
2. All building and/or development permits required to complete the Project according to the plans approved pursuant to Article V of this Agreement.
3. A draw request from Cirrus meeting the requirements of Paragraphs D and E of this Article.
4. Statements, partial or final lien waivers, affidavits, supporting waivers and releases of liens, in form and content satisfactory to the City.

G. Additional Disbursements.

Prior to each additional disbursement, Cirrus shall cause to be delivered to the Director a draw request complying with Paragraphs D and E of this Article and:

1. An updated sworn construction statement of Cirrus and the Construction Manager containing the information called for in subparagraph 1 of Paragraph F of this Article revised as of the date of the draw request and setting forth:
 - (a) The names and addresses of all additional contractors/subcontractors and material suppliers with whom contracts have been made and the additional information with respect to such contractors, subcontractors and material suppliers called for in subparagraph (a) of Paragraph F of this Article;

- (b) All change orders;
- (c) The amount due on all construction contracts.

2. Statements, partial or final lien waivers, affidavits, supporting waivers and releases of liens, in form and content satisfactory to the Director.

H. Project Budget.

Cirrus shall at all times keep the Project budget in balance. The Project budget is out of balance whenever the remaining, undisbursed amounts of the Construction Account, the MIF Grant and any account for a grant for the Project is not sufficient to pay all remaining Project Costs, including without limitation, those reflected in any change orders. To the extent that Cirrus is required to make cash contributions to keep the Project budget in balance, the cash contribution will be disbursed before any Proceeds of the Loan will be disbursed.

ARTICLE IX

Audits

The City and its representatives shall have the right at all reasonable times after reasonable notice to inspect, examine and copy all books and records of Cirrus relating to the Project. Additionally, Cirrus shall cause the Construction Manager and the Architect to allow the City and its representatives at all reasonable times after reasonable notice to inspect, examine and copy all books and records of the Construction Manager and the Architect relating to the Project for a period of six years after the recordation of the Certificate of Completion. Such records of Cirrus, the Construction Manager and the Architect shall be kept and maintained by Cirrus for a period of six years following the recordation of the Certificate of Completion as provided for in Article X.

ARTICLE X

Certificate of Completion

Upon completion by Cirrus of the construction of the Project in accordance with this Agreement, the payment of the Cirrus Equipment Progress Payment, and the installation of the Cirrus Equipment as set forth in Article XI, the City, through its Director, shall within 30 days of written request from Cirrus, furnish to Cirrus an appropriate certificate certifying completion of construction of the Project, payment of the Cirrus Equipment Progress Payment, and installation of the Cirrus Equipment (Certificate of Completion) substantially in the form of that attached hereto as Exhibit J. A Certificate of Completion shall not be issued until all elements of the Project have been completed, the Cirrus Equipment Progress Payment has been made, and the Cirrus Equipment has been installed. The Certificate of Completion shall constitute a conclusive determination of satisfaction of the construction and equipping obligations of Cirrus undertaken pursuant to this Agreement. Immediately upon issuance of the Certificate of Completion, Cirrus agrees to record the Certificate of Completion in the office of the St. Louis County Recorder and/or Registrar of Titles and to pay all costs associated therewith. Upon recordation, Cirrus shall immediately submit to the City an executed original of the Certificate of Completion showing the date and document numbers of record, or a certified copy of the filed original. In the event the Director refuses or denies to provide a Certificate of Completion, the Director will, within said 30-day period, provide Cirrus a written statement indicating the reasons for such refusal or denial and what measures or actions are required in order to obtain a Certificate of Completion.

ARTICLE XI

Cirrus Equipment

Cirrus shall have paid for the Cirrus Equipment Progress Payment at its sole cost and at no cost to the City not later than June 15, 2016, and shall have caused the Cirrus Equipment to have been installed in the Building within 90 days of issuance by the City's Building Official of a Certificate of Occupancy for the Building. On or before June 15,

2016, Cirrus shall provide the City with evidence of payment of the Cirrus Equipment Progress Payment including invoices, paid receipts, cancelled checks, and such other evidence as the City may request. Within 15 days of installation of the Cirrus Equipment, Cirrus shall provide the City with evidence of installation of the Cirrus Equipment including photographs and such other evidence as the City may request.

ARTICLE XII

Easement Issues

A. Use of Road.

The City hereby grants to Cirrus the right to use that portion of the Airport Road and Vandenberg Drive identified on Exhibit K for the purpose of transporting Cirrus's aircraft to and from Cirrus's manufacturing and assembly facilities on the north side of Airport Road to and from the Land and to close Airport Road to vehicular and pedestrian traffic at the location identified in Exhibit K for a period of up to 15 minutes at any one time to facilitate the safe movement of such aircraft. Cirrus shall be solely responsible for providing all equipment and personnel to ensure that such movements are accomplished safely and in a manner which shall protect the general public, including vehicular and pedestrian traffic using Airport Road in the vicinity of the area designated in Exhibit K. Any required traffic control devices and signing shall conform to the current Minnesota Manual of Uniform Traffic Control Devices ("MUTCD"), including the Field Manual, available at <http://www.dot.state.mn.us/trafficeng/publ/fieldmanual/fieldmanual.pdf>.

B. Grant of Easements.

In the event that the City determines that it has a need for an easement, Cirrus hereby agrees to grant to the City, at no cost to the City, such road and utility easements over the Land as the City shall request, provided that such easements or the work thereon do not materially interfere with Cirrus's use of the Land. Upon request of the Director, Cirrus agrees to properly execute all easement documents evidencing such grants of easement.

ARTICLE XIII

Right of First Refusal

If, during the term of this Agreement, Cirrus determines to sell or attempt to sell all or part of the Building and to assign its lease rights (pursuant to the Lease) to a third party, then Cirrus shall provide the City with a written notice as provided for in Article XXIV disclosing the price and terms at which it proposes to offer the Building for sale at least 30 days before the date of any such offering. Within said 30-day period, the City shall have the right to notify Cirrus that it is exercising its Right of First Refusal and will purchase the Building pursuant to a commercially reasonable purchase agreement consistent with community practices that reflect the price and terms under which Cirrus has proposed to sell the Building and transfer the Lease. During said 30-day period, the City shall be entitled to enter the Building for purposes of inspection. Closing of the sale of the Building to the City shall be made within 60 days after the City exercised its Right of First Refusal.

If, subsequent to the initial notice and a declination by the City to purchase the Building, Cirrus shall modify the price or terms on which it offers by more than five percent. It shall so notify the City and the City's Right of First Refusal and the timing herein shall repeat itself.

ARTICLE XIV

Cirrus's MIF Grant Obligations

A. **Generally.**

It is acknowledged by Cirrus that the City is anticipated to secure the MIF Grant for the benefit of the Project and that as a condition to receiving the MIF Grant, the City has agreed to certain obligations pertaining to the Project and its construction and operation as are set forth in the MIF Grant. As a condition of this Agreement, Cirrus agrees that it shall be bound both to the City and to DEED to perform all of the obligations of the City under the MIF Grant that is it possible for Cirrus to perform and, to the extent it is not possible for Cirrus to itself perform

or have performed on its behalf by a third-party service provider any obligation of the City under the MIF Grant, Cirrus agrees to provide all possible assistance, documentation and cooperation to assist the City in performing such obligations. Such obligations specifically include but shall not be limited to the City's obligations pertaining to reporting of employment levels and wage levels, with non-mandated fringe benefits, all as required in Article XV below. Cirrus also agrees to enter into the MIF Loan Agreement, the MIF Note, the MIF Mortgage and the Parity Agreement and to provide the MIF Guaranties in the forms approved by DEED and to perform all obligations thereunder.

B. Default of Grant Obligations by Cirrus.

In the event of any failure of Cirrus to perform any of its obligations under this Agreement which results in DEED or MMB notifying the City that the City is in default of its obligations under the MIF Grant, which default has not been cured by Cirrus and which results in a demand by DEED or MMB that the City repay all or any portion of the amount of the MIF Grant to DEED or MMB, the City may notify Cirrus of such determination and Cirrus shall, within the time period required under the MIF Loan Agreement, pay to the City the entire amount demanded by DEED or MMB or both. The City shall give Cirrus notice within 10 business days of any such notice of default to it from DEED or MMB. In the event that it is subsequently determined that all or any portion of such demand is not owed to DEED or MMB and any of said amount is not used to so pay DEED or MMB or is refunded by them to the City, the City shall promptly thereafter refund such amount to Cirrus.

ARTICLE XV

Business Subsidy Goals and Requirements

A. Business Subsidy.

The business subsidy being provided by the City to Cirrus through the Loan consists of a loan at rates below those commercially available to Cirrus for construction of the Project (the "Business Subsidy"). A separate business

subsidy is being provided through the MIF Loan. Assuming the following: a commercially available interest rate to Cirrus of 5%, the true interest cost on the Bonds of 3.8%, a discount rate of 5% and an issue size for the Bonds of \$8,150,000, then the business subsidy would be approximately \$719,428 or approximately \$143,885.60 per year of the five-year New Job creation and maintenance requirements (the “Annual Business Subsidy”). The actual Annual Business Subsidy will be calculated by the City’s municipal advisor after issuance of the Bonds, based upon the par amount of the Bonds, the true interest cost of the Bonds, the 5% commercial interest rate and a 5% discount rate. Such calculation shall be set forth in a City Certificate with such calculation attached to be delivered to Cirrus.

B. Public Purpose.

The City finds that the public purpose of financial assistance to be provided pursuant to this Agreement is the construction of a facility which will: 1) increase the number and diversity of jobs that offer stable employment and high quality wages and benefits; 2) contribute to the economic diversity of the City by growing the City’s current aviation industry; 3) enhance and diversify the City of Duluth’s tax base; 4) stimulate the development of underutilized land; and 5) achieve development on sites which would not be developed without business subsidy assistance.

C. Definitions.

For the purposes of determining whether the Business Subsidy Goal set forth in Paragraph D of this Article has been met, the following terms shall have the meanings hereinafter ascribed to them.

1. Hourly Wage shall mean the hourly gross pay, before deductions, paid to any employee occupying any new FTE job during any Reporting Period, not including the value of fringe benefits, paid with regard to said new job during said Reporting Period.
2. Benefit Date shall mean the date that the City’s Building Official issues a Certificate of Occupancy for the Building.

3. First Compliance Date shall mean the date which is 12 months after the Benefit Date.
4. Second Compliance Date shall mean the date which is 24 months after the Benefit Date.
5. Duluth Area Facilities shall mean Cirrus's facilities located at the Airport and at 4950 Miller Trunk Highway, Hermantown, Minnesota 55811.
6. Full-time Equivalent or FTE shall mean employment positions within the State of Minnesota providing 2,080 hours of employment per year unless, prior to job creation, Cirrus provides documentation showing industry standards vary from 2,080 hours per year.
7. Interest shall mean the interest rate set at the implicit price deflator defined under Minnesota Statutes §275.70, subdivision 2.
8. Reporting Period shall mean that calendar year, from January 1st of any year through December 31st of that calendar year for the period prior to the year in which a report referred to in Paragraph F of this Article is required.
9. New Jobs shall mean the number of net new FTEs created at the Duluth Area Facilities having the wage rates set forth in Paragraph D of this Article and having full benefits and a benefit package (non-mandated benefits) worth a minimum of \$3.50 per hour; such New Jobs are in addition to the 675 FTEs at the Duluth Area Facilities as of June 13, 2015.

D. Business Subsidy Goal.

Cirrus agrees by the end of the First Compliance Date it shall have created 75 New Jobs, 60 of which must pay a minimum of \$12.37 per hour and 15 of which must pay a minimum of \$14.00 per hour. Cirrus further agrees that by the end of the Second Compliance Date it shall have created 150 New Jobs, at least 120 of which must pay a minimum of \$12.37 per hour and 30 of which must pay a minimum of \$14.00 per hour. The 150 New Jobs must be maintained for a period of three additional years after the Second Compliance Date (the "Business Subsidy Goal").

E. Need for the Business Subsidy.

The business subsidy is needed to secure the location of the Cirrus Completion Center Expansion and the location of the manufacturing and assembly of the Vision SF50 personal jet in the Duluth Area Facilities, and to maintain 675 FTE's and create 150 New Jobs at the Duluth Area Facilities.

F. Annual DEED Reporting Requirement.

On or before March 1 of each year following the commencement of this Agreement, Cirrus shall file with the City reports on the forms developed by DEED and used for reporting to DEED, setting forth Cirrus's progress in meeting the Business Subsidy Goal. Said report shall include the information required in Minnesota Statutes §116J.994 subdivision 7 and shall be accompanied by such documentation as the Director shall request. All such reports shall contain the following legend immediately above the signature block for each report:

“All data and information furnished on this report, attached to this report or furnished with or in conjunction with this report or the requirement to file it is true and correct to the best of my ability to discern the same after diligent inquiry on my part and my signature hereon shall be deemed to bind Cirrus Design Corporation to the veracity of the information so furnished.”

All such reports shall be signed on behalf of Cirrus by an officer of Cirrus with authority to bind Cirrus.

G. City Reporting Requirement.

Cirrus shall file with the City reports documenting Cirrus's progress in meeting the Business Subsidy Goal within 30 days of each of the following dates: the First Compliance Date, the Second Compliance Date, and the end of each of 36, 48 and 60 months from the Benefit Date. Said report shall include the information required in Minnesota Statutes §116J.994 subdivision 7 and shall be accompanied by such documentation as the Director shall request. All such reports shall contain the following legend immediately above the signature block for each report:

“All data and information furnished on this report, attached to this report or furnished with or in conjunction with this report or the requirement to file it is true and correct to the best of my ability to discern the same after diligent inquiry on my part and my signature hereon shall be deemed to bind Cirrus Design Corporation to the veracity of the information so furnished.”

All such reports shall be signed on behalf of Cirrus by an officer of Cirrus with authority to bind Cirrus.

H. Penalty.

If the City does not receive the reports described in Paragraphs F and G of this Article, it will mail Cirrus a warning within one week of the required filing date. If Cirrus fails to provide the reports within 14 days of the postmarked date of the warning, Cirrus shall pay the City a penalty of \$100 for each subsequent day until the report is filed, up to a maximum of \$1,000.

I. Additional Enforcement.

In the event that Cirrus shall fail for any reason whatsoever to meet the reporting requirement of Paragraphs F and G of this Article fully and completely and in a timely manner as required in said Paragraphs F and G, said failure shall be deemed to be a material breach of the terms and conditions of this Agreement and, in addition to the rights and remedies available to the City pursuant to Paragraph B of Article XXI the City shall be entitled to withhold any payment which may be due from the City to Cirrus under this Agreement and to withhold the performance of any obligation owed by the City to Cirrus under this Agreement until Cirrus's reporting obligations pursuant to Paragraphs F and G of this Article have been fully complied with. Furthermore, the City shall be entitled to reimbursement for any reasonable costs whatsoever, direct or indirect, including the value of staff time and attorneys' fees and costs, incurred by the City to secure Cirrus's compliance with the said Reporting Requirements.

J. Special Event of Default if Business Subsidy Goals Not Met.

In the event Cirrus fails to create 75 New Jobs by the end of the First Compliance Date, Cirrus shall pay to the City a portion of the Annual Business

Subsidy. The payment amount shall be determined by multiplying the Annual Business Subsidy by a fraction, the numerator of which is 75 minus the number of New Jobs created and the denominator of which is 75.

In the event Cirrus fails to create 150 New Jobs by the end of the Second Compliance Date, Cirrus shall pay to the City a portion of the Annual Business Subsidy. The payment amount shall be determined by multiplying the Annual Business subsidy by a fraction, the numerator of which is 150 minus the number of New Jobs created and the denominator of which is 150.

In the event Cirrus fails to maintain 150 New Jobs by the end of each of 36, 48 and 60 months from the Benefit Date, Cirrus shall pay to the City a portion of the Annual Business Subsidy. The payment amount for each year shall be determined by multiplying the Annual Business Subsidy by a fraction, the numerator of which is 150 minus the number of New Jobs created and maintained as of those respective dates and the denominator of which is 150.

Additionally, Interest shall apply to any compliance payment amount which Interest shall begin to accrue from the beginning of the year to which the particular Business Subsidy Goal applies.

The remedy in this paragraph shall be the City's sole remedy in the event of a Special Event of Default under this paragraph J.

K. Parent Corporation.

Cirrus Industries, Inc., a Delaware corporation, 4515 Taylor Circle, Duluth, Minnesota 55811.

L. Financial Assistance from other Grantors.

It is anticipated that Cirrus will receive financial assistance from DEED through the City in the form of a \$4 million MIF Forgivable Loan to be used for materials and supplies. Additionally, the City is applying for a BDPI Grant from DEED in the amount of \$390,115, which, if awarded, will be used for or applied towards allowable site and soil preparation work, street and curbing and other public infrastructure related to the Project.

M. Continued Operations Commitment.

For at least the term of this Agreement, Cirrus shall: 1) lease the Land, 2) locate and maintain its Vision SF50 personal jet production and corporate research and development facilities at the Duluth Area Facilities, 3) maintain its current North and South American and European production of its existing product line, as modified from time to time, in Duluth, and 4) shall not assign, convey, transfer, sell or sublease the Building or the Land, except as specifically allowed herein.

ARTICLE XVI

Construction or Alteration

Cirrus shall not make, construct or cause to be made or constructed any Major Modification or Alteration to the Building or to the Land without the prior written consent of the Director. The process for requesting and receiving such consent is that set forth in this Article.

A. Plans, Specifications and Elevations.

1. Initial Plans.

No less than 30 days prior to the commencement of construction of any such proposed Major Modification or Alteration, Cirrus shall submit working drawings, specifications and elevations for modification or alteration together with detailed site, grading, utility and landscaping plans and elevations, as the Director reasonably deems necessary, to the Director for approval. All such plans, specifications and elevations shall be in conformity with this Agreement, and with all applicable laws, ordinances, rules, regulations and requirements of the City, State of Minnesota and United States of America. The Director shall accept or reject said plans within 30 days of receipt thereof. If the Director rejects such plans, specifications and elevation in whole or in part as not being in compliance with the foregoing requirements, and upon notification to Cirrus of said rejection together with the reason or reasons therefor, Cirrus shall submit

new or corrected plans, specifications and elevations meeting said objections within 30 days of said notice. The provisions of this subparagraph relating to approval, rejection and resubmission of corrected plans hereinabove provided for with respect to the originally submitted plans, specifications and elevations shall continue to apply until said plans, specifications and elevations have been approved by the Director. The Director's acceptance of Cirrus's plans, specifications and elevations shall not constitute a waiver of building code or ordinance or other developmental duties imposed in the future upon Cirrus by law. Cirrus expressly agrees to be solely responsible for all costs, including architectural fees connected with said plans, specification and elevations and any revisions thereto.

2. Changes After Initial Approval.

Any changes made to plans by Cirrus after initial approval of the Director reasonably deemed to him or her to be material or substantial shall be submitted to him or her for acceptance in the same manner provided for in Paragraph A above.

B. Construction Documents.

During construction under this Article and at the time of execution thereof, Cirrus shall furnish to the Director a construction contract with one or more contractors licensed to do business in the State of Minnesota and competent to construct the work shown in the plans approved pursuant to Paragraph A above. The Construction Management Agreement with McGough shall be furnished prior to commencement of construction. All other contracts shall be available to the City when, as and if executed.

C. Construction of Major Modification or Alteration.

Upon approval of the plans and specifications as provided for in Paragraphs A and B above, Cirrus shall promptly commence construction of the Major Modification or Alteration in conformance with the plans as so approved and shall complete construction thereof as expeditiously as is practical.

D. Cirrus to Bear All Costs.

Cirrus specifically guarantees and agrees to bear all costs related to the construction and installation of any Major Modifications or Alterations.

E. Progress Reports.

Until construction of the Major Modifications and Alterations have been completed, Cirrus shall make reports in such detail and at such times as may reasonably be requested by the City as to the actual progress of such construction.

F. Certificate of Completion.

Promptly upon completion by Cirrus, in accordance with this Agreement, of the construction of any such Major Modifications or Alterations, the City shall furnish to Cirrus an appropriate certificate so certifying. No such certification shall be issued until all elements of the construction have been completed. Such certification by the City shall constitute a conclusive determination of satisfaction of construction obligations of Cirrus undertaken pursuant to this Agreement with respect to Major Modifications and Alterations.

ARTICLE XVII

Operating Covenants

Cirrus agrees that in its operations and use of the Building and the Land, in accordance with industry standards, Cirrus shall:

A. Maintenance.

At all times cause the Building and the Land to be operated and maintained in a neat, orderly condition, to maintain and preserve and keep in good repair, working order and condition said Building and Land and to perform all needed and proper repairs, renewals and replacements necessary to be made thereto. The maintenance of the Building and the Land shall include but not be limited to maintenance of all foundations, external walls, doors, windows, utility openings and all roofing systems as well as outside maintenance including snow removal,

grass cutting and landscape maintenance, and all other exterior maintenance to said Building and the Land.

B. Utilities.

Unless disputed, pay or cause to be paid any and all charges for utilities furnished to the Building and the Land including but not limited to hook-up charges and assessments related to all utilities, including but not limited to steam, water, sewer, gas, telephone, cable or satellite TV, and electrical power.

C. Licenses and Permits.

Preserve the existence of all of its licenses, permits and consents to the extent necessary and desirable to the operation of its business and affairs relating to the Building and the Land and to be qualified to do business in the State of Minnesota.

D. Obey All Laws.

Conduct its affairs and carry on its business and operations with respect to the Building and the Land in such a manner as to comply with any and all applicable laws of the United States and the State of Minnesota including all laws related to unlawful discrimination and duly observe and conform to all valid orders, regulations and requirements of any governmental authority related to the conduct of its business and the ownership of the Building and the lease of the Land; provided that nothing herein contained shall require it to comply with, observe and conform to any such law or regulation or requirement so long as the validity thereof shall be contested in good faith through proper legal action provided that such protest shall in no way affect Cirrus's title to the Building and the Ground Lease.

E. Payment of Taxes.

Promptly pay or cause to be paid all lawful taxes and governmental charges, including real estate taxes and assessments at any time levied upon or against it or the Building and the Land, subject to the right to contest in good faith in accordance with Minnesota law.

