

EXHIBIT 1

DONATION AGREEMENT

THIS DONATION AGREEMENT (this “**Agreement**”) is entered into as of the date of the certification by the City Clerk set forth below (the “**Effective Date**”), by and between Richard A. Slotness and Shirley Slotness, married to each other, and Steven J. Slotness and Linda Sue Slotness, married to each other (collectively, “**Donor**”), and CITY OF DULUTH, a Minnesota municipal corporation and political subdivision (“**City**”).

RECITALS

A. Donor is the owner of real property in Duluth, St. Louis County, Minnesota legally described below:

Lot Twelve (12), Block Seventy-two (72), PORTLAND DIVISION OF
DULUTH, except minerals and mineral rights

together with any and all improvements located thereon and all privileges, rights, easements appurtenant thereto (the “**Property**”).

B. Donor desires to donate the Property to City and City desires to accept the Property pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth in this Agreement, and other good and valuable consideration, the receipt, sufficiency and mutuality of which are acknowledged, City and Donor agree as follows:

- 1.0 Property To Be Donated. Donor agrees to convey the Property to City as a free donation, on the terms and conditions set forth in this Donation Agreement. City shall not be obligated to accept the deed to the Property if the City Council fails to approve this transaction or if the conditions set forth in Section 7.0 of this Agreement are not satisfied or waived. Donor shall deliver possession of the Property on the date of Closing (defined below). Notwithstanding Section 20.0(d) below, City’s City Administrator is authorized, in their discretion and without further City Council action, to sign an amendment to this Agreement on behalf of City solely to extend timelines set forth in this Agreement up to a maximum of 120 days.
- 2.0 Disclosures to Donor. The donation of the Property by Donor is **voluntary**. If Donor does not wish to donate the Property to City, City will not acquire the Property. City will not use the power of eminent domain to acquire the Property.
- 3.0 Tax Consequences. Donor understands and acknowledges that City makes no representation as to the tax consequences of the transaction contemplated by this Agreement. Donor will obtain independent tax counsel and be solely responsible for compliance with the gift value substantiation requirements of the Internal Revenue Code.
- 4.0 Closing Date. The closing on the conveyance contemplated by this Agreement (the “**Closing**”) shall occur December 20, 2024, or such earlier date as may be agreed upon by the parties (the “**Closing Date**”). The Closing shall take place at the office of First American

Title Insurance Company-Consolidated Title & Abstract Company (“**Title**”) in Duluth, Minnesota, or at such other place as the parties shall mutually agree upon. Donor shall deliver possession of the Property to City on the Closing Date. City shall be entitled to walk through the Property on the Closing Date to ensure that the condition of the Property has not materially changed since the Effective Date.

- 5.0 Evidence of Title. Promptly after the Effective Date, City shall order, at City’s sole cost and expense, a commitment from Title to issue an ALTA Owner’s Policy of Title Insurance (the “**Title Policy**”) in the amount of \$3,100, to insure City’s title to the Property, including copies of documents referenced in Schedule B (collectively, the “**Title Commitment**”). The Title Commitment shall include affirmative coverages for appurtenant easements, if any.
- 6.0 City’s Objections to Title. City shall make any written objections (the “**Objections**”) to the form or content of the Title Commitment within 30 days of receipt of the Title Commitment. Any matter disclosed by the Title Commitment and not objected to by City shall be a “**Permitted Exception**.” All liens, mortgages, deeds of trust, trust deeds, and security interests affecting the Property shall automatically be deemed Objections, without notice by City to Donor. Donor shall use its best efforts to attempt to cure or satisfy the Objections within twenty days after receipt of the Objections, during which period the Closing will be postponed if necessary. If Donor fails to cure the Objections within such twenty-day period, City will have the option to (a) terminate this Agreement (without either party being deemed at fault); or (b) waive the Objections and proceed to Closing (and all uncured Objections shall be deemed Permitted Exceptions). City shall exercise its option to terminate under this Section 6.0 by delivering written notice to Donor within ten days after the expiration of the twenty-day cure period. If City fails to deliver notice of termination, City shall be deemed to have waived the Objections.
- 7.0 City’s Conditions To Closing. The Closing of the transaction contemplated by this Agreement and the obligation of City to acquire the Property shall be subject to the following conditions:
- (a) Inspection. City shall have determined on or before the Contingency Date that it is satisfied, in its sole discretion, with the condition of the Property. From and after the Effective Date, City, and its agents, employees, contractors and invitees, may, following reasonable notice to and cooperation with Donor, enter upon the Property in order to perform testing and inspections as City may deem necessary including, without limitation, a survey of the Property and environmental testing and inspections, provided that neither City nor its agents shall engage in any intrusive testing without the prior written consent of Donor which consent shall not be unreasonably withheld, conditioned or delayed. City will promptly pay when due the costs of all entry and inspections, tests and examinations done with regard to the Property. City will, at its sole cost and expense, repair and restore the Property to its original condition before any such entry upon the Property and inspection, test or examination was undertaken. City shall keep the Property free and clear of any mechanics’, materialmen’s or similar liens related to City’s right of inspection and its due diligence activities. City and its agents shall comply with all applicable laws