F. Assessment Fees and Charges.

Pay or cause to be paid when due or payable all special assessments levied upon or with respect to the Building and/or the Land, or any part thereof, and to pay

all fees, charges and rentals for utilities, service or extensions for the Building and the Land and all other charges lawfully made by any governmental body for public improvements.

G. Obligations and Claims.

Promptly to pay or otherwise satisfy and discharge all of the obligations and indebtedness and all demands and claims against the Building and the Land as and when the same become due and payable other than any thereof whose validity, amount or collect ability is being contested in good faith by appropriate proceedings.

H. Living Wage.

It shall comply with and commits to be bound by the requirements of the Living Wage Ordinance.

ARTICLE XVIII

Provision against Liens

A. Provision against Liens.

Except for encumbrances permitted pursuant to Paragraph B below, Cirrus shall not create or permit any mortgage, encumbrance or allow any mechanic's or materialmen's liens to be filed or established or to remain against the Building, the Land or any part thereof which would materially or adversely affect the City's interest in this Agreement during the term of this Agreement, provided that if Cirrus shall first notify the City of its intention to do so and post such security as the City reasonably deems necessary, Cirrus may, in good faith, contest any such mechanic's or other liens filed or established as long as the City does not deem its interest or rights in this Agreement to be subject to foreclosure by reason of such context.

B. Provision Against Assignments, Transfers or Change in Identity of Cirrus.

Cirrus recognizes that, in view of the importance of the development of the Project to the general welfare of the community and the fact that any act or transaction involving or resulting in a change in the identity of the parties in control of Cirrus is of particular concern to the community, that the City is relying upon the

qualifications and identity of Cirrus to operate the Building and lease the Land. Therefore, except for the purposes of obtaining the MIF Loan or as otherwise allowed by this Agreement, including, without limitation, by Article XIII hereof, Cirrus represents and agrees for itself, its successors and assigns that it has not made or created, and will not make or create or suffer to be made or created, any total or partial sale, assignment, conveyance, lease, trust, lien or power of attorney, and has not or will not otherwise transfer in any other way all or any portion of the Building, the Ground Lease, itself, this Agreement, the Loan Documents or any other contract or agreement entered into in connection with carrying out its obligations hereunder; and except for the Mortgage, the MIF Mortgage and any other mortgage approved in writing by the Director, Cirrus will not make or create or suffer to be made any such transfer of Cirrus's rights hereunder without the prior approval of the City. Notwithstanding the above, Cirrus may sell or transfer its interest in the Ground Lease or the Building to a Related or Affiliated Entity or as part of an organizational acquisition or merger without the prior approval of the City. An entity acquiring or accepting an interest in the Ground Lease or the Building as part of an organization acquisition or merger shall be required to execute a Guaranty. Cirrus shall give written notice of such sale or transfer and provide copies of the sale or transfer documentation, and well as any Guaranty required above to the Director within 30 days of the event of sale or transfer.

ARTICLE XIX

Indemnification

A. Generally.

Cirrus will to the fullest extent permitted by law, protect, indemnify and save the City and its officers, agents, servants, employees and any person who controls the City within the meaning of Securities Act of 1933, harmless from and against all liabilities, losses, damages, costs, expenses, including attorneys' fees and expenses, causes of action, suits, claims demands and judgments of any

nature arising from any of the following, except to the extent that same result from the sole negligence by the City, its officers, agents or employees, at which case Cirrus' indemnification and hold harmless shall not apply:

1. Any injury to or death of any person or damage to the Building or the Land, or growing out of or in connection with the use or non-use, condition or occupancy of the Building or the Land or any part thereof and also, without limitation, any and all acts or operations related to the construction or installation of the Project on any portion of the Land. The foregoing indemnification shall not be limited in any way by any limitation on the amount or type of damage, compensation or benefits payable by or for the Cirrus, customers, suppliers or affiliated organizations under any Workers' Compensation Act, Disability Benefit Acts or any other Employee Benefit Acts;
2. Any Breach of this Agreement by Cirrus;
3. Any violation of any contract, agreement or restriction related to Cirrus's use of the Building or the Land which shall have existed at the commencement of the term of this Agreement or shall have been approved by the Cirrus;
4. Any violation, or alleged violation by Cirrus, or any employee or agent of Cirrus or any contractor of Cirrus, of state, federal or local law, rule or regulation affecting the Building, the Land or the Project or the ownership, occupancy or use thereof; and
5. Any mechanic's liens or similar liens.

B. Environmental Indemnification.

In addition to the generality of the foregoing, Cirrus hereby agrees that for itself, its successors and assigns that it will indemnify and save the City and its officers, agents, servants and employees and any person who controls the City within the meaning of the Securities Act of 1933 harmless from and against all liabilities, losses, damages, costs, expenses, including reasonable attorneys' fees and expenses, causes of action, suits, claims, demands and judgments arising out of any condition existing on the Building or the Land arising out of Cirrus's use

and occupancy of the Land or the Building or both which constitutes a violation of any environmental law or laws with regard to pollutants or hazardous or dangerous substances promulgated by the government of the United States or of the State or of any such duly promulgated rules and regulations of the United States Environmental Protection Agency or the Minnesota Pollution Control Agency or the presence on the Land of any element, compound, pollutant, contaminant, or toxic or hazardous substance, material or waste, or any mixture thereof, which otherwise causes injury or death to persons or damage to the Building or the Land and that indemnification granted hereby shall include all costs of clean-up, remediation, together with the costs incurred in proceedings before any court of law or administrative agency, including attorneys' fees, expenses, the fees and expenses of persons providing technical expertise addressing such problems, including expert witnesses, the costs of preparing and securing approval of Response Action Plans, as defined by the foregoing agencies, as may be necessary to meet the requirements of said agencies and any other costs and expenses of any kind whatsoever arising out of conditions existing on the Building or the Land. Notwithstanding the foregoing, the City, without affirmatively assuming any liability for preexisting conditions, releases Cirrus from any claim under this Paragraph B to the extent such claim arises from or out of environmental conditions or hazardous substances existing or present on the Land prior to January 1, 2015.

The indemnification set forth in this Article shall survive any termination of this Agreement, foreclosure or deed in lieu transfer of the Mortgaged Property or satisfaction of the Bonds and MIF Grant and MIF Loan, but shall not include conditions existing at the time of the execution of the Lease.

C. Indemnification Procedures.

Promptly after receipt by Cirrus of notice of the commencement of any action with respect to which Cirrus is required to indemnify such person under this Article, City shall notify Cirrus in writing of the commencement thereof, and, subject to the provisions as hereinafter stated, Cirrus shall assume the defense of such action, including the employment of counsel satisfactory to the indemnitee

and the payment of expenses. In so far as such action shall relate to any alleged liability of City with respect to which indemnity may be sought against Cirrus, City shall have the right to employ separate counsel in any such action and to participate in the defense thereof, and the fees and expenses of such separate counsel shall be at the expense of Cirrus.

ARTICLE XX

Insurance

Cirrus shall procure and continuously maintain insurance covering all risks of injury to or death of persons or damage to the Building or the Land arising in any way out of or as a result of Cirrus's occupancy of or use of the Building or the Land, carried in the name of Cirrus, any subtenant and the City as their respective interests may appear, as follows:

A. Insurance During Construction.

Cirrus, prior to entering on the Land for construction of the Project, shall procure or cause to be procured and maintain or require the Construction Manager and all contractors to procure and maintain the following insurance at not less than the limits of coverage or liability indicated during the period of construction as follows:

1. Property Insurance.

"All Risk" builders' risk insurance on all work on the Project, including foundations, permanent fixtures and attachments, machinery and equipment included in or installed under the construction contract, debris removal, architects' and engineers' fees, temporary structures, materials, equipment and supplies of all kinds located on the Project, to the full replacement value thereof, except that such policy may provide for a deductible amount not to exceed \$50,000 per occurrence. Said insurance shall be endorsed to provide consent for occupancy of the Project and shall be maintained in effect until permanent property coverage as provided for hereinafter is in force. Such insurance shall be written in the name of Cirrus. The Construction Manager, contractors, all subcontractors, and

suppliers and Cirrus shall waive all rights against the City for damages caused by fire or insured perils, except such rights as are set forth hereunder to the proceeds of such insurance payable in the event of such loss.

2. Public Liability Insurance.

Public Liability Insurance written on an "occurrence" basis in limits of not less than \$2,000,000 per occurrence and in the aggregate for personal injury, bodily injury and death, and limits of \$2,000,000 for property damage liability. If per person limits are specified, they shall be for not less than \$2,000,000 per person and be for the same coverages. The City and the DAA shall be named as additional insureds on the Comprehensive General Liability and Automobile Liability insurance policies against losses caused by the negligent act or omission of Cirrus. The Construction Manager shall also require such liability coverage of its contractors and subcontractors unless they are insured under the Construction Manager's policies. Construction Manager's, contractors' and subcontractors' liability coverages shall include:

- (a) Contractors' public liability--premises and operations;
- (b) Independent contractors' vicarious liability;
- (c) Personal injury;
- (d) Owned, non-owned, and hired vehicles;
- (e) Contractual liability covering customary construction contract and subcontract indemnify provisions; and
- (f) Workers' Compensation coverage in required statutory limits. Policy shall carry an "all states" endorsement. In addition, employer's liability coverage shall be maintained in limits of \$100,000 per employee.

B. Permanent Insurance.

1. Property Insurance.

Prior to the expiration of the builders' risk coverage specified above and during the entire term of this Agreement and the Building, including all fixtures,

equipment and machinery, shall be insured to the full replacement value thereof against all risk of Direct Physical Loss, except that such insurance may provide for a deductible amount not to exceed \$50,000 per occurrence. For the purposes hereof, "all risk" means insurance equivalent in scope to protect against all risks of direct physical loss ordinarily insured against in the region. Cirrus hereby waives any and all claims or causes of action against the City for damages caused by an insured peril hereunder, except such rights hereinafter set forth to an interest in the insurance proceeds payable in the event of such loss. In time of war in which the United States of America is a belligerent, Cirrus will procure and maintain continuously in effect such insurance as may be available from the United States of America to the extent of the full replacement value of the project and insuring against loss thereof or damage thereto from the risks and hazards of war, provided that the cost of such insurance is economically reasonable.

2. Liability Insurance.

During the construction period (unless covered under the policies required previously) and permanently thereafter for the balance of the term of this Agreement, Cirrus shall procure and maintain continuously in force Public Liability Insurance written on an "occurrence" basis under a Comprehensive General Liability Form in limits of not less than \$2,000,000 per occurrence for personal bodily injury and death and limits of \$2,000,000 for property damage liability. If person limits are specified, they shall be for not less than \$2,000,000 per person and be for the same coverages. The City and the DAA shall be named as additional insureds therein against losses caused by the negligent act or omissions of Cirrus. Insurance shall cover:

- (a) Public liability, including premises and operations coverage.
- (b) Independent contractors' vicarious liability;
- (c) Personal injury.
- (d) Owned, non-owned and hired vehicles.
- (e) Contractual liability covering the indemnity obligations set forth herein.
- (f) Products--completed operations.

- (g) Property of Others.
- (h) Aircraft Liability insurance in limits per each occurrence of not less than \$1,000,000 and Aircraft Passenger Liability insurance in limits of not less than \$100,000 for each passenger seat.
- (i) If and when applicable, hangar-keepers liability insurance in limits adequate to cover the aggregate value of any airplanes covered by this insurance hangered on the Land.

D. Workers' Compensation.

Workers' Compensation Coverage in statutory amounts with "all states" endorsement. Employees' liability insurance shall be carried in limits of \$100,000 per employee.

E. Requirements for All Insurance.

All insurance required in this Article shall be taken out and maintained in responsible insurance companies organized under the laws of the states of the United States and licensed to do business in the State of Minnesota.

F. Policies.

Cirrus shall be required to supply to the City certification of all policies required under this Agreement. In addition each insurer providing such policies shall be required to provide evidence satisfactory to the Director that such policies will require the insurer to give the City 30 days' written notice prior to cancellation or modification of said insurance. In the event that an ACORD form of certification is used, the words, "endeavor to" shall be stricken from the notification provisions thereof.

G. Uninsured Loss.

In the event the Building or the Land or any portion thereof is destroyed by fire or other casualty covered by insurance, the Cirrus shall forthwith repair, reconstruct, and restore the Building and the Land to substantially the same scale and condition, quality, and value as existed prior to the event causing such damage or destruction, and to the extent necessary to accomplish such repair, reconstruction, and restoration, the Cirrus shall apply the proceeds of any insurance received by the Cirrus to the payment or reimbursement of the costs

thereof. The Cirrus shall, however, complete the repair, reconstruction and restoration of any approved Leasehold Improvements and the Land whether or not the proceeds of any insurance received by the Cirrus are sufficient to pay for such repair, restoration, and reconstruction. In the alternative, and only with the prior written consent of the City, Cirrus may construct a Building of a new design having utility to the City equal to or greater than Building approved by the City as a replacement to the Building at its own cost and at no cost to the City; in the event that the City approves construction of such a replacement building, said Building shall be constructed in accordance with the terms of Article V.

ARTICLE XXI

Cirrus Defaults and Remedies Therefor

A. General Events of Default.

In addition to the Special Event of Default set forth in Paragraph J of Article XV, the following shall be deemed to be general events of default by Cirrus under the terms and conditions of this Agreement to which the remedies set forth in Subparagraph 2 below shall be applicable as otherwise set forth in this Agreement. Except as otherwise specifically provided herein, following notice of a default, Cirrus shall have 30 days to cure such default and provide evidence of such cure to City.

1. Cirrus fails to make any loan repayment under the Loan Agreement when due and such failure is not cured within 10 days after delivery of written notice by the City to Cirrus.
2. Cirrus shall be in default of the Ground Lease during the term of this Agreement.
3. Cirrus shall permit any liens on the Building or the Land except as expressly provided for in the Loan Documents and the MIF Mortgage.
4. (i) Cirrus or any Guarantor shall seek relief in bankruptcy, or make a general assignment for the benefit of creditors, or (ii) there is filed by or against Cirrus or any Guarantor a petition in bankruptcy or for the

appointment of a receiver, or (iii) any creditor(s) commences under any bankruptcy or insolvency law proceedings for relief against Cirrus or any Guarantor, or (iv) an action is sought for the composition, extension, arrangement or adjustment of Cirrus's or any Guarantor's obligations, or (v) Cirrus discontinues its business as a going concern, or (vi) Cirrus or any Guarantor defaults on any other obligation to the City beyond any applicable notice and cure periods, or (vii) Cirrus's or any Guarantor's business is taken over or control is assumed by any government or governmental agency.

5. Any of the following shall occur:
 - i. Any warranty, representation or statement made by Cirrus or any Guarantor in any Loan Document, is untrue or misleading in any material respect.
 - ii. Any financial information provided by or on behalf of Cirrus or any Guarantor is untrue or misleading in any material respect.
 - iii. Any of the Loan Documents ceases to be in full force and effect (including failure of a collateral document to create a valid and perfected security interest or lien) at any time and for any reason.
 - iv. Cirrus or any Guarantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Cirrus's or any Guarantor's property or Cirrus's or any Guarantor's ability to make the Loan Repayments or perform their respective obligations under any Loan Document.
 - v. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Cirrus or by any governmental agency against any collateral securing the Loan or the MIF Loan. However, this Event of Default shall not apply if there is a good faith dispute by Cirrus as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Cirrus gives the City written

notice of the creditor or forfeiture proceeding and deposits with the City monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by the City, in its sole discretion, as being an adequate reserve or bond for the dispute.

- vi. Any Guarantor revokes its Guaranty.
- vii. Cirrus fails to perform any other obligation required for the Loan Agreement, or any other Loan Document or the MIF Loan Agreement and such failure is not cured within 30 days after delivery of written notice by the City to Cirrus describing the failure and the act required to cure the failure.

B. General Remedies

Except as otherwise set forth in this Agreement, the City shall have the following remedies in the event of a default by Cirrus:

- 1. Terminate this Agreement.
- 2. Any of the various remedies provided in any of the Loan Documents, and the MIF Mortgage including the acceleration of the indebtedness evidenced by the Loan and the MIF Loan and the foreclosure of the Mortgage and/or the MIF Mortgage;
- 3. Refrain from making any advances under the Loan Agreement or the MIF Loan Agreement after the happening of any such Event of Default without waiving the right to make or to refrain from making other further advances or to exercise any of the other rights the City may have.
- 4. Seek and be entitled to monetary damages from Cirrus for any damages incurred by the City as a result of Cirrus's default.
- 5. Seek and be entitled to injunctive or declaratory relief as is necessary to prevent Cirrus's violation of the terms and conditions of this Agreement or to compel Cirrus's performance of its obligations hereunder.
- 6. Cumulatively to exercise all other rights, options and privileges provided by agreement, law or in equity.

C. Non-Waiver.

The waiver by the City of any default on the part of Cirrus or the failure of the City to declare default on the part of Cirrus of any of its obligations pursuant to this Agreement or the Loan Agreement shall not be deemed to be a waiver of any subsequent event of default on the part of Cirrus of the same or of any other obligation of Cirrus under this Agreement or the Loan Documents. And, to be effective, any waiver of any default by Cirrus hereunder shall be in writing by the City.

D. Remedies Cumulative.

The remedies provided under this Agreement shall be deemed to be cumulative and non-exclusive and the election of one remedy shall not be deemed to be the waiver of any other remedy with regard to any occasion of default hereunder.

ARTICLE XXII

Representations, Covenants and Warranties

A. Representations, Covenants and Warranties of the City.

The City represents, covenants and warrants as follows:

1. The City is a duly formed and validly existing municipal corporation and political subdivision of the State of Minnesota, governed by the Constitution and laws of the State of Minnesota and its home rule charter.
2. The officers of the City executing this Agreement have been duly authorized to execute and deliver this Agreement and perform its obligations hereunder pursuant to the terms and provisions of a resolution of the Council of the City.
3. This Agreement is binding and enforceable against the City in all respects.

B. Representations, Covenants and Warranties of Cirrus.

Cirrus represents, covenants and warrants as follows:

1. Cirrus is a duly formed and validly existing corporation under the laws of the State of Wisconsin, is not in violation of its organizational documents, is duly

qualified to do business in Minnesota, has power to enter into this Agreement and to perform its obligations hereunder, and has duly authorized the execution, delivery, and performance of this Agreement and the other Loan Documents by proper corporate action.

2. Cirrus is not in violation of any provision of its organizational documents, or any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which it is a party or by which it or its properties are bound or affected, other than violations and defaults which would not, individually or in the aggregate, have a material adverse affect on the financial position or results of operation of Cirrus.
3. The execution and delivery by Cirrus of this Agreement; compliance with the provisions thereof by Cirrus; and the performance by Cirrus of its agreements, covenants, and obligations under this Agreement, do not, in any material respect, constitute on the part of Cirrus a breach or violation of, or default under, its organizational documents, will not violate any law or regulation applicable to Cirrus, or result in the breach of, or constitute a default under, any indenture or loan, credit, or other agreement or instrument to which Cirrus is a party or by which it or its property is bound or affected.
4. There are no actions, suits or proceedings pending or, to the knowledge of Cirrus, threatened against Cirrus or any premises leased or owned by Cirrus in any court or before any Federal, State or municipal or other governmental agency which, if decided adversely to Cirrus, could have a material adverse effect upon Cirrus, any premises leased or owned by Cirrus, the financial position of Cirrus, or the operation of Cirrus, and that Cirrus is not in default of any order of any court or governmental agency.
5. No consent, approval, or authorization of, or permit or license from, or registration with, or notice to any federal or state regulatory authority or any third party not already obtained is required in connection with the execution, delivery, and performance by Cirrus of this Agreement, or any document or instrument related thereto.

6. It is not in default of the payment of principal of or interest on any indebtedness for borrowed money or in default under any instrument or agreement pursuant to which the indebtedness has been incurred.
7. Cirrus shall promptly and at all times pay all reasonable fees and expenses incurred by the City in pursuing its rights hereunder or under the Loan Documents including attorney's, accountant's and other fees subsequent to the Closing Date.
8. Except as permitted in this Agreement or any other Loan Document, Cirrus will not sell, encumber, transfer or otherwise pledge the Mortgaged Property to any other person for any purpose whatsoever except with the prior written consent of the City. Notwithstanding this provision, Cirrus may encumber or pledge the Mortgaged Property subsequent to Cirrus's discharge of the indebtedness incurred under the Loan Documents.
9. Cirrus will perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Loan Documents, and in all other instruments and agreements between Cirrus and the City. Cirrus shall notify the City immediately in writing of any default in connection with this Agreement, any Loan Document or in any other agreement between Cirrus and the City promptly upon Cirrus becoming aware of such default.
10. Except as otherwise permitted, Cirrus shall not without written consent of City engage in any business activities substantially different than those in which Cirrus is presently engaged, or cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change ownership, dissolve or transfer or sell the Mortgaged Property out of the ordinary course of business.
11. Cirrus shall not enter into any agreement containing any provisions which would be violated or breached by the performance of Cirrus's obligations under this Agreement or in connection herewith.

12. Cirrus shall not subject the Mortgaged Property to any additional declaration, condition, restriction or easement without the prior written consent of the City.
13. Cirrus agrees that it shall comply with all the terms and conditions and shall not be in default of the Lease Agreement during the term of this Agreement.
14. Cirrus shall be responsible for constructing the Project in accordance with the terms of this Agreement and all local, state and federal laws and regulations (including, but not limited to, environmental, zoning, building code and public health laws and regulations, and federal Davis-Bacon). Cirrus shall obtain, in a timely manner, all required permits, licenses and approvals, and shall meet, in a timely manner, all requirements of all applicable local, state and federal laws and regulations which must be obtained or met before the Project may be lawfully constructed. Cirrus shall be responsible for obtaining all of the environmental permits necessary for construction and operations of the Project.
15. The execution of this Agreement has been duly and fully authorized by Cirrus's governing body or board, that the officers of Cirrus who executed this Agreement on its behalf are fully authorized to do so, and that this Agreement when thus executed by said officers on its behalf will constitute and be the binding obligation and agreement of Cirrus in accordance with the terms and conditions thereof.
16. This Agreement is binding and enforceable against Cirrus in all respects.