and regulations with respect to the inspection and access and shall refrain from interfering with Donor's use of the Property. In the event City determines that it is not satisfied with the physical condition of the Property based on the inspections undertaken pursuant to this Agreement, City may terminate this Agreement by written notice to Donor delivered to Donor no later than the expiration of the Contingency Date.

- (b) Representations. Donor's representations in this Agreement shall be true at the time of Closing as though such representations were made at such time.
- (c) Title. The status of title to the Property shall have been accepted by City pursuant to the provisions of Section 6.0 of this Agreement, and on or before Closing, City shall have received the Title Policy, or a suitably marked up Title Commitment dated and initialed by Title, insuring City's title to the Property subject to the Permitted Exceptions and in form acceptable to City.

The contingency date shall be December 1, 2024 (the "**Contingency Date**"). If the condition set forth in Section 7.0(a) has not been satisfied or waived prior to the Contingency Date, this Agreement may be terminated at the option of City, by written notice from City to Donor delivered to Donor no later than the Contingency Date. If any of the conditions set forth at Sections 7.0(b) and (c) have not been satisfied or waived as of the Closing Date, this Agreement may be terminated, at the option of City, by written notice from City to Donor delivered to Donor no later than the Closing Date. All of the contingencies set forth in Section 7.0 of this Agreement are for the sole and exclusive benefit of City and City shall have the right to unilaterally waive any contingency by written notice to Donor.

7.1 Donor's Conditions To Closing. The Closing of the transaction contemplated by this Agreement and the obligation of Donor to convey the Property shall be subject to the following conditions:

- (a) Representations. City's representations in this Agreement shall be true at the time of Closing as though such representations were made at such time.
- (b) Performance by City. City shall have performed all of its obligations under this Agreement.

If the conditions set forth in Section 7.1 have not been satisfied or waived by the Closing Date, this Agreement may be terminated by Donor, by written notice from Donor to City delivered to City no later than the Closing Date. All of the contingencies set forth in Section 7.1 of this Agreement are for the sole and exclusive benefit of Donor and Donor shall have the right to unilaterally waive any contingency by written notice to City.

8.0 Representations By Donor. Donor makes the following representations to City:

- (a) Richard A. Slotness and Shirley Slotness are married to each other. Steven J. Slotness and Linda Sue Slotness are married to each other. Donor has the full power and authority to enter into this Agreement and to convey title to the Property in

accordance with this Agreement. No consent or authorization from any other person, entity or government agency is required for Donor to enter into and perform Donor's obligations under this Agreement except as has already been obtained.