ARTICLE XXIII

Term

The term of this Agreement shall commence upon execution by the parties hereto and shall continue for a period of 20 years after the recordation by Cirrus of the

Certificate of Completion in the Office of the St. Louis County Registrar of Titles pursuant to Article X, unless terminated earlier as provided for herein.

ARTICLE XXIV

Runs with the Land

This Agreement shall be deemed to run with the land and shall enure to the benefit of the parties hereto and to their successors and assigns.

ARTICLE XXV

Notices

Any notice, demand or other communication under this Agreement by either party to the other shall be deemed to be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid to:

In the case of the City:

City of Duluth
402 City Hall
411 West First Street
Duluth, MN 55802

In the case of Cirrus:

Cirrus Design Corporation
Attn: General Counsel
4515 Taylor Circle
Duluth, MN 55811

Copies to:

Hanft Fride, a Professional Association
Attn: William M. Burns
130 West Superior Street #1000
Duluth, MN 55802

ARTICLE XXVI

Recordation

Immediately upon execution of this Agreement, Cirrus agrees to record a Memorandum of Development Agreement in the form of that attached hereto as Exhibit L in the office of the St. Louis County Recorder and/or Registrar of Titles and to pay all costs associated therewith. Upon recordation, Cirrus shall immediately submit to the City an executed original of the Memorandum of Development Agreement showing the date and document numbers of record, or a certified copy of the filed original.

ARTICLE XXVII

Disclaimer of Relationships

Cirrus acknowledges that nothing contained in this Agreement nor any act by the City or Cirrus shall be deemed or construed by Cirrus or by any third person to create any relationship of third-party beneficiary, principal and agent, limited or general partner, or joint venture between the City or Cirrus.

ARTICLE XXVIII

Applicable Law

This Agreement together with all of its Articles, Paragraphs, terms and provisions is made in the State of Minnesota and shall be construed and interpreted in accordance with the laws of the State of Minnesota. All proceedings related to this Agreement shall be venued in Duluth, Minnesota.

ARTICLE XXIX

Judicial Interpretation

Should any provision of this Agreement require judicial interpretation, the court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be construed more strictly against the party who itself or through its agent or attorney prepared the same, it being agreed that the agents and attorneys of both parties have participated in the preparation hereof.

ARTICLE XXX

Title of Articles

Any title, Articles and Paragraphs in this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

ARTICLE XXXI

Severability

In the event any provision herein shall be deemed invalid or unenforceable, the remaining provision shall continue in full force and effect and shall be binding upon the parties to this Agreement.

ARTICLE XXXII

Unavoidable Delays

Neither party shall be held responsible for, and neither party shall be in considered in default of this Agreement as a result of, delay or default caused by fire, riot, acts of God, war, government actions, judicial actions by third parties, strikes or embargoes, or adverse weather conditions, except for delays caused by government

and judicial actions which could have been avoided by compliance with publicly available laws, rules and regulations of which either party had knowledge or should have reasonably had knowledge.

ARTICLE XXXIII

Entire Agreement

It is understood and agreed that the entire agreement of the parties is contained herein and that this Agreement supersedes all oral agreements and negotiations between the parties relating to the subject matter hereof. Any amendment to this Agreement shall be in writing and shall be executed by the same parties who executed the original agreement or their successors in office.

ARTICLE XXXIV

Counterparts

This Agreement may be executed, acknowledged and delivered in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

ARTICLE XXXV

Attorney's Fees

In the event that Cirrus is in default of any of the terms and conditions of this Agreement and the City shall successfully take legal action to enforce said rights herein, in addition to the foregoing, the City shall be entitled to reimbursement for its reasonable attorneys' fees and costs and otherwise for its costs and disbursements occasioned in enforcing its rights hereunder. In the event City is in default of any of the terms and conditions of this Agreement, and Cirrus shall successfully take legal action to enforce said rights herein, in addition to any other right or remedy, Cirrus shall be entitled to reimbursement for its reasonable attorney's fees and costs and otherwise for its costs and disbursements occasioned in enforcing its rights hereunder.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first shown above.

CITY OF DULUTH, a Minnesota
Municipal Corporation

CIRRUS DESIGN CORPORATION, a
Wisconsin Corporation

By _____
Don Ness
Its Mayor

By _____
Its _____

By _____
Its _____

Attest:

By _____
Its City Clerk

Countersigned:

Its Auditor

Approved:

Its Assistant City Attorney

EXHIBIT A

City of Duluth
 Preliminary Pricing Documents, Estimate #2
 Cirrus Paint Hangar
 11/25/2015



Item	Description	Unit of Measure	Unit	Cost/Unit	Totals % of Cost	Totals
Construction						
1	Existing Conditions	67,972	GSF	\$0.70	0.43%	\$47,486
2	Sitework	67,972	GSF	\$19.45	11.84%	\$1,322,159
3	Substructure	67,972	Footprint	\$14.47	8.80%	\$983,563
4	Structure	67,972	GSF	\$16.30	9.92%	\$1,108,279
5	Exterior Enclosure	31,438	Ext Skin	\$45.33	12.76%	\$1,424,941
6	Roofing	67,972	Roof	\$12.79	7.78%	\$869,477
7	Interior Construction	67,972	GSF	\$8.33	5.07%	\$566,455
8	Stairs	0	Flights	\$0.00	0.00%	\$0
9	Building Equipment	67,972	GSF	\$0.23	0.14%	\$15,600
10	Conveying Systems	0	Stops	\$0.00	0.00%	\$0
11	Mechanical	67,972	GSF	\$18.96	11.54%	\$1,288,800
12	Fire Protection	67,972	GSF	\$2.04	1.24%	\$138,613
13	Electrical	67,972	GSF	\$20.64	12.56%	\$1,402,774
14	Low Voltage Electrical Systems	67,972	GSF	\$0.00	0.00%	included above
15	General Conditions	67,972	GSF	\$4.95	3.01%	\$336,513
16	Weather Conditions	67,972	GSF	\$0.51	0.31%	\$35,000
17	Hoisting	67,972	GSF	\$0.00	0.00%	included above
Subtotal Construction Costs		67,972	GSF	\$140.35	85%	\$9,539,660
Miscellaneous Costs						
18	Permit Fees			\$1.09	0.66%	\$73,767
19	CAF Charges			\$0.19	0.12%	\$12,975
20	Surveying/Layout			\$0.16	0.10%	\$11,000
21	Testing & Inspections			\$0.59	0.36%	\$40,000
22	Builder's Risk & Deductibles			\$0.17	0.10%	\$11,700
23	Performance Bond - based on 11.3M			\$1.66	1.01%	\$113,000
24	Subcontractor Default Insurance			\$1.20	0.73%	\$81,582
25	Pre-Construction Services			\$0.00	0.00%	In Fee
26	General Liability Insurance			\$1.38	0.84%	\$93,895
Subtotal Construction & Misc. Items		67,972	SF	\$146.79	89%	\$9,977,579
Fees & Contingency						
27	Design Contingency - accepted VA 9/30/15			\$3.68	2.2%	\$250,000
28	Construction Contingency			\$7.34	4.5%	\$498,879
29	Escalation: Mid Pt of Construction			\$2.53	1.5%	\$171,794
30	Construction Fee			\$4.01	2.4%	\$272,456
Grand Total Construction Costs		67,972	SF	\$164.34	100%	\$11,170,708
Design & Engineering						
31	Architectural Design Fees					\$670,242
32	Mechanical Engineering Fees					included above
33	Electrical Engineering Fees					included above
34	Civil Engineering Fees					included above
35	Landscape Design Fees					included above
36	Structural Engineering Fees					included above
37	Interior Design Fee					included above
38	Acoustical Consultant					not included
39	Audio-Visual Consultant					not included
40	Food Service Consultant					not included
41	Elevator Consultant					not included
42	Lighting Consultant					not included
43	Air Quality Consultant					not included
44	Code Consultant					not included
45	Arch. & Eng. Reimbursable Expenses					\$33,512

City of Duluth
Preliminary Pricing Documents, Estimate #2
Cirrus Paint Hangar
11/25/2015



Item	Description	Unit of Measure	Unit	Cost/Unit	Totals % of Cost	Totals
Supplemental or Special Conditions						
46	Asbestos Abatement Report					\$1,000
47	Hazardous Waste Removal					\$0
48	Hazardous Material Testing					\$0
49	Soil Testing - Borings					\$10,000
50	Special Inspections/Testing					\$15,000
51	Park Dedication Fees					none
52	Moving Costs					by Cirrus
53	IT Set-up					by Cirrus
54	Telephone & Data Devices and Switch					by Cirrus
55	Security					with Electrical
56	Fiber Optics					by Cirrus
57	Satellite Systems					by Cirrus
58	Exterior Signage					const budget
59	Builders Risk Insurance & Deductibles					const budget
60	Bond Financing					\$458,000
61	Sanitary Sewer Relocation					\$104,000
62	MN Power Transformer Relocation Costs - accepted VA 9-30-15					\$43,000
62	Legal Fees					City of Duluth
63	City Costs					\$24,537
64	Owner's Project Management					City of Duluth
65	Owner's Representative					none
66	Travel Expenses					none
67	Commissioning					\$10,000
68	NEPA Costs completed by RS&H - accepted VA 9-30-15					\$110,000
Furniture, Fixtures & Equipment						
69	Furniture					by Cirrus
70	Furniture Connections					by Cirrus
71	FFE Installation/Relocation					by Cirrus
72	Equipment					by Cirrus
73	Hook-up & Installation of Equipment					by Cirrus
74	Kitchen Equipment					by Cirrus
75	Vending Equipment					by Cirrus
76	Waste Handling Equipment					by Cirrus
77	Audio Visual Equipment					by Cirrus
78	TV Monitors					by Cirrus
79	Window Coverings					const budget
80	Window Washing Equipment					not included
81	Artwork					by Cirrus
82	Interior Plantings					by Cirrus
83	Interior Signage					const budget
84	Credit from MN Power for LED Lighting					\$0
Real Estate						
85	Land					City of Duluth
86	Pre-Development Costs					City of Duluth
87	Title Insurance					City of Duluth
88	Abstract					City of Duluth
89	Closing Costs					City of Duluth
90	Construction Loan/Interest					City of Duluth
91	Taxes					City of Duluth
92	Legal Fees					City of Duluth
93	Real Estate Fees					City of Duluth
Development						
94	Project Contingency - accepted VA 9/30/15					\$0
95	Total Project Costs					\$12,650,000

EXHIBIT B
CIRRUS EQUIPMENT

COMPLETION CENTER CAPEX	
PAINT EQUIPMENT	
Item	Total
Spray Tech 48 x 50 Spray Booth (2)	\$710,046.00
Spray Tech Priming Prep Booths (Prime and Wash)	\$516,028.00
Spray Tech Parts Painting Booth	\$96,637.00
Spray Tech Large Dust Collection Booth	\$530,169.00
Spray Tech Small Dust Collection Booth	\$359,509.00
Spray Tech paint mix room (2)	\$17,942.00
Complete Pre-wire option	\$111,650.00
Lifts	\$250,000.00
Freshair	\$10,000.00
Installation	\$419,522.00
Replacement Parts	\$20,236.00
Shipping	\$55,000.00
Taxes	\$55,250.00
***2017 FUTURE Large Custom Spray Booth	\$0.00
TOTAL	\$3,151,989.00
BUILDING OPERATION EQUIPMENT	
Item	Total
Air Compressors and Air System	\$100,000.00
Scissor Lift	\$12,000.00
Floor Scrubber	\$10,000.00
Forklift/pallet jacks	\$18,000.00
Floor burnisher	\$4,000.00
Tables, Chairs, desks, Trashcans, Floor mats	\$5,000.00
Mops, buckets, carts, shelves, brooms	\$1,000.00
TOTAL	\$150,000.00
TOTAL EQUIPMENT COST	\$3,301,989.00

EXHIBIT C

UNLIMITED GUARANTY

THIS UNLIMITED GUARANTY (the “**Guaranty**”) is dated effective as of December ____, 2015, and is made by **Cirrus Industries, Inc.**, a Delaware corporation, **Superior Aerospace Insurance Company**, a _____, **The-Jet Company**, a _____, **Dakota Aircraft**, a _____, **Cirrus Aircraft Corporation**, a Minnesota corporation, and **Aileron, LLC**, a Minnesota limited liability company (each a “**Guarantor**” and, collectively, the “**Guarantors**”), to and for the benefit of the **City of Duluth** (“**City**”).

RECITALS

A. Cirrus Design Corporation, a Wisconsin corporation (“**Borrower**”) proposes to enter into a Development Agreement (“**Development Agreement**”), dated the date hereof, with City and a Loan Agreement (“**Loan Agreement**”) with City, providing for a loan in a maximum amount of \$8,150,000 (the “**Loan**”) on certain terms and conditions. The Loan will be further evidenced and secured by additional documents defined as the “**Loan Documents**” in the Loan Agreement.

B. A condition of the City making the Loan, entering into the Development Agreement, the Loan Agreement and accepting the Loan Documents is that each Guarantor must execute and deliver this Guaranty to City.

C. Each Guarantor is an affiliate or related entity of Borrower, and will benefit if City makes the Loan.

AGREEMENT

NOW THEREFORE, in order to induce City to make the Loan, enter into the Development Agreement, the Loan Agreement and accept the Loan Documents and in consideration of the matters described in the foregoing Recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantors agree as follows:

1. The Recitals are incorporated herein by this reference.
2. Guarantors hereby absolutely and unconditionally and jointly and severally guaranty to City the payment and performance when due, whether at maturity or earlier by reason of acceleration or otherwise, of the debt, liability or obligation of Borrower to City evidenced by or arising out of the following: the Development Agreement, the Loan Agreement and the Loan Documents including, but not necessarily limited to, the Mortgage, the Ground Lease, the Guaranties, the Parity Agreement and any other documents given to the City to evidence, effect, secure or modify the Loan Documents, repayment of the Loan and any extension, modification, amendment, renewal, replacement or enlargement thereof (collectively, the “**Indebtedness**”). Guarantors further absolutely and unconditionally and jointly and severally guaranty to City

performance under the Development Agreement, including (i) that Borrower shall locate and maintain its Vision SF50 personal jet production and corporate research and development facility at Borrower's Duluth International Airport and Highway 53 facilities, respectively, in the Cities of Duluth, Minnesota and Hermantown, Minnesota (together, the "**Duluth Area Facilities**") for a period of no less than 20 years after the recordation by Cirrus of the Certificate of Completion in the Office of the St. Louis County Recorder and/or Registrar of Titles pursuant to Article X; and (ii) that Borrower shall maintain its current North and South American and European production of its existing product line, as modified from time to time, in the City of Duluth, Minnesota, for a period of no less than 20 years after the recordation by Cirrus of the Certificate of Completion in the Office of the St. Louis County Recorder and/or Registrar of Titles pursuant to Article X (collectively, the "**Obligations**").

3. No act or thing need occur to establish the liability of Guarantors, and no act or thing, except full payment and discharge of all Indebtedness and complete performance of the Obligations, shall in any way exonerate any Guarantor or modify, reduce, limit or release the liability of any Guarantor.

4. If any Guarantor shall be dissolved or become insolvent (however defined) then City shall have the right to declare immediately due and payable, and the Guarantors will forthwith pay to City, the full amount of all Indebtedness, whether due and payable or unmatured. If any Guarantor voluntarily commences or there is commenced involuntarily against a Guarantor a case under the United States Bankruptcy Code, the full amount of all Indebtedness, whether due and payable or unmatured, shall be immediately due and payable without demand or notice thereof.

5. The liability of the Guarantors hereunder shall be unlimited and will include accrued interest and all reasonable attorneys' fees, collection costs and enforcement expenses referable thereto. Indebtedness may be created and continued in any amount, whether or not in excess of such principal amount, without affecting or impairing the liability of the Guarantors. City may apply any sums received by or available to City on account of the Indebtedness from Borrower or any other person from their properties, out of any collateral security or from any other source to payment of the excess. Such application of receipts shall not reduce, affect or impair the liability of the Guarantors, but shall reduce the total amount due from the Guarantors.

6. No Guarantor will exercise or enforce any right of contribution, reimbursement, recourse or subrogation available to the Guarantor against any person liable to payment of the indebtedness, or as to any collateral security therefor, unless and until all of the Indebtedness shall have been fully paid and discharged, and the Obligations fully performed.

7. The Guarantors will pay or reimburse City for all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by City in connection with the protection, defense or enforcement of this Guaranty in any litigation or bankruptcy or insolvency proceedings.

8. Whether or not any existing relationship between any Guarantor and Borrower has been changed or ended and whether or not this Guaranty has been revoked, City may, but shall not be obligated to, enter into transactions resulting in the creation or continuance of Indebtedness, without any consent or approval by any Guarantor and without any notice to Guarantors. The

liability of the Guarantors shall not be affected or impaired by any of the following acts or things (which City is expressly authorized to do), omit or suffer from time to time, both before and after revocation of this Guaranty, without notice to or approval by any Guarantor: (i) any acceptance of collateral security, guarantors, accommodation parties or sureties for any or all Indebtedness or Obligations; (ii) any one or more extensions or renewals of Indebtedness (whether or not for longer than the original period) or any modification of the interest rates, maturities or other contractual terms applicable to any Indebtedness or Obligations; (iii) any waiver, adjustment, forbearance, compromise or indulgence granted to Borrower, any delay or lack of diligence in the enforcement of Indebtedness and/or the Obligations, or any failure to institute proceedings, file a claim, give any required notices or otherwise protect any Indebtedness; (iv) any full or partial release of, settlement with, or agreement not to sue, Borrower or any other guarantor or other person liable in respect of any Indebtedness and Obligations; (v) any discharge of any evidence of Indebtedness or the acceptance of any instrument in renewal thereof or substitution therefor; (vi) any failure to obtain collateral security (including rights of setoff) for Indebtedness, or to see to the proper or sufficient creation and perfection thereof, or to establish the priority thereof, or to protect, insure, or enforce any collateral security; or any release, modification, substitution, discharge, impairment, deterioration, waste, or loss of any collateral security; (vii) any foreclosure or enforcement of any collateral security; (viii) any transfer of any Indebtedness or any evidence thereof; (ix) any order of application of any payments or credits upon Indebtedness; (x) any election by City under the United States Bankruptcy Code.

9. Guarantors unconditionally waive any and all defenses, claims and discharges of Borrower, or any other obligor, pertaining to Indebtedness, except the defense of discharge by payment in full. Without limiting the generality of the foregoing, Guarantors will not assert, plead or enforce against City any defense of waiver, release, statute of limitations, res judicata, statute of frauds, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to Borrower or any other person liable in respect of any Indebtedness or the Obligations, or any setoff available against City to Borrower or any such other person, whether or not on account of a related transaction. Guarantors expressly agree that the Guarantors shall be and remain liable, to the fullest extent permitted by applicable law, for any deficiency remaining after foreclosure of any mortgages or security interest securing Indebtedness, whether or not the liability of Borrower or any other obligor for such deficiency is discharged pursuant to statute or judicial decision. The Guarantors shall remain obligated, to the fullest extent permitted by law, to pay such amounts as though the Borrower's Indebtedness and Obligations had not been discharged.

10. In addition, each Guarantor unconditionally waives the following defenses to enforcement of this Guaranty: (i) all presentments, demands, demands for performance, notices of nonperformance, protests, notices of protest, dishonor, nonpayment, partial payment, default and protest, notices of acceptance of this Guaranty and all other notices and formalities to which the Guarantor may be entitled (except for notices which are specifically required by this Guaranty); (ii) any right to require City to proceed against Borrower, the Guarantor or any other guarantor or to proceed against or exhaust any collateral described in the Development Agreement, the Loan Agreement or the Loan Documents; (iii) any defense arising by reason of any invalidity or unenforceability of the Development Agreement, the Loan Agreement or the Loan Documents or any disability of Borrower or any other Guarantor, (iv) any defense arising by

reason of the manner in which City has exercised its remedies under the Development Agreement, the Loan Agreement or the Loan Documents; (v) any defense based upon an election of remedies by City; (vi) any duty of City to advise the Guarantor of any information known to City regarding the financial condition of Borrower and all other circumstances affecting Borrower's ability to perform the Obligations, it being agreed that the Guarantor assumes the responsibility for being and keeping informed regarding such condition or any such circumstances; (vii) any right of subrogation and any rights to enforce any remedy which City now has or may hereafter have against Borrower and any benefit of, and any right to participate in, any security now or hereafter held by City; and (viii) to the extent permitted by law, any right to assert against City any legal or equitable defense, counterclaim, set off, cross-claim or right of contribution which the Guarantor may now or at any time or times hereafter have against any other person.

11. City shall not be required first to resort for payment of the Indebtedness to Borrower or other persons or their properties, or first to enforce, realize upon or exhaust any collateral security for Indebtedness, before enforcing this Guaranty. Likewise, City shall not be required to look to Borrower for performance of the Obligations before enforcing this Guaranty against the Guarantors.

12. If any payment applied by the City to the Indebtedness is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of Borrower or any other obligor), the Indebtedness to which such payment was applied shall for the purposes of this Guaranty be deemed to have continued in existence, notwithstanding such application, and this Guaranty shall be enforceable as to such Indebtedness as fully as if such application had never been made.

13. The liability of the Guarantors under this Guaranty is in addition to and shall be cumulative with any other liabilities of the Guarantors to City as guarantor or otherwise.

14. This Guaranty shall be enforceable against each person signing this Guaranty, even if only one person signs and regardless of any failure of other persons to sign this Guaranty. If there be more than one signer, all agreements and promises herein shall be construed to be, and are hereby declared to be, joint and several in each of every particular and shall be fully binding upon and enforceable against each Guarantor. This Guaranty shall be effective upon delivery to City, without further act, condition or acceptance by City. Guarantors waive notice of City's acceptance hereof.

15. This Guaranty may be transmitted between the Guarantors and City by electronic transmission (e.g. facsimile or email). Electronically transmitted signatures shall constitute original signatures and an electronically transmitted guaranty containing Guarantors' signature shall be an original and binding on the Guarantors.