- (b) Donor is not a foreign person, foreign partnership, foreign trust or foreign estate as those terms are defined in Section 1445 of the Internal Revenue Code.
- (c) There have been no bankruptcy or dissolution proceedings involving Donor during the time Donor has had any interest in the Property, there are no unsatisfied judgments or state or federal tax liens of record against Donor, and there has been no labor or materials furnished to the Property for which payment has not been paid.
- (d) To Donor's knowledge, there are no unrecorded mortgages, contracts, purchase agreements, options, rights of first refusal, leases, easements or other agreements or interests relating to the Property.
- (e) There are no persons in possession of the Property other than Donor.
- (f) Donor has not received notice of any new public improvement project(s), the cost of which a governmental entity may assess against the Property.
- (g) The Property is not in violation of any statute, law, ordinance or regulation, and there is no action, litigation, governmental investigation, condemnation or administrative proceeding of any kind pending or, to Donor's best knowledge, threatened, against or involving any portion of the Property.
- (h) Donor is not in default in the performance of any of Donor's obligations under any easement agreement, covenant, condition, restriction, or other instrument or agreement relating to the Property.
- (i) Donor does not know of any "wells" on the Property within the meaning of Minn. Stat. §103I. This representation is intended to satisfy the requirements of the statute.
- (j) Solely for the purpose of satisfying the requirements of Minn. Stat. §115.55, Donor certifies that there is no "subsurface sewage treatment system" within the meaning of that statute on or serving the Property.
- (k) Donor has no knowledge that methamphetamine production has occurred on the Property.
- (l) There are not now, nor to Donor's knowledge have there ever been underground or above ground storage tanks of any size or type located on the Property nor any Hazardous Substances (defined below) located on the Property in violation of applicable governmental requirements, and the Property has not been used in connection with the generation, disposal, storage, treatment or transportation of Hazardous Substances in violation of applicable governmental requirements. To Donor's knowledge, no activity has been undertaken on the Property that would

cause or contribute to the discharge of Hazardous Substances or of fluids into any water source or system, the dredging or filling of any waters or the discharge into the air of any emissions that would require a permit under any federal or state law or local ordinance. For purposes of this Agreement, the term “**Hazardous Substances**” includes but is not limited to substances defined as “hazardous substances,” “toxic substances,” “hazardous wastes” “pollutants” or contaminants” under federal or Minnesota law. The term “Hazardous Substance” shall also include asbestos, polychlorinated biphenyls, petroleum, including crude oil or any fraction thereof, petroleum products, heating oil, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas useable for fuel (or mixtures of natural gas and synthetic gas).

The foregoing representations shall be accurate on the Effective Date and on the date of Closing. If, at any time prior to the Closing, Donor acquires knowledge of events or circumstances which render the representations and warranties set forth in this section inaccurate in any respect, Donor shall immediately notify City in writing and City shall have the right to terminate this Agreement. Donor will indemnify City, its successors and assigns, against and will hold City, its successors and assigns harmless from, any loss, liability, costs, expenses or damages, including reasonable attorney’s fees, that City incurs because of Donor’s breach of any of the above representations, the inaccuracy of any of the above representations when made or remade, or Donor’s failure to notify City, before the Closing, if the representations set forth above become inaccurate and Donor actually knows of such inaccuracy. The representations, warranties and indemnification set forth above shall survive the Closing of this transaction and Donor’s delivery of the Deed (defined below).

8.1 Representations by City. City makes the following representations to Donor:

- (a) The individuals executing this Agreement on behalf of City have the requisite authority to execute this Agreement and such other documents as are contemplated or to be delivered by City, and to bind City thereto; and City has the full and complete authority to acquire the Property.
- (b) City shall promptly pay when due any and all charges for engineering, surveying or other studies, reports, assessments or investigations which are commissioned or requested by City and not the responsibility of Donor under this Agreement.

The representations contained in this Section shall be true and correct on the Effective Date and the Closing Date.

9.0 Real Estate Taxes and Special Assessments. At the Closing, City shall pay all real estate taxes and special assessments payable therewith and any penalties and interest thereon due and payable with respect to the Property in all years prior to the year of Closing, including all deferred taxes attributable to years prior to the year of Closing. City shall pay all real estate taxes and special assessments payable therewith and any penalties and interest thereon due and payable with respect to the Property for the year 2024 and in the years following the year of Closing. If the Closing does not occur for any reason, City will not pay any taxes or special assessments or associated penalties and interest with respect to the Property.