16. Guarantors' requirements hereunder shall in no way be impaired, reduced or released by reason of City's omission or delay to exercise any right described herein or in connection with any notice (except for notices required of City pursuant to this Guaranty), demand, warning or claim regarding violations of any hazardous material laws governing the real estate.

17. Guarantors' liability hereunder shall not be subject to, limited by or affected in any way by any "non-recourse" provisions contained in the Development Agreement, the Loan Agreement or the Loan Documents. Guarantors agree that the indemnification contained herein is separate, independent of and in addition to Borrower's undertakings under the Development Agreement, the Loan Agreement or the Loan Documents. Guarantors agree that a separate action may be brought to enforce the provisions of this Guaranty which shall in no way be deemed to be an action on the Development Agreement, the Loan Agreement or the Loan Documents, whether or not City would be entitled to a deficiency judgment following a judicial foreclosure or sale under a mortgage.

18. This Guaranty and the guarantees contained in this Guaranty shall be continuing, irrevocable and binding on the Guarantors and the Guarantors' successors and assigns, and this Guaranty shall be binding upon and shall inure to the benefit of City and City's successors and assigns. The dissolution or merger or other consolidation of a Guarantor shall not affect this Guaranty or any of Guarantor's obligations hereunder. It is agreed by each Guarantor that the liabilities hereunder are not contingent on the signature of any other Guarantor.

19. Any notice required or permitted to be given by any party upon the other shall be deemed delivered or given in accordance with this Guaranty (i) four (4) business days after it is deposited in the United States mail; (ii) the next business day after it is deposited with a nationally-recognized over-night courier; (iii) the day it is personally delivered or, if that day is not a business day, the next business day after it is personally delivered; or (iv) the day it is sent by electronic transmission (e.g. facsimile or email) or, if that day is not a business day, the next business day after it is sent by electronic transmission (delivery by facsimile shall be followed by deposit of a hard copy of the notice by any of the other permitted methods of delivery within 24 hours); and addressed as follows:

If to City:

Chief Administrative Officer
City Hall, Room 402
411 West First Street
Duluth, MN 55802

If to Guarantors:

Cirrus Design Corporation
Attn: General Counsel
4515 Taylor Circle
Duluth, MN 55811

With copy to:

Hanft Fride, P.A.
Attn: William M. Burns
130 West Superior Street #1000
Duluth, MN 55802

Notices shall be deemed effective the date they are deemed to be delivered. Any party may change its address for the service of notice by giving written notice of such change to the other party, in any manner above specified, 10 days prior to the effective date of such change.

20. This Guaranty constitutes the entire Agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter contained in this Guaranty.

21. This Guaranty may not be amended except by a writing signed by both parties nor shall observance of any term of this Guaranty be waived except with the written consent of City.

22. This Guaranty shall be subject to and governed by federal law applicable to City, and to the extent not preempted by federal law by the laws of the State of Minnesota and all questions concerning the meaning or intention of the terms of this Guaranty or concerning the validity thereof, and questions relating to the performance hereunder shall be adjudged and resolved in accordance with federal law applicable to City, and to the extent not preempted by federal law with the laws of the State of Minnesota. All actions to enforce the terms and provisions of this Guaranty shall be brought and maintained only within the State of Minnesota, and City and Guarantors each hereby consent to the exclusive jurisdiction of the State Courts, sited in Duluth, Minnesota. City and Guarantors each hereby expressly waive any and all rights which it may have to make any objection based on (a) jurisdiction, to any suit brought to enforce this Guaranty in the State of Minnesota, or (b) venue, to any action brought to enforce this Guaranty in Duluth, Minnesota, in each case in accordance with the above provisions. Whenever possible, each provision of this Guaranty shall be interpreted in such a manner as to be effective and valid pursuant to applicable laws; however, if any part hereof shall be prohibited by applicable law or invalid thereunder, such provision shall be ineffective to the extent of such prohibition or invalidity only and without invalidating the remainder thereof. Nothing in this Section 22 will prevent the docketing, registration or enforcement of any judgment or order obtained in compliance with this Section 22 in a State or jurisdiction other than Minnesota. Nothing in this Section 22 will prevent City from bringing any action or conducting any proceeding in a state or jurisdiction other than the State of Minnesota for the purpose of foreclosing upon, executing on, bringing any action in replevin with respect to or in any other way realizing upon any collateral securing the Loan. This Guaranty has been accepted by City in the State of Minnesota.

23. This Guaranty may be executed in any number of counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same agreement.

24. All provisions contained in this Guaranty are severable and the invalidity or unenforceability of any provision shall not affect or impair the validity or enforceability of the remaining provisions of this Guaranty.

25. City and Guarantors agree that electronically reproduced copies of this Guaranty, the Development Agreement, the Loan Agreement and all other Loan Documents will be treated as originals and will be admitted as evidence to this Guaranty, the Development Agreement, the Loan Agreement and the Loan Documents. Guarantors and City agree not to challenge the authenticity of the electronically reproduced or transmitted copies.

26. Each of the Guarantors hereby represents, covenants and warrants for itself:

(a) It is not in violation of any provision of its organizational documents, or any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which it is a party or by which it or its properties are bound or affected, other than violations and defaults which would not, individually or in the aggregate, have a material adverse affect on the financial position or results of operation of said Guarantor.

(b) The execution and delivery of this Guaranty; compliance with the provisions thereof; and the performance of its agreements, covenants and obligations under this Guaranty, do not, in any material respect, constitute on the part of each said Guarantor a breach or violation of, or default under, its organizational documents, will not violate any law or regulation applicable to it, or result in the breach of, or constitute a default under, any indenture or loan, credit, or other agreement or instrument to which it is a party or by which it or its property is bound or affected.

(c) There are no actions, suits or proceedings pending or, to its knowledge, threatened against it or any premises leased or owned by it in any court or before any Federal, State or municipal or other governmental agency which, if decided adversely to said Guarantor, could have a material adverse effect upon it, any premises leased or owned by it, its financial position, or its operation, and that it is not in default of any order of any court or governmental agency.

(d) No consent, approval, or authorization of, or permit or license from, or registration with, or notice to any federal or state regulatory authority or any third party not already obtained is required in connection with the execution, delivery, and performance by each said Guarantor of this Guaranty, or any document or instrument related thereto.

(e) It is not in default of the payment of principal of or interest on any indebtedness for borrowed money or in default under any instrument or agreement pursuant to which the indebtedness has been incurred.

27. TO THE FULLEST EXTENT PERMITTED BY LAW, CITY (BY ITS ACCEPTANCE HEREOF) AND GUARANTORS HEREBY VOLUNTARILY, KNOWINGLY AND INTENTIONALLY (i) WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY

LEGAL ACTION OR PROCEEDING ARISING UNDER THIS GUARANTY OR CONCERNING THE INDEBTEDNESS EVIDENCED HEREBY AND/OR ANY COLLATERAL SECURING SUCH INDEBTEDNESS OR ANY OTHER LOAN DOCUMENTS INCLUDING, WITHOUT LIMITATION, ANY DETERMINATION REGARDING THE AMOUNT, ENTITLEMENT TO AND REASONABLENESS OF ATTORNEY'S FEES OR OTHER COSTS OF COLLECTION DUE TO CITY, REGARDLESS OF WHETHER SUCH ACTION OR PROCEEDING CONCERNS ANY CONTRACTUAL OR TORTIOUS OR OTHER CLAIM AND (ii) AGREES NOT TO SEEK TO CONSOLIDATE ANY SUCH ACTION OR PROCEEDING WITH ANY OTHER ACTION OR PROCEEDING IN WHICH A JURY TRIAL CANNOT BE WAIVED OR HAS NOT BEEN WAIVED. GUARANTORS ACKNOWLEDGE THAT THIS WAIVER OF JURY TRIAL AND AGREEMENT NOT TO CONSOLIDATE IS A MATERIAL INDUCEMENT TO THE CITY IN EXTENDING CREDIT TO THE BORROWER, THAT CITY WOULD NOT HAVE EXTENDED SUCH CREDIT WITHOUT THIS JURY TRIAL WAIVER AND AGREEMENT NOT TO CONSOLIDATE AND THAT GUARANTORS HAVE BEEN REPRESENTED BY AN ATTORNEY OR HAVE HAD AN OPPORTUNITY TO CONSULT WITH AN ATTORNEY IN CONNECTION WITH THIS JURY TRIAL WAIVER AND AGREEMENT NOT TO CONSOLIDATE AND UNDERSTAND THE LEGAL EFFECT OF THIS WAIVER.

GUARANTORS WARRANT AND REPRESENT THAT NEITHER CITY NOR ANY OF ITS EMPLOYEES, OFFICERS OR REPRESENTATIVES HAS EXPRESSLY OR IMPLIEDLY REPRESENTED AND AGREED THAT CITY WILL NOT SEEK TO ENFORCE ANY PROVISION OF THIS GUARANTY, INCLUDING, WITHOUT LIMITATION, THE WAIVER OF JURY TRIAL CONTAINED IN SECTION 27.

IN WITNESS WHEREOF, this Guaranty has been executed as of the date first above written.

GUARANTORS:

Cirrus Industries, Inc., a Delaware corporation

By _____

Name: _____

Title: _____

Superior Aerospace Insurance Company, a

By _____

Name: _____

Title: _____

The-Jet Company, a _____

By _____

Name: _____

Title: _____

Dakota Aircraft, a _____

By _____

Name: _____

Title: _____

Cirrus Aircraft Corporation, a Minnesota corporation

By _____

Name: _____

Title: _____

Aileron, LLC, a Minnesota limited liability company

By _____

Name: _____

Title: _____

EXHIBIT D

LOAN AGREEMENT

between

CITY OF DULUTH, MINNESOTA

and

CIRRUS DESIGN CORPORATION

Dated as of _____, 2016

Relating to:

\$_____ Loan for Cirrus Completion Center Expansion

TABLE OF CONTENTS

	<u>Page</u>
<u>ARTICLE I – Definitions and Rules of Construction</u>	4
<u>Section 1.1</u> <u>Definitions</u>	4
<u>Section 1.2</u> <u>Severability</u>	7
<u>Section 1.3</u> <u>Governing Law</u>	7
<u>ARTICLE II – Issuance of the Bonds</u>	7
<u>Section 2.1</u> <u>Agreement to Issue Bonds</u>	7
<u>Section 2.2</u> <u>Application of Proceeds</u>	7
<u>Section 2.3</u> <u>Construction Account</u>	7
<u>ARTICLE III – Loan Terms and Conditions</u>	7
<u>Section 3.1</u> <u>The Loan</u>	7
<u>Section 3.2</u> <u>Repayment of Loan</u>	7
<u>Section 3.3</u> <u>Prepayment of Loan</u>	8
<u>ARTICLE IV – Representations, Covenants and Warranties</u>	8
<u>Section 4.1</u> <u>Representations, Covenants and Warranties of the City</u>	8
<u>Section 4.2</u> <u>Representations, Covenants and Warranties of the Corporation</u>	8
<u>ARTICLE V – Events of Default</u>	8
<u>Section 5.1</u> <u>Events of Default</u>	8
<u>Section 5.2</u> <u>Notices on Default</u>	9
<u>ARTICLE VI – Remedies of the City</u>	9
<u>Section 6.1</u> <u>Remedies</u>	9
<u>ARTICLE VII - Guaranties</u>	9
<u>Section 7.1</u> <u>Guaranties</u>	9
<u>ARTICLE VIII – Miscellaneous</u>	9
<u>Section 8.1</u> <u>Miscellaneous</u>	9
<u>Section 8.2</u> <u>Notices, etc. to City and Corporation</u>	10
 Exhibit A – Legal Description of the Land	
Exhibit B – Loan Repayment Schedule	

THIS LOAN AGREEMENT (this “Agreement”) made as of _____, 2016, by and between the CITY OF DULUTH, MINNESOTA, a home rule charter city and political subdivision of the State of Minnesota (the “City”) and CIRRUS DESIGN CORPORATION, a corporation under the laws of the State of Wisconsin (the “Corporation”).

RECITALS

WHEREAS, the Corporation is a major manufacturer of general aviation aircraft with its main manufacturing facilities and related offices located on the Duluth International Airport (the “Airport”); and

WHEREAS, the Corporation wishes to expand its manufacturing and assembly capacity at and near the Airport to add manufacturing and painting capacity for the new Vision SF50 personal jet and to expand and reconfigure its research and development facilities into its existing building facilities; and

WHEREAS, the City owns certain land at the Airport located on the south side of Airport Road near the Corporation’s other facilities which premises are managed and controlled by the Duluth Airport Authority (the “DAA”) pursuant to Laws of Minnesota, 1969, Chapter 577, as amended from time to time; and

WHEREAS, the Corporation has leased the Land, as defined herein, from the DAA pursuant to the terms of a Ground Lease between the Corporation and the DAA upon which the Corporation has proposed constructing the approximately 68,000 square foot Cirrus Completion Center Expansion Project, which is expected to be used for painting and finishing operations for the Corporation’s airplane product lines, including preparing the Corporation’s new Vision SF50 personal jet; and

WHEREAS, the Corporation has requested that the State of Minnesota and the City provide assistance in financing the Project, as defined herein, through a series of loans and grants as hereinafter set forth; and

WHEREAS, the proposed financing includes (i) a loan pursuant to this Agreement in the amount of \$_____, \$_____ of which will be available to pay a portion of the Project Costs and will be funded through the City’s issuance of its Taxable General Obligation Tax Abatement Bonds, Series 2016_; (ii) a forgivable loan in the amount of \$4,000,000 available to pay certain Project Costs and will be funded through a Minnesota Investment Fund Grant; (iii) funds of the Corporation; and (iv) if awarded, a Business Development Public Infrastructure Grant in an amount up to \$390,115; and

WHEREAS, at the request of the Corporation, the City issued its \$_____ Taxable General Obligation Tax Abatement Bonds, Series 2016_, pursuant to Minn. Stat. §§ 469.1812-469.1815 (the “Bonds”); and

WHEREAS, the Minnesota Department of Employment and Economic Development (“DEED”) has awarded the City a Minnesota Investment Fund Grant in the amount of \$4,000,000 (the “MIF Grant”); and

WHEREAS, DEED has [has not] awarded the Business Development Public Infrastructure Grant [in the amount of \$_____]; and

WHEREAS, the Corporation has granted a security interest in the Mortgaged Property (as defined herein) pursuant to a Leasehold Mortgage Agreement of even date herewith (the "Mortgage") and provided payment and performance guaranties from certain related entities, as hereinafter described, all to secure the Corporation's obligations hereunder, including, but not limited to the Loan Repayments (as defined herein); and

WHEREAS, it is necessary and desirable for the City and the Corporation to enter into this Agreement to set forth the terms and conditions of the Loan (as defined herein).

NOW, THEREFORE, in consideration of mutual covenants herein contained, the parties hereto recite and agree as follows:

ARTICLE I – Definitions and Rules of Construction

Section 1.1 Definitions. Unless the context otherwise requires, the terms in this Agreement shall, for all purposes of this Agreement, have the meaning hereinafter specified, unless the context clearly otherwise requires:

Agreement: means this Loan Agreement as it may be amended, restated, supplemented or otherwise modified from time to time.

Assignment of Contracts: means the collateral Assignment of Construction Contracts and Plans dated the Closing Date, from the Corporation to the City, as further described in Paragraph G of Article VI of the Development Agreement.

Assignment of Professional Services Agreement: means the Assignment and Assumption Agreement from the City to the Corporation relating to City Contract No. 22549 as further described in Article II of the Development Agreement.

Bond Resolution: means the Resolution Authorizing the Issuance, Sale and Delivery of \$_____ Taxable General Obligation Tax Abatement Bonds, Series 2016_, Establishing the Terms and Form Thereof, Creating a Debt Service Fund Therefor and Awarding the Sale Thereof, approved by the City Council on _____, 2016.

Bonds: means the City of Duluth \$_____ Taxable General Obligation Tax Abatement Bonds, Series 2016_, dated _____, 20__, as the date of original issue, issued pursuant to the Bond Resolution.

Building: means the approximately 68,000 square foot Cirrus Completion Center Expansion Project to be constructed on the Land.

Capital Contributions: means the amount of \$500,000 contributed by the Corporation toward the Construction Costs, as may be increased pursuant to Paragraph C of Article VII of the Development Agreement.

Construction Costs: means, without intending thereby to limit or restrict any proper definition of such costs under any applicable laws or sound accounting practices, the following costs of the Project:

(a) Obligations incurred for labor and to contractors, builders and materialmen in connection with the acquisition, construction and installation of the Project;

(b) Site improvement and off-site improvement costs required for the construction of the Project;

(c) Fees and expenses of a construction manager and of engineers and architects for surveys and estimates and other preliminary investigations, preparation of plans, drawings and specifications, and supervising construction, as well as for the performance of all other duties of a construction manager, engineers and architects in relation to the acquisition and betterment of the Project; and

(d) The portion of the Project Costs incurred and/or paid by the City, including but not limited to, costs of soil borings on the Land and Airport Road, hazardous material testing of a building currently located on the Land, construction of a storm sewer in Airport Road, and costs related to services provided pursuant to the City agreements with the construction manager and the architect prior to the time of City assignment and Cirrus assumption of these agreements pursuant to the Assignment of Professional Services Agreements, which shall be reimbursed to the City from the Capital Contributions upon deposit of the Capital Contributions by the Corporation.

Default: means an event which, with notice or passage of time or both, would constitute an Event of Default in Article V of this Agreement.

Development Agreement: means the Development Agreement between the City and the Corporation dated _____, 2015, including exhibits, as may be amended, restated, supplemented or otherwise modified from time to time.

Ground Lease: the Ground Lease dated _____, 20__, by and between the Corporation and the DAA for the Land.

Guaranties: mean the Guaranties from the Guarantors.

Guarantor: means any one of the Guarantors.

Guarantors: means, collectively, all of Cirrus Industries, Inc.; Superior Aerospace Insurance Company; The-Jet Company; Dakota Aircraft; Aileron, LLC; Cirrus Aircraft Corporation; and as Guarantors are added or deleted pursuant to Article III of the Development Agreement.

Land: means the real estate legally described in **Exhibit A**, attached hereto.

Loan: means the loan by the City to the Corporation of the Proceeds pursuant to this Agreement.

Loan Documents: means this Agreement, the Development Agreement, the Mortgage, the Ground Lease, the Guaranties, the Parity Agreement, the Assignment of Contracts, and any other documents given to the City to evidence, effect, secure or modify the Loan.

Loan Repayments: means the payments from the Corporation to the City described in Section 3.2 hereof.

MIF Grant: means the Minnesota Investment Fund Grant, pursuant to the Grant Contract dated _____, between DEED and the City, the proceeds of which will fund the MIF Loan.

MIF Loan: means the forgivable loan from the City to the Corporation funded with the MIF Grant in the amount of \$4,000,000; such loan shall be evidenced by the MIF Note and the MIF Loan Agreement.

MIF Loan Agreement: means the Minnesota Investment Fund Loan Agreement dated as of _____ between the City and the Corporation regarding the MIF Loan.

MIF Note: means the promissory note from the Corporation in favor of the City in the original principal amount of \$4,000,000.

MIF Mortgage: means the leasehold mortgage agreement from the Corporation to the City, dated as of _____, 2016, to secure the MIF Loan.

Mortgage: means the leasehold mortgage agreement from the Corporation to the City, dated as of _____, 2016, to secure the Loan.

Mortgaged Property: means the Mortgaged Property as defined in Section 2.1 of the Mortgage.

Parity Agreement: means the Parity Agreement dated as of _____, by and between the Corporation and the City, and acknowledged and consented to by DEED, regarding the priority of the Mortgage and the MIF Mortgage.

Payment Date: means September 1 of each year commencing on September 1, 2016 and continuing on each September 1 thereafter through September 1, 2030.

Proceeds: means \$_____, the proceeds of the Bonds.

Project: means the Building, which is expected to be used for painting and finishing operations for the Corporation's airplane product lines, including the Corporation's new Vision SF50 personal jet, to be constructed on the Land and together with infrastructure and amenities including, but not limited to, site work, relocating sanitary sewer and power lines, asphalt paving of roads, curb and gutter and the NEPA study.

Project Costs: means the Construction Costs, costs of issuance, capitalized interest and underwriter's discount.

Section 1.2 Severability. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation, payment and performance of the Loan.

Section 1.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

ARTICLE II – Issuance of the Bonds

Section 2.1 Agreement to Issue Bonds. The City agrees to issue the Bonds and lend the Proceeds to the Corporation for payment of the Project Costs, for the cost of issuance of the Bonds, including underwriter's discount, and for capitalized interest for payment of interest on the Bonds on August 1, 2016 and February 1, 2017.

Section 2.2 Application of Proceeds. The Proceeds shall be used for the following purposes and in the following amounts: (i) \$_____ shall be deposited in the Construction Account as described in Section 2.3 hereof and shall be used for payment or reimbursement of the Construction Costs; (ii) \$_____ shall be used for underwriter's discount; (iii) \$_____ shall be used by the City for payment of other costs of issuance of the Bonds; (iv) _____ shall be used for capitalized interest to pay interest on the Bonds on August 1, 2016 and February 1, 2017; and (v) \$_____, the rounding amount, shall be credited to the Debt Service Account described in the Bond Resolution (such rounding amount shall be a credit on the first Loan Repayment). The City shall pay for the other costs of issuance from the funds described in subparagraph (iii) above and as provided for in the Bond Resolution.

Section 2.3 Construction Account. The City shall maintain a Construction Account for the Corporation's expenses in constructing the Project (the "Construction Account"). A portion of the Proceeds described in Section 2.2(i) shall be deposited in such account and shall be made available to the Corporation for payment or reimbursement of the Construction Costs (including for reimbursement to the City for Construction Costs expended by the City) upon providing the documentation described in Article VIII of the Development Agreement.

ARTICLE III – Loan Terms and Conditions

Section 3.1 The Loan. The City agrees, upon the terms and conditions in this Agreement, to lend to the Corporation the Proceeds (the "Loan"), for the uses as set forth in Section 2.2 hereof.

Section 3.2 Repayment of Loan. The Corporation covenants and agrees to repay the Loan, including interest thereon, in Loan Repayments as follows:

(a) On each Payment Date the Corporation shall pay to the City the amount set forth on **Exhibit B** hereto; and

(b) On demand of the City, any additional costs incurred by the City in connection with the Bonds, including, but not limited to bond registrar fees and expenses.