10. Closing Documents. At or prior to the Closing, the parties shall execute and deliver the following:

- (a) A warranty deed (the “**Deed**”), in substantially the form of the Minnesota Uniform Conveyancing Blank, subject to the Permitted Exceptions;
- (b) Resolution by City, in form acceptable to Title, authorizing the acquisition of the Property by City;
- (c) Any documents reasonably required by Title;
- (d) A certificate (or statutory statement on the Deed) signed by Donor warranting that there are no “Wells” on the Property within the meaning of Minn. Stat. Chapter 103I, or if there are “Wells”, a Well Certificate in the form required by law;
- (e) If the Property contains or contained a storage tank, an affidavit by Donor with respect thereto, if required by Minn. Stat. Sec. 116.48; and
- (f) All other documents required by this Agreement to effectuate the provisions of this Agreement.

11.0 Closing Costs. The following costs and expenses shall be paid in connection with the Closing:

- (a) City shall pay the cost of:
 - (i) All fees associated with the issuance of the Title Commitment, including state and federal tax lien, judgment and bankruptcy searches and the premium for the Title Policy, if any;
 - (ii) All state deed taxes and/or transfer taxes on deeds;
 - (iii) All recording fees, including but not limited to fees to record the Deed, City’s resolution authorizing the acquisition of the Property to City, all releases and satisfactions of existing mortgages or liens, and other documents necessary to satisfy any Objections;
 - (iv) Any surveys, reports or inspection reports obtained by City;
 - (v) Proration as of the Closing Date of all utilities and operating expenses and rents, if any;
 - (vi) Any real property taxes and installments of special assessments to be paid by City as specified in Section 9.0 above;
 - (vii) Any other item allocated to or assumed by City in this Agreement;
 - (viii) The entire Closing fee charged by Title; and

- (ix) All attorneys' fees and expenses incurred by City.
 - (b) Donor shall pay the cost of:
 - (i) Proration as of the Closing Date of all utilities and operating expenses and rents, if any;
 - (ii) All attorneys' fees and expenses incurred by Donor; and
 - (iii) Any other item allocated to or assumed by Donor in this Agreement.
- 12.0 Title To Be Delivered. Donor agrees to convey marketable fee simple title in the Property to City at Closing subject only to:
- (a) Reservations of minerals or mineral rights by the State of Minnesota, if any;
 - (b) Building, zoning and subdivision laws, ordinances and State and Federal regulations which do not interfere with present improvements; and,
 - (c) Any Permitted Exceptions, as defined in Section 6.0 above.
- 13.0 Commission. Donor and City represent and warrant to each other that they have not engaged the services of any broker in connection with the transaction contemplated by this Agreement. Donor and City shall each indemnify and hold the other harmless of any claim made by any broker or sales agent or similar party for a commission due or alleged to be due under the terms of any brokerage agreement entered into by said party. This provision shall survive Closing and delivery of the Deed.
- 14.0 Risk of Loss. If there is any loss or damage to the Property between the date of this Agreement and the date of Closing, the risk of loss shall be on Donor. If the Property is destroyed or damaged prior to the Closing, City may cancel this Agreement upon written notice to Donor and in such event, the parties shall have no further obligations to one another pursuant to this Agreement except as expressly set forth in this Agreement.
- 15.0 Condemnation. If, prior to the Closing Date, a public or private entity with the power of eminent domain commences condemnation proceedings against all or any part of the Property, Donor will promptly notify City, and City may, at City's sole option, terminate this Agreement. City will have until the earlier of (a) the Closing Date; or (b) the date twenty days from City's receipt of Donor's notice to City, to exercise City's termination right. If City does not terminate this Agreement pursuant to this Section 15.0, the parties will fully perform their obligations under this Agreement and Donor will assign to City, on the Closing Date, all of Donor's right, title and interest in any award made or to be made in the condemnation proceedings. Donor will not designate counsel, appear or otherwise act with respect to any such condemnation proceedings without City's prior written consent unless City fails to respond within seven (7) days to a request for such written consent.