Section 3.3 Prepayment of Loan. The Corporation may prepay the Loan, at its option, on and after _____, and in connection with the prepayment and redemption of the Bonds as permitted by the Bond Resolution. The Corporation shall provide the City Auditor with written notice of its election to prepay the Loan at least 45 days prior to the proposed redemption date and shall deposit with the City Auditor on or before 35 days prior to the redemption date an amount equal to the outstanding principal amount of the Bonds plus interest to the redemption date of the Bonds plus the City's fees and expenses to redeem the Bonds. The Corporation may request that the City defease the Bonds prior to the first call date set forth above. Upon such request, the City may, upon the Corporation providing the necessary cash to defease the Bonds and upon satisfying the rules and requirements for a legal defeasance of the Bonds, agree to proceed with such defeasance.

ARTICLE IV – Representations, Covenants and Warranties

Section 4.1 Representations, Covenants and Warranties of the City. The City represents, covenants and warrants as follows:

(a) The City is a duly formed and validly existing municipal corporation and political subdivision of the State of Minnesota, governed by the Constitution and laws of the State of Minnesota and its home rule charter.

(b) The officers of the City executing this Agreement have been duly authorized to execute and deliver this Agreement and perform its obligations hereunder pursuant to the terms and provisions of a resolution of the Council.

(c) This Agreement is fully enforceable against the City.

Section 4.2 Representations, Covenants and Warranties of the Corporation. The Corporation hereby confirms that all representations, covenants and warranties set forth in Article XVII and Paragraph B of Article XXII of the Development Agreement shall apply to this Agreement.

ARTICLE V – Events of Default

Section 5.1 Events of Default. Each of the following occurrences will constitute an event of default hereunder (an "Event of Default"):

(1) The Corporation fails to make any Loan Repayment when due and such failure is not cured within 10 days after delivery of written notice by the City to the Corporation.

(2) The Corporation fails to perform any other obligation required for the Loan, the Development Agreement or any other Loan Document or the MIF Loan Agreement and such failure is not cured within 30 days after delivery of written notice by the City to the Corporation describing the failure and the act required to cure the failure.

Section 5.2 Notices on Default. If notice to the City or the Corporation is required, such notice shall be deemed reasonably and properly given if mailed by regular or certified mail, postage prepaid, to the City or the Corporation at the addresses stated in Section 8.2 of this Agreement at least 10 days prior to the action described in such notice.

ARTICLE VI – Remedies of the City

Section 6.1 Remedies. The Corporation agrees that the occurrence of any one or more of the Events of Default will also constitute an event of default under each of the Loan Documents, thereby entitling the City, at its option, to proceed to exercise any of the following remedies:

A. Any of the various remedies provided in any of the Loan Documents, including the acceleration of the indebtedness evidenced by the Loan Agreement and the MIF Note and the foreclosure of the Mortgage and/or the MIF Mortgage;

B. Accumulatively to exercise all other rights, options and privileges provided by agreement, law, or in equity;

C. Refrain from making any advances under this Agreement of the Loan after the happening of any such Event of Default without waiving the right to make or to refrain from making other further advances or to exercise any of the other rights the City may have.

ARTICLE VII - Guaranties

Section 7.1 Guaranties. Payment and performance of the Loan Documents will be absolutely and unconditionally guarantied by Guarantors pursuant to the Guaranties.

ARTICLE VIII – Miscellaneous

Section 8.1 Miscellaneous. This Agreement cannot be waived, modified, amended, abridged, supplemented, terminated or discharged except by a writing duly executed by the parties. A waiver shall be effective only when in writing and in the specific instance and for the specific purpose given. No delay or failure to act shall preclude the exercise or enforcement of any of the rights or remedies. All rights and remedies of the parties shall be cumulative and may be exercised singularly, concurrently or successively at the respective party's option, and the exercise or enforcement of any one such right or remedy shall not be a condition to or bar the exercise or enforcement of any other. This Agreement shall be binding upon and inure to the benefit of the City and the Corporation and their respective successors and assigns and shall take effect when executed by the City and the Corporation.

Section 8.2 Notices, etc. to City and Corporation. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by this Agreement to be communicated to or among the parties hereto shall be sufficient for every purpose hereunder if made, given or furnished in writing, and served upon such party or mailed with postage prepaid and addressed as follows:

If to the City: Chief Administrative Officer
City Hall, Room 402
411 West First Street
Duluth, MN 55802

If to the Corporation: Cirrus Design Corporation
Attn: General Counsel
4515 Taylor Circle
Duluth, MN 55811

With a copy to: Haft Fride, P.A.
Attn: William M. Burns
130 West Superior Street #1000
Duluth, MN 55801

IN WITNESS WHEREOF, the duly authorized officers of the parties hereto affix their signatures, all as of the date first written above.

CITY OF DULUTH, MINNESOTA

Mayor

Attest:

Clerk

Countersigned:

City Auditor

Approved as to form:

City Attorney

CIRRUS DESIGN CORPORATION

By _____

Its: _____

By _____

Its _____

EXHIBIT A

Legal Description of the Land

Lots 1 through 6, inclusive, Block 2, Airport Division, St. Louis County, Minnesota.

EXHIBIT B

Corporation Payment Schedule

Payment Date	Loan Repayment Amount
9/1/2016	
9/1/2017	
9/1/2018	
9/1/2019	
9/1/2020	
9/1/2021	
9/1/2022	
9/1/2023	
9/1/2024	
9/1/2025	
9/1/2026	
9/1/2027	
9/1/2028	
9/1/2029	
9/1/2030	

EXHIBIT E

This Leasehold Mortgage Agreement Contains After-acquired Property Provisions and Constitutes a
Fixture Financing Statement under Minnesota Statutes, Section 336.9-502,
as amended

The maximum principal indebtedness secured by this Mortgage is \$_____

LEASEHOLD MORTGAGE AGREEMENT

from

CIRRUS DESIGN CORPORATION

to

CITY OF DULUTH, MINNESOTA

Dated _____, 2016

This instrument was drafted by:

Fryberger, Buchanan, Smith & Frederick, P.A.
302 West Superior Street, Suite 700
Duluth, MN 55802

TABLE OF CONTENTS

	<u>Page</u>
<u>ARTICLE I – DEFINITIONS</u>	4
<u>Section 1.1</u> <u>Definitions</u>	4
<u>ARTICLE II – MORTGAGE AND SECURITY INTEREST</u>	7
<u>Section 2.1</u> <u>Mortgage and Security Interest</u>	7
<u>Section 2.2</u> <u>Payments and Performances Secured</u>	9
<u>Section 2.4</u> <u>Remedies Upon Event of Default</u>	10
<u>Section 2.5</u> <u>Right of Entry</u>	11
<u>Section 2.6</u> <u>Assignment of Rents and Revenues</u>	11
<u>ARTICLE III – REPRESENTATIONS, COVENANTS, PERMITTED ENCUMBRANCES</u> ...	12
<u>Section 3.1</u> <u>Warranty of Title</u>	12
<u>Section 3.2</u> <u>Permitted Encumbrances</u>	12
<u>Section 3.3</u> <u>Compliance With Environmental Laws; Indemnity</u>	13
<u>Section 3.4</u> <u>Compliance With Other Laws and Restrictions</u>	14
<u>Section 3.5</u> <u>General Waivers/Marshalling</u>	14
<u>Section 3.6</u> <u>Addition of Improvements and Land to Lien of Mortgage</u>	15
<u>Section 3.7</u> <u>Further Assurances</u>	15
<u>ARTICLE IV – CIRRUS EQUIPMENT</u>	15
<u>ARTICLE V – GROUND LEASE</u>	15
<u>Section 5.1</u> <u>Compliance with Terms of Ground Lease</u>	15
<u>Section 5.2</u> <u>Notices Under Ground Lease</u>	15
<u>Section 5.3</u> <u>Lender May Cure</u>	16
<u>Section 5.4</u> <u>Covenants to Protect the Leasehold Estate Pursuant to the Ground Lease</u>	16
<u>Section 5.5</u> <u>Bankruptcy Provisions</u>	16
<u>Section 5.6</u> <u>No Release from Mortgage</u>	17
<u>Section 5.7</u> <u>No Merger</u>	17
<u>Section 5.8</u> <u>Performance by Ground Lessor</u>	17
<u>Section 5.9</u> <u>New Lease</u>	18
<u>Section 5.10</u> <u>Appointment of Lender as an Attorney-in-Fact</u>	18
<u>Section 5.11</u> <u>Certificate from the Ground Lessor</u>	18
<u>ARTICLE VI – MISCELLANEOUS</u>	19
<u>Section 6.1</u> <u>Recording</u>	19
<u>Section 6.2</u> <u>Opinion of Counsel to Recording</u>	19
<u>Section 6.3</u> <u>Binding Effect</u>	19
<u>Section 6.4</u> <u>Amendments</u>	19
<u>Section 6.5</u> <u>Use of Mortgaged Property</u>	19
<u>Section 6.6</u> <u>Fixture Filing</u>	19
<u>Section 6.7</u> <u>[Reserved]</u>	20
<u>Section 6.8</u> <u>Waiver of Jury Trial</u>	20
<u>Section 6.9</u> <u>Effect</u>	20

TABLE OF CONTENTS

	<u>Page</u>
<u>Section 6.10</u> <u>No Consent</u>	20
<u>Section 6.11</u> <u>Further Assurances</u>	21
<u>Section 6.12</u> <u>Miscellaneous Rights of Lender</u>	21
<u>Section 6.13</u> <u>Care of Mortgaged Property; No Waste</u>	21
<u>Section 6.14</u> <u>Mortgage Taxation</u>	22
<u>Section 6.15</u> <u>Due on Sale</u>	22
<u>Section 6.16</u> <u>Lender's Right to Cure</u>	22
<u>Section 6.17</u> <u>Acknowledgement of Remedies</u>	22
<u>Section 6.18</u> <u>Future Advances</u>	23

Exhibit A – Legal Description

Exhibit B – Permitted Encumbrances

This LEASEHOLD MORTGAGE AGREEMENT, dated _____, 2016, from CIRRUS DESIGN CORPORATION, a corporation organized and existing under the laws of the State of Wisconsin, its successors and assigns (the "Corporation") to the CITY OF DULUTH, MINNESOTA, a home rule charter city and political subdivision of the State of Minnesota (the "City" or the "Lender");

WITNESSETH

WHEREAS, capitalized terms used but not defined in these witnessing clauses have the meanings set forth in Section 1.1 of this Mortgage; and

WHEREAS, at the request of the Corporation, the City will issue and deliver the Bonds, maturing and payable in full on or before February 1, 2032, under and pursuant to the Bond Resolution; and

WHEREAS, the City will loan the proceeds of the Bonds to the Corporation to be used to pay a portion of the costs to construct and equip thereon an approximately 68,000 square foot Cirrus Completion Center Expansion Project, which is expected to be used for painting and finishing operations for the Corporation's airplane product lines, including preparing the Corporation's new vision SF50 personal jet, along with infrastructure and amenities, all to be located at 4926 Airport Road in Duluth, Minnesota, and to pay costs associated with the financing of the foregoing activities pursuant to the Loan Agreement; and

WHEREAS, the Corporation has a leasehold estate in the Land; and

WHEREAS, the Corporation has agreed to mortgage and grant a security interest in its interest in the Land, and its interest in the balance of the Mortgaged Property, to secure its obligations under the Loan Agreement, including its obligation to make Loan Repayments at times and in amounts sufficient to pay when due the Loan Repayments under the Loan Agreement.

NOW, THEREFORE, in consideration of the Lender making the Loan to the Corporation pursuant to the Loan Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to secure the due and punctual payment of any and all liabilities of the Corporation under the Loan Agreement, including (without limitation) Loan Repayments in the amounts and at times set out in the Loan Agreement, to secure the payment of all fees and expenses and advances of the City under the Loan Agreement and to secure performance of all the covenants and agreements of the Corporation set forth in the Loan Agreement, the Corporation covenants and agrees as follows:

ARTICLE I – DEFINITIONS

Section 1.1 Definitions. Unless the context otherwise requires, the terms defined in this Article I and in the recitals and succeeding Articles of this Mortgage shall, for all purposes of this Mortgage, have the meanings specified below, such definitions to be equally applicable to both the singular and plural and masculine and feminine forms of any of the terms defined.

Assignment of Contracts: the collateral Assignment of Construction Contracts and Plans dated the Closing Date, from the Corporation to the Lender.

Award: all proceeds of any taking of or damage to, or any sale in lieu of a taking of, any portion of the Facilities under or pursuant to the power of condemnation or eminent domain to which the Corporation is entitled, and all insurance proceeds from damage to the Facilities to which the Corporation is entitled.

Bankruptcy Code: Title 11 of the United States Code (11 U.S.C. §§ 101-1330), as amended.

Bonds: the \$_____ Taxable General Obligation Tax Abatement Bonds, Series 2016__, dated _____, 20__, as the date of original issue, issued by the City pursuant to the Bond Resolution.

Bond Resolution: the Resolution Authorizing the Issuance, Sale and Delivery of \$_____ Taxable General Obligation Tax Abatement Bonds, Series 2016__, Establishing the Terms and Form Thereof, Creating a Debt Service Fund Therefor and Awarding the Sale Thereof, approved by the City Council on _____, 2016.

Building: the approximately 68,000 square foot Cirrus Completion Center Expansion Project to be constructed on the Land.

Cirrus Equipment: those items described as the Cirrus Equipment in the Loan Agreement.

City: the City of Duluth, Minnesota, a home rule charter city and political subdivision of the State of Minnesota, in its capacity as the issuer of the Bonds.

Closing Date: _____, 2016.

Construction Contracts and Plans: the plans, specifications, drawings and related documents on all construction work to be performed for the completion of the Project including, without limitation, the architect's contract, the engineer's contract and the construction manager's contract, and the warranties provided thereby.

Corporation: Cirrus Design Corporation, a Wisconsin corporation, its successors and assigns.

(a) Development Agreement: the Development Agreement between the City and the Corporation dated December ____, 2015, and its exhibits, as may be amended, restated, supplemented or otherwise modified from time to time.

Event of Corporation Bankruptcy: has the meaning given in Section 5.5(1) of this Mortgage.

Event of Default: the occurrence of any of the events specified in Section 2.3 hereof, as to which any requirement for notice or lapse of time (or both) has been satisfied.

Environmental Laws: any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to or governing the generation, handling, labeling, storage, transport or disposal of Hazardous Substances.

Facility or Facilities: has the meaning given in Section 2.1(2) of this Mortgage.

Fixtures: all fixtures owned by the Corporation and attached to the Facility which were constructed or installed with the original construction of the Facility or any fixtures which replaced such original fixtures, and does not include any of the Cirrus Equipment which constitutes a fixture.

Guaranties: the Guaranties from the Guarantors.

Guarantors: means, collectively, all of Cirrus Industries, Inc.; Superior Aerospace Insurance Company; The-Jet Company; Dakota Aircraft; Aileron, LLC; Cirrus Aircraft Corporation; and a) Related or Affiliated Entities (as that term is defined in the Development Agreement) and, b) entities to the which the Ground Lease or Building have been transferred or sold as part of an organization acquisition or merger pursuant to Article III of the Development Agreement.

Ground Lease: has the meaning given in Section 2.1(1) of this Mortgage.

Ground Lessor: the Duluth Airport Authority, an authority created and existing under the Laws of Minnesota, 1969, Chapter 577, as amended.

Hazardous Substances: any dangerous, toxic or hazardous pollutants, contaminants, chemicals, wastes, materials or substances, as defined in or governed by the provisions of the Federal Resource Conservation and Recovery Act of 1976, the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, and/or the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. § 6901 et seq. and 42 U.S.C. § 9601 et seq.), as amended, or any other Environmental Laws, and also including urea-formaldehyde, polychlorinated biphenyls, dioxin, radon, asbestos, asbestos containing materials, nuclear or radioactive fuel or waste, infectious waste, and petroleum, including but not limited to crude oil or any fraction thereof, natural gas, natural gas liquids, gasoline and synthetic gas or any other waste, substance, pollutant or contaminant which would subject the owner of the Land to any damages, penalties or liabilities under any applicable law, statute, code, ordinance, regulation, requirement or rule.

Land: has the meaning given in Section 2.1(1) of this Mortgage.

Lender: the City of Duluth, Minnesota, a home rule charter city and political subdivision of the State of Minnesota, in its capacity as the lender under the Loan Agreement.

Loan: the loan by the Lender to the Corporation of the Proceeds pursuant to the Loan Agreement.

Loan Agreement: the loan agreement, dated the Closing Date, between the Lender and the Corporation, including any amendment hereof or supplement hereto.

Loan Documents: this Mortgage, the Loan Agreement, the Development Agreement, the Assignment of Contracts, the Ground Lease, the Guaranties, the Parity Agreement and any documents referred to in the aforementioned documents.

Loan Repayments: the payments required of the Corporation pursuant to Sections 3.2 and 3.3 of the Loan Agreement.

Mortgage: this Leasehold Mortgage Agreement dated the Closing Date, from the Corporation to the Lender, including any amendment thereof or supplement thereto.

Maturity Date: means September 1, 2030.

Mortgaged Property: has the meaning given in Section 2.1 of this Mortgage.

Obligations: has the meaning given in Section 2.2 of this Mortgage. Without limiting the foregoing, the “Obligations” specifically include the obligations of the Corporation under the Loan Agreement and the other Loan Documents to perform the covenants and agreements contained therein and in any modification, extension or amendment thereof.

Parity Agreement: the parity agreement by and between the Corporation and the Lender acknowledged and consented to by Minnesota Department of Employment and Economic Development, dated the Closing Date.

Permitted Encumbrances: has the meaning given in Section 3.2 of this Mortgage.

Proceeds: the \$_____ proceeds of the Bonds, including amounts used by the City to pay the costs of issuance of the Bonds and capitalized interest to pay the August 1, 2016 and February 1, 2017 interest payments on the Bonds.

Project: acquisition of a leasehold interest in the Land by the Corporation and constructing the Building thereon, which is expected to be used for painting and finishing operations for the Corporation’s airplane product lines, including the Corporation’s new Vision SF50 personal jet, to be constructed on the Land and together with infrastructure and amenities, including relocating sanitary sewer and power lines, asphalt paving of roads and curb and gutter and the NEPA study. The term “Project” does not include the Cirrus Equipment.

State: State of Minnesota.

UCC: the Uniform Commercial Code as in effect in the State, as the same may be amended from time to time.

ARTICLE II – MORTGAGE AND SECURITY INTEREST

Section 2.1 Mortgage and Security Interest. The Corporation, in consideration of the making of the Loan and other good and lawful consideration, the receipt of which is hereby acknowledged by the Lender, and to secure, and as security for, the Obligations, by these presents does hereby sell, mortgage, convey, grant, assign, transfer, pledge, set over and confirm unto the Lender, its successor and successors and its or their assigns forever, with power of sale, and grant

a lien and security interest in, the Corporation's interest in the Mortgaged Property, consisting of all and singular the following-described premises and property and the proceeds thereof:

(1) All of its right, title, and interest in and to that certain Ground Lease, dated _____ (the "Ground Lease") by and between the Corporation, as lessee, and the Ground Lessor, relating to the lease of the land, as legally described in **Exhibit A** (the "Land") attached hereto and made a part hereof as though set forth in full herein, including the interest of the Corporation, if any, in and to (i) all modifications, extensions and renewals of the Ground Lease and in and to all rights to renew or extend the term thereof; and (ii) all other options, credits, security, deposits, privileges and rights granted and demised to the Corporation in the Ground Lease;

(2) All buildings, structures, improvements and appurtenances now standing or at any time hereafter constructed or placed upon the Land, or any part thereof, including all right, title and interest of the Corporation in and to all building materials, plans and fixtures of every kind and nature whatsoever on the Land or in any building, structure or improvement now or hereafter standing on the Land, or any part thereof, it being the intention of the parties hereto that so far as may be permitted by law all tangible property now owned or hereafter acquired by the Corporation and affixed or attached to the Land shall be deemed to be, and shall be considered as, fixtures and appurtenances to the Land (hereinafter, the "Facilities"); notwithstanding anything contained herein, it is understood and agreed that, under no circumstances shall any liens created hereunder attach to equipment, inventory, parts or supplies intended for or utilized in production and separately financed by the Corporation;

(3) To the extent granted and demised to the Corporation in the Ground Lease, the reversion or reversions, remainder or remainders, in and to the Land and each and every part thereof, together with the entire interest of the Corporation in and to all and singular the tenements, hereditaments, easements, rights, privileges and appurtenances to the Land belonging or in any way appertaining thereto;

(4) All rights, title and interest of the Corporation, if any, in and to any streets, ways or alleys adjoining the Land or any part thereof, and all the estate, right, title, interest, claim or demand whatsoever of the Corporation, if any, either in law or in equity, in possession or expectancy, of, in and to said real estate;

(5) An Award; and

(6) All leases of all or any portion of the Facilities.

TO HAVE AND TO HOLD the Mortgaged Property unto the Lender and its successors and assigns forever;

SUBJECT, NEVERTHELESS, to Permitted Encumbrances and the Parity Agreement;

PROVIDED, NEVERTHELESS, and these presents are upon the express condition, that if the Corporation or its successors or assigns shall well and truly pay or cause to be paid by the Maturity Date the Obligations according to the terms thereof (which are by reference incorporated

herein and made a part hereof with the same effect as if it were set forth in full herein), and shall also pay or cause to be paid all other sums payable with respect to the Obligations and shall faithfully and punctually perform all other conditions, covenants and agreements set forth in the Loan Agreement, then these presents and the estate, lien, security interests and rights hereby granted shall cease, determine and become void, and thereupon the Lender, on payment of its lawful charges and disbursements then unpaid, on demand of the Corporation and upon the payment of the cost and expenses thereof, shall duly execute, acknowledge and deliver to the Corporation such instruments of satisfaction or release in respect of the Mortgaged Property as may be necessary or proper to discharge this Mortgage of record, and if necessary shall grant, reassign and deliver to the Corporation, its successors or assigns all and singular the property and interest by it hereby granted, conveyed, mortgaged and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as in the Loan Agreement provided, otherwise this Mortgage shall be and remain in full force;

And the Corporation, for itself, its successors and assigns, does covenant with and warrant to the Lender, its successors and assigns, that it is lawfully seized of the leasehold interest in the Land granted pursuant to the Ground Lease; that the Ground Lease is a valid and subsisting lease of the Land for the term therein set forth, is in full force and effect, has not been modified and no defaults by the Ground Lessor or the Corporation exist thereunder; that it has good right and title to sell and convey its interest in the Mortgaged Property, and that its interest in the Land and the Facilities are and will be free from all encumbrances except the Permitted Encumbrances, that the Corporation will quietly enjoy and possess the same, and that the Corporation will warrant and defend the title to the same against all lawful claims not specifically excepted in this Mortgage.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto that all of the Mortgaged Property is to be held and applied, subject to the further covenants, agreements and conditions set forth in the Loan Agreement and herein.

Section 2.2 Payments and Performances Secured. This Mortgage shall cover and secure the following (collectively, the “Obligations”):

- (1) payment of any and all amounts payable by the Corporation under the Loan Agreement, including the Loan and all Loan Repayments; and
- (2) performance of each covenant, agreement or condition of the Corporation herein and in the Loan Agreement and all other Loan Documents.

Section 2.3. Events of Default

It shall be an Event of Default under this Mortgage if (a) the Corporation shall fail to make any Loan Repayments due under the Loan Agreement; (b) an Event of Default (as defined therein) shall occur under the Loan Agreement or any of the Loan Documents; (c) the Corporation shall fail to comply with or perform any of the other terms, conditions or covenants of this Mortgage and such default shall continue for a period of more than 30 days after written notice of default from the Lender to the Corporation; (d) any representation or warranty made by the Corporation in any financial statements, reports, or the Loan Documents is untrue in any material respect; (e) the Corporation shall file a

petition in bankruptcy or for reorganization or for an arrangement pursuant to the Bankruptcy Code, or shall be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors or shall admit in writing its inability to pay their debts generally as they become due, or if a petition or answer proposing the adjudication of the Corporation as a bankrupt or its reorganization under the Bankruptcy Code not be discharged or denied within 90 days after the filing thereof, or a receiver, trustee or liquidator of the Corporation, or of the Mortgaged Property, shall be appointed in any proceeding brought against the Corporation and shall not be discharged within 90 days after such appointment or if the Corporation shall consent to or acquiesce in such appointment; or (f) the Corporation shall be dissolved, liquidated or wound up.

(b) **Section 2.4 Remedies Upon Event of Default.**

(1) Acceleration. Upon the occurrence of an Event of Default, the Lender may, in the Lender's sole discretion, accelerate all indebtedness secured hereby, which shall become immediately due and payable in full, without advance notice or declaration to the Corporation. The indebtedness shall be due and payable without presentment, demand or further notice of any kind; provided, however, that any statutory rights of reinstatement are not waived and shall continue to exist.

(2) Receiver. If one or more Events of Default shall have occurred and be continuing, the Lender shall be entitled to exercise any or all of the remedies set forth or provided in the Loan Agreement, including, but not limited to, petitioning a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate the Facilities for the benefit of the Lender and including but not limited to declaring all outstanding indebtedness under the Loan Agreement immediately due and payable without notice, and the Lender is hereby authorized and empowered to proceed to protect and enforce its rights by a suit or suits in equity or at law for the specific performance of any covenant or agreement contained herein, in the Loan Agreement or in any other instrument which refers to or secures the Loan Agreement, or in aid of the execution of any right, power or remedy herein or therein granted, or for the foreclosure of this Mortgage, or for damages, or to collect the indebtedness secured hereby, or for the enforcement of any other appropriate legal, equitable, statutory or contractual remedy.

(3) UCC Remedies. The Lender, in exercising its rights hereunder, shall also have, without limitation, all of the rights and remedies provided by the UCC, including the right to proceed under the UCC provisions governing default as to any Fixture which may be included separately from the Land or to proceed as to any or all of such Fixtures in accordance with its rights and remedies in respect of the Land. If the Lender should elect to proceed separately as to any such Fixtures, the Corporation agrees to make such Fixtures available to the Lender at a place or places reasonably acceptable to the Lender, and, if any notification of intended disposition of any of such Fixtures is required by law, such notification shall be deemed commercially reasonable and reasonably and properly given if mailed at least 10 days before such disposition in the manner provided in the Development Agreement.

(4) Books and Records. Upon the occurrence of any Event of Default, the Corporation shall deliver and surrender to the Lender all books and records maintained by the Corporation in connection with the management and/or operation of the Facilities.

(5) Lender's Right to Foreclose. Upon the occurrence of an Event of Default, the Lender shall have the right to foreclose this Mortgage by action or advertisement upon written notice thereof to the Corporation, all in accordance with and in the same manner prescribed by law, and out of the proceeds arising from sale and foreclosure to retain all such sums of money as the Lender shall have expended or advanced pursuant to this Mortgage or pursuant to statute, together with interest thereon as herein provided, and all costs and expenses of such foreclosure, including attorney's fees, with the balance, if any, to be paid to the persons entitled thereto by law. The Lender shall have the right to sell the Land at public auction and convey the same to the purchaser as provided by law, and the Corporation shall remain liable for any deficiency. Said sale may be as one tract or parcel, or otherwise, at the sole option of the Lender. The Corporation and the Lender agree that upon or any time after the commencement of the period of redemption, if any, after foreclosure of this Mortgage, the Ground Lessor shall have the right to exercise any and all rights of redemption pursuant to Minnesota Statutes, Chapters 580 and 581.

(6) Expenses of Exercising Default Rights, Powers and Remedies. The reasonable expenses (including any receiver's fees, attorneys' fees, appraisers' fees, environmental engineers' and/or consultants' fees, costs incurred for documentary and expert evidence, stenographers' charges, publication costs, costs (which may be estimated as to items to be expended after entry of the decree of foreclosure) of procuring all abstracts of title, continuations of abstracts of title, title searches and examinations, title insurance policies and commitments and extensions thereof, UCC and chattel lien searches, and similar data and assurances with respect to title as the Lender may deem reasonably necessary either to prosecute any foreclosure action or to evidence to bidders at any sale which may be had pursuant to any foreclosure decree the true condition of the title to or the value of the Mortgaged Property, and agent's compensation) incurred by the Lender after the occurrence of any Event of Default and/or in pursuing the rights, powers and remedies contained in this Mortgage shall be immediately due and payable by the Corporation, with interest thereon from the date incurred at the Default Rate (as defined in the Loan Agreement), and shall be added to the indebtedness secured by this Mortgage. If an Event of Default occurs and the Lender employs attorneys or incurs other expenses for the foreclosure of this Mortgage or the enforcement or performance of any obligation of the Corporation hereunder, the Corporation will, on demand of the Lender, pay to the Lender the reasonable fees of such attorneys and such other expenses so incurred.

Section 2.5 Right of Entry.

If the Lender exercises one of the remedies provided in Section 2.4 hereof, pursuant to foreclosure of this Mortgage, the Lender may then or at any time thereafter take complete and peaceful possession of the Mortgaged Property or any portion thereof, with or without process of law, and may remove all persons therefrom, and the Corporation covenants in any such event peacefully and quietly to yield up and surrender the Mortgaged Property or such portion thereof to the Lender.

(c) Section 2.6 Assignment of Rents and Revenues.

As additional security for the debt secured by this Mortgage, the Corporation does hereby bargain, sell, assign and set over unto the Lender all rents, profits and other income or revenue of any kind which, whether before or after foreclosure or during the full statutory period of

redemption, if any, shall accrue and be owing for the use or occupation of the Mortgaged Property or any part thereof. This assignment may be enforced by the Lender at any time during the existence of an Event of Default, without regard to the adequacy of the security hereof or the solvency of the Corporation, by any one or more of the following methods: (i) the appointment of a receiver; (ii) the Lender's taking possession of the Mortgaged Property; (iii) the collection by the Lender of any moneys payable under leases, purchase agreements or rental agreements directly from the parties obligated to make such payment; (iv) the obtaining of an injunction; and (v) any other method permitted by law. This assignment shall constitute a perfected, absolute and present assignment; provided, however, that the Corporation shall have the right to collect the rents and to retain, use and enjoy the same unless and until an Event of Default occurs hereunder. Receipt by the Lender of rents, issues, profits and deposits shall not constitute a waiver of any right that the Lender may have under this Mortgage or under the laws of the State of Minnesota, nor shall the receipt and application thereof cure any Event of Default nor affect any foreclosure proceeding or any sale authorized by this Mortgage and the laws of the State of Minnesota.

ARTICLE III – REPRESENTATIONS, COVENANTS, PERMITTED ENCUMBRANCES

Section 3.1 Warranty of Title. The Corporation hereby covenants and warrants that it is and will continue to be well and truly seized of good and merchantable leasehold title to the Land and good and merchantable title to the remainder of the Mortgaged Property, and that it has good right and lawful authority to convey and grant a lien and security interest in the same to the Lender and that the title, lien and security interest hereby conveyed is and will during the term hereof be free, clear and unencumbered subject, however, only to the Permitted Encumbrances. The Corporation covenants and agrees to warrant and defend its good and merchantable leasehold title to the Land and its good and merchantable title to the remainder of the Mortgaged Property (subject to Permitted Encumbrances) and its good right and lawful authority to grant a lien and security interest in the same to the Lender. The Corporation further warrants and represents that the Land is neither agricultural property, property in agricultural use, nor the homestead of the Corporation. The Corporation represents, warrants and covenants to and with the Lender that: (a) all buildings, structures and other improvements now or hereafter located on the Land are, or will be, located entirely within the boundaries of the Land and are set back from said boundaries in accordance with all applicable zoning and "set-back" laws and ordinances; and (b) the present use of the Mortgaged Property complies with all applicable zoning laws and ordinances.

Section 3.2 Permitted Encumbrances. The Permitted Encumbrances are as follows:

(1) liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested in accordance with Paragraph A of Article XVIII of the Development Agreement;

(2) utility, access and other easements and rights-of-way, restrictions, restrictive covenants and exceptions that the Corporation certifies to the Lender will not interfere with or impair the operation of the Mortgaged Property, or, if it is not being operated, the operation for which it was designed or last modified;

(3) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such

lien is being contested in accordance with Paragraph A of Article XVIII of the Development Agreement;

(4) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Mortgaged Property and which the Corporation certifies to the Lender do not materially impair the property affected thereby for the purpose for which it was intended;

(5) zoning laws;

(6) liens arising in connection with workers' compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, social security legislation, undetermined liens and charges incidental to construction, or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in accordance with Paragraph A of Article XVIII of the Development Agreement, and such other liens and charges at the time required by law as a condition precedent to the transaction of the health care and housing activities of the Corporation or the exercise of any privileges or licenses necessary to the Corporation; and

(7) exceptions, easements, restrictions and encumbrances shown as of the date of this Mortgage on **Exhibit B** hereto.

(d) **Section 3.3 Compliance With Environmental Laws; Indemnity.**

(1) With the exception of the storage, use and disposal of reasonable quantities of substances which are normally used in or result from the operation of the businesses being lawfully conducted within the Facilities in accordance with the provisions of the Development Agreement (hereinafter called "Permitted Substances"), all of which shall be properly contained, stored, handled, used and disposed of in accordance with all Environmental Laws, the Corporation shall not place, locate, produce, generate, create, store, treat, handle, transport, incorporate, discharge, emit, spill, release, deposit or dispose of any Hazardous Substance in, upon, under, over or from the Mortgaged Property and, with the exception of the storage, use and disposal of reasonable quantities of Permitted Substances, which shall be properly contained, stored, handled, used and disposed of in accordance with all applicable Environmental Laws, shall not permit any Hazardous Substance to be placed, located, produced, generated, created, stored, treated, handled, transported, incorporated, discharged, emitted, spilled, released, deposited, disposed of or to escape therein, thereupon, thereunder, thereover or therefrom; and the Corporation shall comply with all Environmental Laws which are applicable to the Mortgaged Property.

(2) With the exception of reasonable quantities of Permitted Substances which are being contained, stored, handled, used and disposed of in accordance with all applicable Environmental Laws, the Corporation agrees to promptly and properly remove and dispose of any Hazardous Substance found on or in the Mortgaged Property and to clean up and detoxify the Mortgaged Property after any such removal, all at the Corporation's sole cost and expense and in compliance with all applicable Environmental Laws.

(3) At any time, and from time to time, if the Lender so requests after the Lender has received notice or information that would cause the Lender to believe that there is any

environmental liability with respect to the Mortgaged Property, the Corporation shall have any environmental assessment, review, audit and/or report relating to the Mortgaged Property heretofore provided by the Corporation to the Lender updated and/or amplified, at the Corporation's sole cost and expense, by an engineer or scientist acceptable to the Lender, or shall have such an assessment, review, audit and/or report prepared for the Lender, at the Corporation's sole cost and expense, if none has previously been so provided.

(4) The Corporation shall indemnify the Lender, its directors, officers, officials, employees, agents, contractors, licensees, invitees, successors and assigns (hereinafter collectively referred to as "Indemnified Parties") against, shall hold the Indemnified Parties harmless from, and shall reimburse the Indemnified Parties for, any and all claims, demands, judgments, penalties, liabilities, costs, damages and expenses incurred by the Indemnified Parties, including court costs and attorneys' fees (prior to trial, at trial and on appeal), in any action, administrative proceeding or negotiations against or involving any of the Indemnified Parties, resulting from any breach of the foregoing covenants, from a failure by the Corporation to perform any of its obligations hereunder with respect to any Hazardous Substance, or from the discovery of any Hazardous Substance in, upon, under or over, or emanating from, the Mortgaged Property, it being the intent of the Corporation that the Indemnified Parties shall have no liability for damage or injury to human health, the environment or natural resources caused by, for abatement, clean-up, removal or disposal of, or otherwise with respect to, Hazardous Substances by virtue of the interest of the Lender in the Mortgaged Property created hereby or as the result of the Lender exercising any of its rights or remedies with respect thereto hereunder, including but not limited to becoming the owner of the Mortgaged Property by foreclosure or conveyance in lieu of foreclosure.

(5) The foregoing covenants, representations and warranties of this Section shall be deemed continuing covenants, representations and warranties for the benefit of the Indemnified Parties, including but not limited to any purchaser at a foreclosure sale, any transferee of the title of the Lender or any other purchaser at a foreclosure sale, and any subsequent owner of the Mortgaged Property claiming by, through or under the Lender, and shall survive the satisfaction or release of this Mortgage, any foreclosure of this Mortgage and/or any acquisition of title to the Mortgaged Property or any portion thereof by the Lender, or by anyone claiming by, through or under the Lender, by deed in lieu of foreclosure or otherwise. Any amounts covered by the foregoing indemnification shall bear interest from the date paid by an Indemnified Party at eight percent shall be secured hereby.

Section 3.4 Compliance With Other Laws and Restrictions. The Corporation shall comply with all present and future laws, statutes, ordinances, codes, rules, regulations and requirements of any governmental authority having or claiming jurisdiction with reference to the Mortgaged Property and the manner of leasing, using, operating or maintaining the same, including but not limited to the provisions of Minnesota Statutes, Chapter 504B, as now existing or as hereafter amended, if applicable, and with all private covenants and restrictions, if any, affecting the title to the Mortgaged Property, or any part thereof.

Section 3.5 General Waivers/Marshalling. The Corporation hereby waives to the full extent lawfully allowed the benefit of any appraisal, evaluation, stay and extension laws now or hereafter in force. The Corporation, any party who consents to this Mortgage and any party who now or hereafter acquires a lien on the Mortgaged Property and who has actual or

constructive notice of this Mortgage, hereby waives any rights available with respect to marshaling of assets so as to require the separate sales of any portion of the Mortgaged Property, or as to require the Lender or any other person to exhaust its remedies against a specific portion of the Mortgaged Property before proceeding against the other and does hereby expressly consent to and authorize the sale of the Mortgaged Property or any part thereof as a single unit or parcel.

Section 3.6 Addition of Improvements and Land to Lien of Mortgage. All buildings, structures or improvements which may be acquired or constructed by the Corporation subsequent to the date hereof and which are located on the Land, and all property of every kind or nature added to or installed in any building, structure or improvement located on the Land, and all Fixtures acquired by the Corporation after the date hereof, shall, immediately upon the acquisition thereof by the Corporation, and without any further conveyance or assignment, become subject to the mortgage, lien and security interest of this Mortgage, subject to Article IV hereof. Nevertheless, the Corporation will do, execute, acknowledge and deliver all and every such further acts, conveyances and assurances as the Lender shall require for accomplishing the purposes of this Section.

Section 3.7 Further Assurances. The Corporation shall procure, do, execute, acknowledge and deliver each and every further act, deed, conveyance, transfer, document and assurance necessary or proper for the carrying out more effectively of the purposes of this Mortgage and, without limiting the foregoing, for granting, bargaining, selling, conveying, warranting, mortgaging, assigning, pledging and confirming unto the Lender all of the Mortgaged Property, including, without limitation, the preparation, execution and filing of any documents, such as financing statements and continuation statements, deemed advisable by the Lender for perfecting and maintaining its lien on and security interest in the Mortgaged Property.

ARTICLE IV – CIRRUS EQUIPMENT

To the extent that any of the items described in the Cirrus Equipment constitute fixtures, the Lender claims no security interest in such Cirrus Equipment.

ARTICLE V – GROUND LEASE

Section 5.1 Compliance with Terms of Ground Lease. The Corporation shall (i) promptly perform and observe all of the terms, covenants and conditions required to be performed and observed by the Corporation under the Ground Lease and do all things necessary to preserve and to keep unimpaired its rights thereunder, (ii) promptly notify the Lender of any default by the Corporation under the Ground Lease in the performance of any of the terms, covenants or conditions on the part of the Corporation to be performed or observed thereunder or of the giving of any notice by the Ground Lessor to the Corporation of the Ground Lessor's intention to end the term thereof, and (iii) promptly cause a copy of each such notice given by the Ground Lessor to the Corporation to be delivered to the Lender.

Section 5.2 Notices Under Ground Lease. The Corporation shall deliver to the Lender, (A) within five days after the Corporation's receipt, a true and correct copy of each notice, demand, complaint or request from the Ground Lessor under the Ground Lease, under, or with respect to, the Ground Lease and (B) promptly after delivery by the Corporation, a true and correct

copy of each notice, demand, complaint or request from the Corporation, as lessee, under, or with respect to, the Ground Lease.

Section 5.3 Lender May Cure. If the Corporation shall fail promptly to perform or observe any of the terms, covenants or conditions required to be performed by it under the Ground Lease, including, without limitation, payment of all rents due thereunder, the Lender may take such action as is appropriate to cause such terms, covenants or conditions to be promptly performed or observed on behalf of the Corporation but no such action by the Lender shall release the Corporation from any default under this Mortgage or any other Loan Document. Upon receipt by the Lender from the Ground Lessor or the Corporation of any notice of default by the Corporation under the Ground Lease, the Lender may rely thereon and take any action as aforesaid to cure such default even though the existence of such default or the nature thereof be questioned or denied by the Corporation or by any party on behalf of the Corporation.

Section 5.4 Covenants to Protect the Leasehold Estate Pursuant to the Ground Lease. The Corporation shall not, without the written consent of the Lender (which may be given or withheld by the Lender in its sole and absolute discretion), (i) surrender the leasehold interest or any other interest under the Ground Lease or terminate or cancel the Ground Lease, (ii) amend, modify or change the Ground Lease, either orally or in writing, or waive any of the Corporation's rights under the Ground Lease, (iii) subordinate the Ground Lease or any interest of the Corporation pursuant to the Ground Lease to any mortgage or other lien, or (iv) reject or assume the Ground Lease or assign the leasehold estate pursuant to the Ground Lease pursuant to Section 365(h) of the Bankruptcy Code. The Corporation absolutely and unconditionally transfers and assigns to the Lender all of the Corporation's rights to surrender, terminate, cancel, modify and change the Ground Lease, and any such surrender, termination, cancellation, modification or change made without prior written consent of the Lender shall be void and have no legal affect.

Section 5.5 Bankruptcy Provisions.

(1) The Corporation assigns to the Lender, as additional security for the Obligations, the Corporation's right to reject the Ground Lease under Section 365 of the Bankruptcy Code after the occurrence of an Event of Corporation Bankruptcy. As used herein an "Event of Corporation Bankruptcy" means either of the following actions taken by or with respect to the Corporation: (i) the Corporation pursuant to or within the meaning of the Bankruptcy Code (a) commences a voluntary case, or (b) consents to the entry of an order for relief against it in an involuntary case; or (ii) a court of competent jurisdiction enters an order or decree under the Bankruptcy Code that is for relief against the Corporation in an involuntary case.

(2) If, after the occurrence of an Event of Corporation Bankruptcy, the Corporation decides to reject the Ground Lease, the Corporation shall give the Lender written notice, at least 10 days in advance, of the date on which the Corporation intends to apply to the Bankruptcy Court for authority and permission to reject the Ground Lease. The Lender shall have the right, but not the obligation, within 10 days after receipt of the Corporation's notice, to deliver to the Corporation a notice ("Lender's Assumption Notice") in which (i) the Lender demands that the Corporation assume the Ground Lease and assign the Ground Lease to the Lender or its designee, in accordance with the Bankruptcy Code, and (ii) the Lender agrees to cure or provide adequate assurance of prompt cure of all the Ground Lease defaults reasonably susceptible of being cured by the Lender

and of future performance under the Ground Lease. If the Lender timely delivers the Lender's Assumption Notice to Corporation, the Corporation shall not reject the Ground Lease and shall, within 15 days after receipt of the Lender's Assumption Notice, comply with the demand contained in clause (i) of the Lender's Assumption Notice. If the Lender does not timely deliver the Lender's Assumption Notice to the Corporation, the Corporation shall have the right to reject the Ground Lease.