16.0 Operation Prior to Closing. Between the Effective Date and the Closing Date, Donor shall operate and maintain the Property in the same manner as it is being operated on the date hereof and in accordance with prudent and reasonable standards. Donor shall execute no contracts, leases, or other agreements regarding the Property which extend beyond the Closing Date without the prior written consent of City, which consent may be withheld by City at its sole discretion. Donor shall not pledge or transfer any interest in or encumber or permit the encumbrance of the Property with any lien, easement, interest or agreement from and after the Effective Date without the prior written consent of City, which may be withheld in City's sole and absolute discretion.

17.0 Default.

- (a) If City defaults in the performance of City's obligations under this Agreement due to no fault of Donor, then Donor may, as its sole and exclusive remedy, terminate this Agreement in accordance with Minnesota Statutes Section 559.21.
- (b) If Donor defaults in the performance of Donor's obligations under this Agreement due to no fault of City, then City may, after at least thirty (30) days prior written notice to Donor and Donor's failure to cure the default within said notice period, either (i) declare this Agreement terminated, or (ii) City may elect to seek specific performance of this Agreement.
- (c) Notwithstanding anything in this Section 17 to the contrary, any action by City for specific performance must be commenced no later than 180 days after the date City discovers or becomes aware of Donor's default.
- (d) The limitation set forth in the preceding sentence shall not apply to claims for indemnification or contribution specifically provided for in this Agreement.
- (e) This section shall survive Closing and delivery of the Deed.

18.0 No Assignment. Neither Donor or City may assign its interest in this Agreement.

19.0 As-Is. Except as expressly set forth in this Agreement, City warrants and acknowledges to and agrees with Donor that City is purchasing the Property in its "As-Is, Where Is" condition "with all faults" as of the Closing Date and specifically and expressly without any warranties, representations or guarantees, either express or implied, as to its condition, fitness for any particular purpose, merchantability, or any other warranty of any kind, nature, or type whatsoever from or on behalf of Donor. Donor will continue to maintain the Property through the Closing Date.

20. Miscellaneous.

- (a) Time of Essence. Time is of the essence of this Agreement.
- (b) Governing Law. This Agreement is made and executed under and in all respect to be governed by the laws of the State of Minnesota. Any dispute that may arise between the parties arising out of this Agreement shall be adjudicated before a court located


same Agreement. Facsimile or electronic signatures shall be binding on the transmitting party and shall have the same force and effect as if the original signature had been delivered.

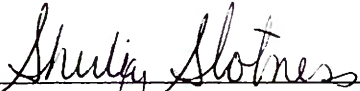
- (i) Waiver. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.
- (j) Entire Agreement. This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior written and oral agreements and negotiations between the parties relating to the subject matter hereof. No modification, amendment or waiver may be made to the terms of this Agreement without the written consent of both parties.

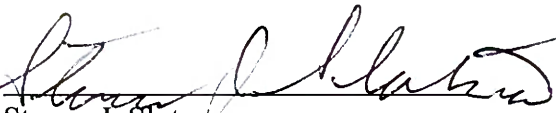
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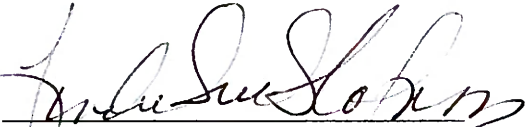
IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates indicated below.

DONOR


Richard A. Slotness


Shirley Slotness


Steven J. Slotness


Linda Sue Slotness

CITY OF DULUTH

By: _____
Its Mayor

Attest: _____
Its City Clerk
Date Attested: _____

Countersigned:

By: _____
Its Auditor

Approved as to form:

By: _____
Its City Attorney