(3) If, after the occurrence of an Event of Ground Lessor Bankruptcy, the Ground Lessor rejects the Ground Lease pursuant to Section 365(h) of the Bankruptcy Code (i) the Corporation immediately after obtaining notice of the rejection, shall deliver a copy of the notice to the Lender, (ii) the Corporation shall not without the Lender's prior written consent, which may be given or withheld in the Lender's sole and absolute discretion, elect to treat the Ground Lease as terminated pursuant to Section 365(h) or any other applicable provision of the Bankruptcy Code, and (iii) this Mortgage and the lien created by this Mortgage shall extend to and encumber the Corporation's retained rights under the Ground Lease that are appurtenant to the Mortgaged Property for the balance of the term of the Ground Lease and for any renewal or extension of those rights under the Ground Lease. The Corporation transfers and assigns to the Lender, as additional security for the Obligations, the Corporation's rights, after Ground Lessor's rejection of the Ground Lease, to treat the Ground Lease as terminated, and any termination of the Ground Lease made by the Corporation without the Lender's prior written consent shall be void and have no legal affect. As used herein, an "Event of Ground Lessor's Bankruptcy" means either of the following actions taken with respect to the Ground Lessor (i) the Ground Lessor, pursuant to or within the meaning of the Bankruptcy Code (a) commences a voluntary case, or (b) consents to the entry of an order for relief against it in an involuntary case; or (ii) a court of competent jurisdiction enters an order or decree under the Bankruptcy Code that is for relief against Ground Lessor in an involuntary case

(4) The Corporation transfers and assigns to the Lender, as additional security for the Obligations, all of the Corporation's rights to damages caused by Ground Lessor's rejection of the Ground Lease after the occurrence of an Event of Ground Lessor Bankruptcy and all of the Corporation's rights to offset such damages against rent payable under the Ground Lease. As long as no Event of Default has occurred and is continuing, the Lender agrees that it will not enforce its rights under the preceding sentence, but will permit the Corporation to exercise such rights with the Lender's prior written consent.

Section 5.6 No Release from Mortgage. No release or forbearance of any of the Corporation's obligations under the Ground Lease, pursuant to the Ground Lease or otherwise, shall release the Corporation from any of its obligations under this Mortgage or any other Loan Document.

Section 5.7 No Merger. The fee title to the Land demised by the Ground Lease and the leasehold estate shall not merge, but shall always remain separate and distinct, notwithstanding the union of the aforesaid estates either in the Ground Lessor or the Corporation under the Ground Lease or in a third party by purchase or otherwise.

Section 5.8 Performance by Ground Lessor. The Corporation shall enforce the obligations of the Ground Lessor under the Ground Lease to the end that the Corporation may

enjoy all of the rights granted to it under the Ground Lease, and will promptly notify the Lender of any default by the Ground Lessor, or by the Corporation as lessee, in the performance or observance of any of the terms, covenants and conditions on the part of the Ground Lessor or the Corporation, as the case may be, to be performed or observed under the Ground Lease. The Corporation will promptly advise the Lender of the occurrence of any of the events of default enumerated in the Ground Lease and of the giving of any notice by the Ground Lessor to the Corporation of any default by the Corporation, as lessee, in the performance or observance of any of the terms, covenants or conditions of the Ground Lease on the part of the Corporation to be performed or observed and will deliver to the Lender a true copy of each such notice. If, pursuant to the Ground Lease, the Ground Lessor shall deliver to the Lender a copy of any notice of default given to the Corporation, as lessee, such notice shall constitute full authority and protection to the Lender for any action taken or omitted to be taken by the Lender with respect to any default referred to in any such copy of notice of default delivered to the Lender.

Section 5.9 New Lease. If (i) the Ground Lease is cancelled or terminated for any reason before the natural expiration of its term, and (ii) the Lender (or its designee) obtains from the Ground Lessor a new lease in accordance with the terms of the Ground Lease or any other agreement entered into by the Lender and the Ground Lessor, the Corporation shall have no right, title or interest in or to the new lease or the leasehold interest created by the new lease.

Section 5.10 Appointment of Lender as an Attorney-in-Fact. The Corporation makes, constitutes and appointments the Lender as the Corporation's attorney-in-fact in the Corporation's name, place and stead with full power of substitution for the limited purpose of taking all actions and signing all documents and instruments which the Lender, in its sole and absolute discretion, considers to be necessary or desirable to (i) prevent or cure a default under the Ground Lease, (ii) perform or carry out any of the Corporation's covenants under the Ground Lease, (iii) appoint arbitrators and conduct arbitration proceedings pursuant to the Ground Lease, if provided in the Ground Lease, and (iv) request and obtain estoppel certificates or other assurances from the Ground Lessor pursuant to the Ground Lease. The Corporation gives and grants to the Lender, as the Corporation's attorney-in-fact for the foregoing purpose, full power and authority to do and perform every act and sign every document and instrument necessary and proper to be done in the exercise of the foregoing powers as fully as the Corporation might or could do, and the Corporation hereby ratifies and confirms all acts that the Lender as the Corporation's attorney-in-fact shall lawfully do or cause to be done by virtue of this power of attorney. This power of attorney, being coupled with an interest, shall be irrevocable as long as any of the Obligations remains unpaid.

Section 5.11 Certificate from the Ground Lessor. The Corporation shall use commercially reasonable efforts to obtain from the Ground Lessor and deliver to the Lender, within 20 days after demand from the Lender, a statement in writing certifying that the Ground Lease is unmodified and in full force and effect and the dates to which the rent and other charges, if any, have been paid in advance, and stating whether or not, to the best knowledge of the signer of such certificate, the Corporation is in default in the performance of any covenant, agreement or condition contained in the Ground Lease, and, if so, specifying each such default of which the signer may have knowledge.

ARTICLE VI – MISCELLANEOUS

Section 6.1 Recording. The Corporation will at its own expense cause this Mortgage and all supplements hereto, and any other instruments of further assurances, to be promptly recorded, filed and registered, and at all times to be recorded, filed and registered, in such manner and in such places as may be required by law fully to preserve and protect the rights of the Lender hereunder as to all of the Mortgaged Property.

Section 6.2 Opinion of Counsel to Recording. The Corporation will furnish to the Lender promptly after the execution and delivery of each supplemental instrument of further assurance, an opinion of counsel or endorsement to the mortgagee's policy of title insurance stating that such supplemental instrument of further assurance has been properly recorded, filed and/or registered, or has been received for record, filing and/or registration, in each requisite jurisdiction so as to make effective the lien intended to be created thereby, and reciting the details of such actions, including the date or dates of such recordation, filing and/or registration or receipt for record, filing and/or registration, or stating that no such action is necessary to make such lien effective.

Section 6.3 Binding Effect. All terms, covenants, conditions and agreements of the Corporation contained herein or set forth in the Loan Agreement shall be binding upon the Corporation, its successors and assigns, and every covenant, condition and agreement herein contained or set forth in the Loan Agreement in favor of the Lender shall apply to and inure to the benefit of the Lender, its successors or assigns. This Mortgage is expressly made subject to all terms, conditions, covenants and agreements set forth in the Loan Agreement.

Section 6.4 Amendments. This Mortgage must be amended only in writing signed by the Corporation and the Lender.

Section 6.5 Use of Mortgaged Property. It is recognized by the parties hereto that unless and until an Event of Default shall have occurred and the Lender shall have exercised one of its remedies under Section 2.4 hereof, the Corporation shall have the unencumbered right to the use of the Mortgaged Property in the ordinary course of its business, subject only to the Ground Lease and the covenants, conditions and agreements contained in the Development Agreement.

Section 6.6 Fixture Filing. This instrument shall be deemed to be a Fixture Financing Statement within the meaning of the Minnesota UCC, Minnesota Statutes, Section 336.9-313, and for such purposes the following information is set forth:

- (1) Name and address of Debtor: Cirrus Design Corporation
Attn: General Counsel
4515 Taylor Circle
Duluth, MN 55811

With copy to:

Hanft Fride, P.A.
Attn: William M. Burns
130 West Superior Street #1000
Duluth, MN 55802

(2) Name and address of Secured Party:

City of Duluth
402 City Hall
411 West First Street
Duluth, MN 55802

(3) Description of the types (or items) of property covered by this Financing Statement:

The Fixtures as defined herein.

(4) Description of real estate to which collateral is attached or upon which is located:

See **Exhibit A** hereto.

(5) Name and address of record owner of real estate to which all or a part of the Mortgaged Property is attached or upon which it is located:

City of Duluth, City Hall, Room 402
411 West First Street
Duluth, MN 55802

Duluth Airport Authority
4701 Grinden Drive
Duluth, MN 55811

The above-described collateral is or is to become fixtures upon the above-described real estate, and this Financing Statement is to be filed for record in the real estate records of St. Louis County, Minnesota.

Section 6.7 [Reserved].

Section 6.8 Waiver of Jury Trial. The Corporation and the Lender each irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Mortgage or any of the other Loan Documents or the transactions contemplated hereby or thereby.

Section 6.9 Effect. This Mortgage is in addition and not in substitution for any other guarantees, covenants, obligations or other rights now or hereafter held by the Lender from any other person or entity in connection with the Bonds.

Section 6.10 No Consent. Nothing contained in this Mortgage shall constitute any consent or request by the Lender, express or implied, for the performance of any labor or services or for the furnishing of any materials or other property in respect of the Mortgaged Property or any part thereof, nor shall it be construed as giving the Corporation or any party in interest with the Corporation any right, power or authority to contract for or permit the performance of any labor services or the furnishing of any materials or other property in such fashion as would create any personal liability against the Lender in respect thereof, or would permit the making of any claim

that any lien based on the performance of such labor or services or the furnishing of any such materials or other property is prior to the lien of this Mortgage.

Section 6.11 Further Assurances. The Corporation shall execute and deliver to the Lender from time to time, on demand, such further instruments, security agreements, financing statements under the Uniform Commercial Code and assurances and shall do such further acts as Lender may require to carry out more effectively the purposes of this Mortgage and without limiting the foregoing, to make subject to the lien hereof any property agreed to be subjected hereto or covered by the granting clause hereof, or so intended to be. The Corporation shall pay any recording fees, filing fees, mortgage registry taxes, stamp taxes and other charges arising out of or incident to the filing or recording of this Mortgage and all documents collateral thereto.

Section 6.12 Miscellaneous Rights of Lender. Without affecting the liability of any party liable for payment of the Obligations or the performance of any obligation contained herein, and without affecting the rights of the Lender with respect to any security not expressly released in writing, the Lender may, at any time, and without notice to or the consent of the Corporation or any party with an interest in the Mortgaged Property or the Bonds (a) release any person or entity liable for payment of all or any part of the Obligations or for the performance of any obligation herein, (b) make any agreement extending the time or otherwise altering the terms of payment of all or any part of the Obligations or modifying or waiving any obligation, or subordinating, modifying or otherwise dealing with the lien or charge hereof, (c) accept any additional security, (d) release or otherwise deal with any property, real or personal, including any or all of the Mortgaged Property, including making partial releases of the Mortgaged Property, or (e) resort to any security agreements, pledges, contracts of guaranty, assignments of rents and leases or other securities, and exhaust any one or more of said securities and the security hereunder, either concurrently or independently and in such order as it may determine. No act or thing, except full payment of the Obligations and full performance by Lender, which but for this provision could act as a release, termination, satisfaction or impairment of this Mortgage shall in any way release, terminate, satisfy or impair this Mortgage.

Section 6.13 Care of Mortgaged Property; No Waste. The Corporation shall, at all times, keep and maintain the Mortgaged Property in good condition, repair and operating condition, and shall not commit, or suffer to be committed, any waste or misuse of the Mortgaged Property, and shall promptly repair, restore or replace, any buildings, improvements or structures now or hereafter placed or located on the Mortgaged Property which may become damaged or destroyed. The Corporation shall not, without the prior written consent of the Lender, which shall not be unreasonably withheld, (i) expand any improvements on the Mortgaged Property, (ii) erect any new improvements, (iii) remove or permit the removal of any buildings, structures or other improvements or fixtures, or (iv) otherwise make any material alterations in any improvements which will alter the basic structure, affect the market value, or change the existing architectural character of the Mortgaged Property, and the Corporation will complete within a reasonable time any structures which are now or at any time in the process of erection. The Corporation will not acquiesce in any rezoning classification, modification or public or private restriction which in any way limits or otherwise affects the Mortgaged Property, or any part thereof. The Corporation shall not vacate or abandon the Mortgaged Property.

Section 6.14 Mortgage Taxation. In the event of a court decree or an enactment after the date hereof by any legislative authority of any law imposing upon a Lender the payment of the whole or any part of the amounts herein required to be paid by the Corporation, or changing in any way the laws relating to the taxation of mortgages or debts secured by mortgages or a Lender's interest in the Mortgaged Property, so as to impose such imposition on the Lender or on the interest of the Lender in the Mortgaged Property, then, in any such event, the Corporation shall bear and pay the full amount of such imposition, provided that if for any reason payment by the Corporation of any such imposition would be unlawful, or if the payment thereof would constitute usury or render the Obligations wholly or partially usurious, the Lender, at its option, may declare the whole sum secured by this Mortgage with interest thereon to be immediately due and payable, without prepayment premium, or the Lender, at its option, may pay that amount or portion of such impositions as renders the Obligations unlawful or usurious, in which event the Corporation shall concurrently therewith pay the remaining lawful and nonusurious portion or balance of said imposition.

Section 6.15 Due on Sale. The Corporation shall not voluntarily or involuntarily sell, lease, convey, transfer, further mortgage, encumber or dispose of the Mortgaged Property, or any part thereof, or any interest therein, legal or equitable, or agree to do so, without first obtaining the written consent of the Lender which consent shall not be unreasonably withheld. The Lender's consent to any one transaction shall not be deemed to be a waiver of the requirement to receive the Lender's consent to future or successive transactions.

Section 6.16 Lender's Right to Cure. Subject to the Corporation's rights, if any, under the Loan Agreement to contest, if the Corporation shall fail to comply with any of the covenants or obligations of this Mortgage, then the Lender may, but shall not be obligated to, without further demand upon or notice to the Corporation, and without waiving or releasing the Corporation from any obligation contained in this Mortgage or the Loan Agreement, perform such covenants and agreements, investigate and defend against such action or proceeding, and take such other action as the Lender reasonably deems necessary to protect its interest in the Mortgaged Property or this Mortgage. The Corporation agrees to repay upon demand all sums incurred by the Lender in remedying any such failure, together with interest at the rate of eight percent. All such sums, together with interest as aforesaid, shall become so much additional Obligations, but no such advance shall be deemed to relieve the Corporation from any failure hereunder.

Section 6.17 Acknowledgement of Remedies. THE CORPORATION HEREBY CONSENTS AND AGREES TO THE FORECLOSURE AND SALE OF THE MORTGAGED PROPERTY BY ACTION PURSUANT TO MINNESOTA STATUTES CHAPTER 581 OR, AT THE OPTION OF THE LENDER, BY ADVERTISEMENT PURSUANT TO MINNESOTA STATUTES CHAPTER 580 (OR PURSUANT TO ANY SIMILAR OR REPLACEMENT STATUTES HEREFTER ENACTED), WHICH PROVIDES FOR SALE AFTER SERVICE OF NOTICE THEREOF UPON THE OCCUPANT OF THE MORTGAGED PROPERTY AND PUBLICATION OF SAID NOTICE IN THE COUNTY IN MINNESOTA WHERE THE MORTGAGED PROPERTY IS SITUATED; ACKNOWLEDGES THAT SERVICE NEED NOT BE MADE UPON THE CORPORATION PERSONALLY (UNLESS THE CORPORATION IS AN OCCUPANT) AND THAT NO HEARING OF ANY TYPE IS REQUIRED IN CONNECTION WITH THE SALE; AND EXCEPT AS MAY BE PROVIDED IN SAID STATUTES EXPRESSLY WAIVES ANY AND ALL RIGHTS TO PRIOR NOTICE

OF SALE OF THE MORTGAGED PROPERTY AND ANY AND ALL RIGHTS TO A PRIOR HEARING OF ANY TYPE IN CONNECTION WITH THE SALE OF THE MORTGAGED PROPERTY. THE CORPORATION FURTHER UNDERSTANDS THAT IN THE EVENT OF SUCH DEFAULT THE LENDER MAY ALSO ELECT ITS RIGHTS UNDER THE UNIFORM COMMERCIAL CODE AND TAKE POSSESSION OF THE MORTGAGED PROPERTY AND DISPOSE OF THE SAME BY SALE OR OTHERWISE IN ONE OR MORE PARCELS PROVIDED THAT AT LEAST 10 DAYS' PRIOR NOTICE OF SUCH DISPOSITION MUST BE GIVEN, ALL AS PROVIDED FOR BY THE UNIFORM COMMERCIAL CODE, AS HEREAFTER AMENDED OR BY ANY SIMILAR OR REPLACEMENT STATUTE HEREAFTER ENACTED. CORPORATION UNDERSTANDS THE NATURE AND EXTENT OF THE RIGHTS WAIVED HEREBY AND THE EFFECT OF SUCH WAIVER.

Section 6.18 Future Advances.

(1) To the extent that this Mortgage secures future advances, the amount of such advances is not currently known. The acceptance of this Mortgage by Lender confirms that Lender is aware of the provisions of Minnesota Statutes §287.05, subd. 5, and intends to comply with the requirements contained therein.

(2) The maximum principal amount of indebtedness secured by this Mortgage at any one time, excluding advances made by Lender in protection of the Mortgaged Property or the lien of this Mortgage shall be \$_____.

(3) The representations contained in this section are made solely for the benefit of county recording authorities in determining the mortgage registry tax payable as a prerequisite to the recording of this Mortgage. The Corporation acknowledges that such representations do not constitute or imply an agreement by the Lender to make any future advances to the Corporation.

IN WITNESS WHEREOF, Cirrus Design Corporation has caused these presents to be signed in its name and on its behalf by its authorized officer pursuant to a resolution duly adopted by the Board of Directors of the Corporation at a meeting duly called and held prior to the execution and delivery hereof, all as of the day and year first written above.

CIRRUS DESIGN CORPORATION

By _____
Its _____

State of Minnesota

County of St. Louis

This instrument was acknowledged before me on _____, 2016, by _____, the _____ of Cirrus Design Corporation, a Minnesota corporation, on behalf of the corporation.

Notary Public

CITY OF DULUTH, MINNESOTA

By _____
Emily Larson, Mayor

By _____
Jeffrey J. Cox, City Clerk

411 West First Street
Duluth, MN 55802

State of Minnesota

County of St. Louis

This instrument was acknowledged before me on _____, 2016, by Emily Larson, Mayor, and Jeffrey J. Cox, City Clerk, of the City of Duluth, Minnesota, a home rule charter city and political subdivision of the State of Minnesota, on behalf of the City.

Notary Public

EXHIBIT A

LEGAL DESCRIPTION

Lots 1 through 6, inclusive, Block 2, Airport Division, St. Louis County, Minnesota.

(Record legal description to control).

EXHIBIT B

PERMITTED ENCUMBRANCES

1. This Mortgage.
2. The Permitted Encumbrances listed in Section 3.2 of this Mortgage.

EXHIBIT F

PARITY AGREEMENT

between

CITY OF DULUTH

and

CIRRUS DESIGN CORPORATION

Dated as of _____

Acknowledged and consented to by:

MINNESOTA DEPARTMENT OF EMPLOYMENT & ECONOMIC DEVELOPMENT

This PARITY AGREEMENT, made as of _____ (this "Agreement"), by and between:

(i) CITY OF DULUTH, MINNESOTA, a home rule charter city and political subdivision of the State of Minnesota (the "City" or "Lender"); and

(ii) CIRRUS DESIGN CORPORATION, a corporation organized and existing under the laws of the State of Wisconsin (the "Corporation").

(The City and the Corporation being sometimes referred to together as "Parties" and sometimes referred to individually as a "Party.")

MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT ("DEED") is not a party to this Agreement, but affirmatively acknowledges and consents to the terms and conditions provided by this Agreement, particularly as they impact the MIF Loan (as defined herein) and the MIF Mortgage (as defined herein).

WITNESSETH:

A. The City has issued its \$_____ Taxable General Obligation Tax Abatement Bonds, Series 2016_, dated _____ (the "Bonds").

B. The \$_____ proceeds of the Bonds (the "Proceeds") have been loaned to the Corporation under the provisions of a Loan Agreement dated as of _____, between the City and the Corporation, under which the Corporation is obligated to make loan repayments sufficient to pay the loan of the Proceeds (the "Loan Agreement").

C. As security for its obligations to make loan repayments under the Loan Agreement, the Corporation has entered into a Leasehold Mortgage Agreement, dated as of _____, 2016 (the "Mortgage"), in favor of the City, as mortgagee, pursuant to which the Corporation granted a security interest to the City in the Mortgaged Property as defined therein.

D. The City has obtained a Minnesota Investment Fund Grant ("MIF Grant") from DEED pursuant to the Grant Contract dated _____, between DEED and the City. The City used the proceeds of the MIF Grant to make a forgivable loan to the Corporation in the amount of \$4,000,000 (the "MIF Loan"), as evidenced by a Minnesota Investment Fund Loan Agreement dated as of _____, between the City and the Corporation (the "MIF Loan Agreement").

E. The Corporation, as security for its obligations to make loan repayments under the MIF Loan Agreement, has entered into a Leasehold Mortgage Agreement, dated as of _____, 2016 (the "MIF Mortgage"), in favor of the City, as lender, pursuant to which the Corporation granted a security interest to the City in the Mortgaged Property as defined therein.

F. The Mortgaged Property included in the MIF Mortgage and the Mortgage is one and the same.

G. The Corporation's obligations to make loan repayments under the Loan Agreement and the MIF Loan Agreement are collectively referred to as the "Obligations".

H. DEED requires, and the City has agreed, that the Obligations be secured on parity with one another in the form of the Mortgage and the MIF Mortgage.

I. Under their respective terms, and under this Agreement, any default under the Loan Agreement shall be a default under the MIF Loan Agreement, and any default under the MIF Loan Agreement shall be a default under the Loan Agreement.

J. The Parties wishes to provide for the relative priority of the interests in the Mortgaged Property.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, the Parties agree as follows:

1. Definitions. For purposes of this Agreement, the following terms have the meanings given:

A. "*Parity Creditors*" shall mean the Lender and any successor mortgagees under the Mortgage and the MIF Mortgage, which mortgagees are entitled to parity treatment with respect to the security interests of the Lender in the Mortgaged Property.

B. "*Pro rata*" shall be based on the outstanding principal amount of the Bonds and the outstanding principal amount of the MIF Loan, which amounts are secured by the Mortgaged Property, whether said outstanding principal amounts are due or to become due, direct or indirect, absolute or contingent, joint or several, howsoever created, arising or evidenced, in each case reduced by the amount of any collateral other than the Mortgaged Property then held by the Lender, or any successor mortgagee.

2. Priority. The security interests of the Parity Creditors in the Mortgaged Property shall be of equal rank and priority, without preference of one over the other and regardless of (i) the time or order of attachment or perfection of the security interests of the Parity Creditors, or (ii) the time or order of recording of any mortgages or the filing of financing statements or the time of any other method of perfection. The Lender acknowledges that, notwithstanding any broader description of collateral contained in any financing statement currently on file or subsequently filed with any public office naming the Corporation as debtor, the security interests of the Parity Creditors in all collateral falling within the definition of the term "Mortgaged Property" in the Mortgage and the MIF Mortgage are subject to this Agreement. The relative priorities of any security interests held by the Parity Creditors in any collateral other than the Mortgaged Property shall be as established by law.

3. Enforcement of Remedies; Notice. The City agrees that, prior to exercising any remedies upon a default by the Corporation under the Loan Agreement or the MIF Loan Agreement, the City further agrees to act on its behalf to the end that the interests of the City and the interests of DEED (under the MIF Grant) shall be equally protected.

4. Sharing of Proceeds.

A. Upon any foreclosure or realization in any manner upon all or any part of the Mortgaged Property, after deducting all expenses of enforcement, including without limitation all attorneys' fees, the Parity Creditors shall be entitled to share *pro rata* in the proceeds of the Mortgaged Property.

B. The *pro rata* shares of the Parity Creditors shall be a fraction: the numerator of which shall be the outstanding principal amount of the Bonds, at the time of the default, or the outstanding principal amount of the MIF Loan, at the time of the default, held by the Parity Creditor, and the denominator of which shall be the sum of the outstanding principal amount of the Bonds and the outstanding principal amount of the MIF Loan, owed to the Parity Creditors, at the time of default.

C. Because of differing rates of interest and the manner in which each Parity Creditor applies its *pro rata* share of collections of principal and interest, this method of sharing collections may not lead to a simultaneous repayment in full of all Parity Creditors.

D. If any Parity Creditor receives proceeds of the Mortgaged Property on account of any unmatured, contingent or indirect obligation, indebtedness or liability of the Corporation, said proceeds shall be held by that Parity Creditor until said obligation, indebtedness or liability either (i) becomes a mature, direct and liquidated obligation of the Corporation, in which case said proceeds shall be applied thereto; or (ii) is satisfied in full from other sources, in which case such proceeds shall be paid to the other Parity Creditors, to the extent of any then-unpaid obligations, indebtedness or liabilities of the Corporation to them, with any surplus paid to the Corporation.

5. Notices. All notices, requests, demands, certificates or other communications hereunder shall be sufficiently given under this Agreement when mailed by certified mail, return receipt requested, postage prepaid, with proper address as indicated below; delivered in person; sent by commercial overnight delivery service; or provided by Electronic Notice with receipt of transmission is confirmed. The Parties, by written notice given by each to the others, may designate any address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Agreement. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

If to the City: Chief Administrative Officer
City Hall, Room 402
411 West First Street
Duluth, MN 55802

If to the Corporation: Cirrus Design Corporation
Attn: General Counsel
4515 Taylor Circle
Duluth, MN 55811

With a copy to: Hanft Fride, P.A.
 Attn: William M. Burns
 130 West Superior Street #1000
 Duluth, MN 55802

6. General.

A. This Agreement shall be governed by the laws of the State of Minnesota.

B. Captions on the sections hereof are for convenience only and shall not be deemed to be part of this Agreement.

C. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

D. This Agreement shall terminate only upon the agreement of the Lender or on the date upon which the Obligations have been satisfied and discharged in accordance with the terms of the Loan Agreement or the MIF Loan Agreement, as applicable, and the Mortgage or the MIF Mortgage is satisfied, whichever shall first occur.

E. This Agreement, or any provision thereof, may be amended at any time, but only by written agreement executed by each Party.

F. This Agreement is only assignable with simultaneous assignment of rights and obligations in either the Mortgage or the MIF Mortgage.

G. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

7. Limited Purpose of Agreement. This Agreement is solely for the benefit of the Parties, and their successors and assigns, and for the limited purpose of defining the relationship of their respective security interests in the Mortgaged Property and right to payment of the Obligations. No other person or persons shall have any right, benefit, priority or interest under, or because of the existence of, this Agreement. The Corporation shall not be entitled for any purpose or under any circumstances to rely upon the failure of the Lender to comply with the terms hereof. Nothing herein contained shall be deemed to authorize the Corporation to take any action not permitted under the agreements between it and the Lender.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the day and year first above written.

CITY OF DULUTH

Mayor

Attest:

Clerk

Countersigned:

City Auditor

Approved as to form:

City Attorney

CIRRUS DESIGN CORPORATION

By _____
Its

By _____
Its

Acknowledgment and Consent to Parity Agreement

Minnesota Department of Employment and Economic Development hereby acknowledges and consents to the terms, conditions, rights and obligations contained herein.

MINNESOTA DEPARTMENT OF EMPLOYMENT
& ECONOMIC DEVELOPMENT

By _____
Its

M:\DOCS\04431\000268\AGM\13Z130405.DOCX

EXHIBIT G

ASSIGNMENT AND ASSUMPTION AGREEMENT
ASSIGNMENT OF CONTRACT NO. 22549

Date: _____, 2015

FOR VALUABLE CONSIDERATION, the City of Duluth, a municipal corporation under the laws of the State of Minnesota, (the "City") hereby transfers, assigns and conveys to Cirrus Design Corporation, a corporation existing under the laws of Wisconsin ("Cirrus") and Cirrus hereby takes and assumes from the City, all City's interests, rights, title, and obligations in City of Duluth Contract No. 22549 dated July 7, 2015 entered into by and between the City and Burns & McDonnell Engineering Company, Inc. including but not limited to the rights to all plans and specifications developed thereunder.

CITY OF DULUTH

CIRRUS DESIGN CORPORATION

By: _____
Its Mayor

By: _____
Its: _____

Attest: _____
Its City Clerk

Consent to Assignment and Assumption by:

Countersigned:

BURNS & MCDONNELL
ENGINEERING COMPANY, INC.

City Auditor

By: _____
Its: _____

Approved as to form:

City Attorney

EXHIBIT H

[INTENTIONALLY OMITTED]

EXHIBIT I

ASSIGNMENT OF CONSTRUCTION CONTRACTS AND CONSTRUCTION PLANS

This Assignment of Construction Contracts and Construction Plans (this "Assignment") is made as of _____, 2016, by **Cirrus Design Corporation**, a Wisconsin corporation, d/b/a Cirrus Aircraft (the "Corporation") in favor of the **City of Duluth, Minnesota** (the "Lender").

RECITALS

The Corporation has a leasehold interest in real property located in St. Louis County, Minnesota, legally described in **Exhibit A** attached hereto (the "Land").

The Corporation intends to develop the Land with an approximately 68,000 square foot Cirrus Corporation Center Expansion Project, which is expected to be used for painting and finishing operations for all of the Corporation's airplane product lines including the Corporation's new vision SF50 personal jet, and together with infrastructure and amenities, including relocating sanitary sewer and power lines, asphalt paving of roads and curb and gutter (collectively, the "Project").

All capitalized terms used herein but not defined shall have the meaning set forth in the Development Agreement dated _____, 2015, by and between the Corporation and the Lender (the "Development Agreement").

The Lender is making the Loan to the Corporation for the Corporation's costs and expenses of the Project.

As used in this Assignment, the Loan Agreement, the Development Agreement, the Mortgage, the Ground Lease, the Guaranties, the Parity Agreement and all other documents given to the Lender to evidence, effect, secure or modify the Loan are collectively referred to as the "Loan Documents".

As used in this Assignment, the term "Construction Plans" means the plans, specifications, drawings and related documents on all construction work to be performed for the completion of the Project.

The Corporation has executed certain agreements (each a "Contract" and, collectively, the "Contracts"), with contractors and material suppliers (collectively, the "Contractors"), to provide services, materials, equipment or work for the Project including, without limitation, a construction management agreement for pre-construction services as well as a construction management agreement with a guaranteed maximum price (together, the "Construction Management Contracts") with McGough Construction Co., Inc. (the "Construction Manager") and an

architectural agreement (design and construction) (the “Architectural Contract”) with Burns & McDonnell Engineering Company, Inc., as architect and engineer (the “Architect”).

NOW THEREFORE, in consideration of making the Loan by the Lender to the Corporation, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to secure all advances to and obligations of Corporation under the Loan Documents, the Corporation hereby irrevocably, absolutely and unconditionally, sells, assigns, transfers and sets over unto the Lender, its successors and assigns, and grants a security interest in, all of the right, title and interest of the Corporation in and to:

- (i) the Contracts, including any representations and warranties therein;
- (ii) any contracts hereinafter entered into with Contractors in connection with the design and construction of the Project on the Land, including any representations and warranties therein, and
- (iii) the Construction Plans.

The Corporation hereby represents, warrants and agrees as follows:

1. Warranties. The copies of the Contracts and the Construction Plans delivered to the Lender are true correct and complete copies; there have been no prior assignments by the Corporation of the Contracts or the Construction Plans; the Contracts are valid, enforceable agreements and have not been amended or modified in any manner; no party to the Contracts, to the best of the Corporation’s knowledge, is in default thereunder; and all covenants, conditions and agreements have been performed as required therein, except those not due to be performed until after the date hereof.
2. Transfer. The Corporation agrees not to assign, sell, pledge, mortgage or otherwise transfer or encumber its interest in the Contracts or the Construction Plans so long as this Assignment is in effect.
3. Attorney in Fact. The Corporation hereby irrevocably constitutes and appoints the Lender as its attorney-in-fact upon the occurrence of an Event of Default under the Loan Documents to demand, receive and enforce the Corporation’s rights with respect to the Contracts, to make payments under the Contracts and to give appropriate receipts, releases and satisfactions for and on behalf of and in the name of the Corporation or, at the option of the Lender, in the name of the Lender with the same force and effect as if the Lender had originally executed the Contracts.
4. Present Assignment; Enforcement. This Assignment shall constitute a perfected, absolute and present assignment provided that the Lender shall have no right under this Assignment to enforce the provisions of the Contracts until an Event of Default shall occur under the Loan Documents (as defined therein). Upon the occurrence of such Event of Default, the Lender may, without affecting any of its rights and remedies against the Corporation under the Loan Documents or remedy available at law, exercise its rights under this Assignment as the Corporation’s attorney-in-fact and in addition, the Lender shall have the right to

exercise and enforce any or all rights and remedies available to a secured party under the Uniform Commercial Code.

5. Lender Liability; Reassignment. The Lender does not assume any of the obligations or duties of the Corporation under or with respect to the Contracts unless and until and only to the extent that the Lender shall have given the Contractors written notice that the Lender is exercising the Lender's right to complete or cause the completion of the Project following the occurrence of an Event of Default under the Loan Documents. If the Lender does not undertake to complete or cause the completion of the construction of the Project by and through the exercise of the rights granted to the Lender in this Assignment, then the Lender shall have no liability whatsoever for the performance of any of the obligations or duties under the Contracts. The Lender may reassign, in its sole discretion, and for the purpose of completing the Project, its right, title and interest in the Contracts and upon notice to the Contractors, but without any requirement for the consent of the Corporation, and upon such reassignment the Lender shall have no liability under the Contracts.
6. Attorneys' Fees. The Corporation agrees to pay all costs and expenses, including reasonable attorney's fees (including attorney's fees on appeal) which the Lender may incur by exercising any of its rights under this Assignment.
7. General Provisions. This Assignment may not be modified, waived, discharged or terminated orally, except in writing signed by both the Lender and the Corporation. This Assignment shall be governed by the laws of the State of Minnesota. All actions to enforce the terms and provisions of this Assignment shall be brought and maintained only within the State of Minnesota, and the parties consent to the exclusive jurisdiction of the State and Federal Courts, sited in Duluth, Minnesota. The parties hereby expressly waive any and all rights which either may have to make any objection based on: (a) jurisdiction, to any suit brought to enforce this Assignment in the State of Minnesota, or (b) venue, to any action brought to enforce this Assignment in Duluth, Minnesota. Nothing herein shall prevent the docketing, registration or enforcement of any judgment or order obtained in compliance with this Section in a State or jurisdiction other than Minnesota. Nothing in this Section will prevent the Lender from bringing any action or conducting any proceeding in a state or jurisdiction other than the State of Minnesota for the purpose of foreclosing upon, executing on, bringing any action in replevin with respect to or in any other way realizing upon any collateral securing the Loan.
8. No Waiver. Any delay by the Lender in exercising any right or remedy hereunder or otherwise afforded by law or equity shall not be a waiver of or preclude the exercise of such right or remedy or any other right or remedy hereunder or at law or in equity. Failure of the Lender to exercise any option to accelerate maturity of the indebtedness shall not be a waiver of the right to exercise such option to accelerate the maturity of such indebtedness by reason of any past, present or future event which would permit acceleration.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first written above.

Signature Page to Assignment of Construction Contracts and Construction Plans

Corporation:
CIRRUS DESIGN CORPORATION
D/B/A CIRRUS AIRCRAFT

By _____
Its

By _____
Its

Signature Page to Assignment of Construction Contracts and Construction Plans

Lender:
CITY OF DULUTH

Mayor

Attest:

Clerk

Countersigned:

City Auditor

Approved as to form:

City Attorney

Exhibit A
to
Assignment of Construction Contracts and Construction Plans

Lots 1 through 6, inclusive, Block 2, Airport Division, St. Louis County, Minnesota.

**CONSENT TO ASSIGNMENT
OF CONSTRUCTION CONTRACTS AND CONSTRUCTION PLANS**

McGough Construction Co., Inc. (the “Construction Manager”) joins in this Assignment of Construction Contracts and Construction Plans for the purpose of consenting to the assignment by Cirrus Design Corporation, a Wisconsin corporation, d/b/a Cirrus Aircraft (the “Corporation”) in favor of the City of Duluth, Minnesota (the “Lender”) of the rights of Corporation, with respect to the Construction Management Contracts and the Construction Plans.

1. The Construction Manager has entered into the Construction Management Contracts with the Corporation whereby the Construction Manager has agreed to act as the construction manager in connection with construction of the Project.

2. The Construction Management Contracts are in full force and effect, have not been modified or assigned by the Corporation, and no event has occurred or failed to occur as of the date hereof which but for the passage of time, the giving of notice or both, would be a default thereunder.

3. Upon the occurrence of an Event of Default under the Loan Documents, the Construction Manager shall, at the Lender’s request, continue performance on the Lender’s behalf under the Construction Management Contracts in accordance with the terms thereof, provided that the Construction Manager shall be reimbursed in accordance with the Construction Management Contracts for all work, labor and materials rendered on the Lender’s behalf.

4. The Lender may enforce the obligations of the Construction Management Contracts with the same force and effect as if enforced by the Corporation; and may perform the obligations of the Corporation; and the Construction Manager will accept such performance in lieu of performance by the Corporation in satisfaction of the Corporation’s obligations thereunder.

5. The Construction Manager will give the Lender prompt written notice of any default by the Corporation under the Construction Management Contracts.

6. The Construction Manager will not terminate the Construction Management Contracts on account of any default of the Corporation thereunder without written notice of such default to the Lender and providing the Lender 60 days to cure the default. In the event the Lender so elects to complete the Project, the undersigned agrees not to terminate any applicable Contract so long as all monetary defaults of the Corporation thereunder are cured by the Lender within a reasonable time. However, unless the Lender elects to enforce the Construction Management Contracts against the Construction Manager nothing herein shall require the Lender to cure any default of the Corporation under the Construction Management Contracts.

7. The officer signing this acknowledgment and consent on behalf of the Construction Manager hereby certifies that the undersigned has full authority under all state and local laws and regulations to perform all of its obligations under the Construction Management Contracts in accordance with the terms thereof and that the Construction Manager will comply with all

applicable laws and regulations, local, state and federal, in performing such obligations. Upon completion of the Project, the Construction Manager will certify to the Lender that the Project has been completed in substantial accordance with the Construction Plans.

The consent and agreement contained herein are irrevocable.

MCGOUGH CONSTRUCTION CO., INC.

By _____

Name: _____

Title: _____

**CONSENT TO ASSIGNMENT
OF CONSTRUCTION CONTRACTS AND CONSTRUCTION PLANS**

Burns & McDonnell Engineering Company, Inc. (the “Architect”) joins in this Assignment of Construction Contracts and Construction Plans (the “Assignment”) for the purpose of consenting to the assignment by Cirrus Design Corporation, a Wisconsin corporation, d/b/a Cirrus Aircraft (the “Corporation”) in favor of the City of Duluth, Minnesota (the “Lender”) of the rights of the Corporation, with respect to the Architectural Contract and the Construction Plans provided by the Architect.

1. The Architect has entered into the Architectural Contract with the Corporation whereby the Architect has agreed to act as the architect in connection with the design and construction of the Project.

2. The Architect has prepared the Construction Plans, true and correct copies of which have been delivered to the Lender.

3. The Architectural Contract is in full force and effect, has not been modified or assigned by the Corporation, and no event has occurred or failed to occur as of the date hereof which but for the passage of time, the giving of notice or both, would be a default thereunder.

4. The Construction Plans have not been assigned by the Corporation.

5. Upon the occurrence of an Event of Default under the Loan Documents: (i) the Lender shall have the right to use the Construction Plans and the ideas, designs and concepts therein contained, in connection with the completion of the Project without payment of any additional fees or charges to the Architect, except that the Lender shall pay the Architect all outstanding fees and charges for the Construction Plans; and (ii) the Architect shall, at the Lender’s request, continue performance on the Lender’s behalf under the Architectural Contract in accordance with the terms thereof, provided that the Architect shall be reimbursed in accordance with the Architectural Contract for all work, labor and materials rendered on the Lender’s behalf.

6. The Lender may enforce the obligations of the Architectural Contract with the same force and effect as if enforced by the Corporation; and may perform the obligations of the Corporation; and the Architect will accept such performance in lieu of performance by the Corporation in satisfaction of the Corporation’s obligations thereunder.

7. The Architect states that, to the best of its knowledge information and belief, the Construction Plans have been prepared in compliance with the professional standard of care to comply with known protective covenants, conditions and restrictions affecting the Land and the Project and to comply with applicable requirements and restrictions of all governmental authorities having jurisdiction over the Land, including, without limitation, all applicable building, fire and health legislation, ordinances, rules and regulations. Upon completion of the Project, the Architect will state to the Lender that the Project has been substantially completed as described in the Construction Plans.

8. The Architect will give the Lender prompt written notice of any default by the Corporation under the Architectural Contract.

9. The Architect will not terminate the Architectural Contract on account of any default of the Corporation thereunder without written notice of such default to the Lender and providing the Lender 60 days to cure the default. In the event the Lender so elects to complete the Project, the undersigned agrees not to terminate any applicable Contract so long as all monetary defaults of the Corporation thereunder are cured by the Lender within a reasonable time. However, unless the Lender elects to enforce the Architectural Contract against the Architect nothing herein shall require the Lender to cure any default of the Corporation under the Architectural Contract.

10. The officer signing this acknowledgment and consent on behalf of the Architect hereby certifies that the undersigned has full authority under all state and local laws and regulations to perform all of its obligations under the Architectural Contract in accordance with the terms thereof and that the Architect will comply with all applicable laws and regulations, local, state and federal, in performing such obligations.

11. The Architect (i) agrees to be bound by the terms of this Assignment and (ii) consents to the assignment of the Architectural Contract and the Construction Plans prepared by or at the direction of the Architect.

The consent and agreement contained herein are irrevocable.

**BURNS & MCDONNELL
ENGINEERING COMPANY, INC.**

By _____
Its _____

EXHIBIT J

CERTIFICATE OF COMPLETION

RECITALS:

A. On _____, 2015, the City of Duluth, a home rule charter city and political subdivision of the State of Minnesota (the "City"), and Cirrus Design Corporation, a corporation under the laws of the State of Wisconsin ("Cirrus"), entered into a Development Agreement, a memorandum of which was recorded in the Office of the St. Louis County Registrar of Title on _____, 201____, as Document No. _____ (the "Memorandum of Development Agreement"), relating to property located in St. Louis County, Minnesota, and legally as Lots 1 through 6, inclusive, Block 2, Airport Division.

B. Capitalized terms used in this Certificate of Completion but not defined herein shall have the meanings ascribed to them in the Development Agreement.

C. The Development Agreement requires Cirrus complete construction of the Project no later than August 31, 2016, to make the Cirrus Equipment Progress Payment not later than June 15, 2016, and to install the Cirrus Equipment in the Building within 90 days of issuance by the City's Building Official of a Certificate of Occupancy for the Building.

D. Article X of the Development Agreement provides that a Certificate of Completion be issued by the City through its Director upon completion by Cirrus of the construction of the Project, making of the Cirrus Equipment Progress Payment, and installation of the Cirrus Equipment in accordance with the Development Agreement.

E. Cirrus has completed construction of the Project, has made the Cirrus Equipment Progress Payment, and has installed the Cirrus Equipment in the Building in a manner deemed sufficient by the City to permit execution and recording of this Certificate of Completion.

NOW, THEREFORE:

1. Construction of the Project, making of the Cirrus Equipment Progress Payment, and installation of the Cirrus Equipment in the Building required to be performed by Cirrus pursuant to the Development Agreement, has been completed, and those requirements under the Development Agreement which relate solely to Project construction, Cirrus Equipment Progress Payment, and Cirrus Equipment installation have been fulfilled, but all other conditions, provisions and restrictions contained in the Development Agreement shall remain in effect.

2. The Registrar of Titles in and for St. Louis County, Minnesota, are hereby authorized to accept for recording and to record this instrument.

EXHIBIT K

MAP OF AIRPORT ROAD & VANDENBERG DRIVE



