

**DEVELOPMENT AGREEMENT
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
RAMSEY III, LLC
RAMSEY V TOWNHOME PROJECT**

THIS AGREEMENT entered into this _____ day of _____, 2018, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority created and existing under Minnesota Statutes (1989) Chapter 469, whose address is 402 City Hall, 411 West First Street, Duluth, MN 55802 (hereinafter referred to as "DEDA") and RAMSEY III, LLC, a Minnesota limited liability company, whose address is c/o Thies & Talle Enterprises, Inc., 470 W. 78th Street, Suite 260, Chanhassen, MN 55317 (hereinafter referred to as "Developer").

WHEREAS, Developer is acquiring certain property in the Ramsey neighborhood of Duluth, Minnesota (the "Property" as more specifically defined below) and proposes to demolish the structures thereon and to construct twenty (20) townhome units (the "Minimum Improvements" as more specifically defined below) and up to twenty-six (26) additional townhome units on the site to redevelop the blighted property and provide workforce housing (the "Project" as more specifically defined below); and

WHEREAS, Project will be driven by the market and by the ability to acquire parcels in Tax Increment Financing District No. 30 and will be constructed in phases and therefore, the number of townhome units to be constructed may change but in no event will be less than 20.

WHEREAS, Developer has requested assistance from DEDA for costs eligible for public financing related to the development of the Project as are set forth herein since without such assistance the development would not be economically viable; and

WHEREAS, DEDA has further 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 will be enhanced by nurturing and encouraging the development/redevelopment of the Project; and

WHEREAS, after careful analysis of the projected costs of the Project and of the

financial resources available and economic feasibility to pay for the costs related to the Project described herein, DEDA has determined that:

- A. the Developer is undertaking to complete the Minimum Improvements under any and all circumstances. Notwithstanding the above, a "gap" exists between the cost to Developer of developing the Minimum Improvements and the funds presently available to or known to Developer and DEDA to justify investment and to pay costs so as to make the Project economically feasible. Based on the best estimates currently available to the parties, the amount of said "gap" equals \$800,000 for the Minimum Improvements. In order to reduce this "gap," DEDA has committed to provide tax increment proceeds from the Minimum Improvements in the amount of \$522,536. Additionally, a "gap" exists between the cost to Developer of developing the remainder of the Project and the funds presently available to or known to Developer and DEDA to finance those costs at rates that would be economically feasible. Based on the best estimates currently available to the parties, the amount of said "gap" equals no less than \$40,000 per unit. In order to reduce this "gap," DEDA has committed to provide tax increment proceeds from the remainder of the Project in the amount of \$26,237 per each Unit defined below;
- B. without the tax increment assistance to be provided pursuant to this Agreement, the cost of development of the Project would be more than can be supported by amounts that are reasonable to be charged to tenants as rent, and the available resources would be inadequate to provide for the redevelopment and it is not economically feasible to develop the Project, and that therefore, but for the tax increment assistance to be provided for hereunder, the Project could not reasonably be expected to be developed in the foreseeable future; and
- C. the increased market value of the Property that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the Project after subtracting the present value of the projected tax increment for the maximum duration of the district permitted by the Tax Increment Financing Plan for TIF District No. 30.

WHEREAS, the public purpose of the tax increment assistance to be provided pursuant to this Agreement is the construction of housing that will result in expanding workforce housing in the City; the redevelopment of underutilized, blighted or obsolete land uses including demolition of substandard structures; the development on sites which would not be developed without assistance; and the increase tax base within the City of Duluth; and

WHEREAS, the Property is located in a redevelopment district within the meaning of Minnesota Statutes §469.174 et. seq. (Tax Increment Financing District No.30).

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter contained, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree 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:

- A. Available Tax Increment means 90% of the Captured Tax Increment received by DEDA from St. Louis County with respect to the Property and the Project from TIF District No. 30 in the six (6) month period preceding each Scheduled Payment Date, as defined in the TIF Note(s) but not to exceed \$522,356 plus interest at the rate of 5.9% per annum for the Minimum Improvements and not exceed \$682,162 (\$26,237 per Unit) plus interest at the rate of 5.9% per annum for the remainder of the Project.
- B. Captured Tax Increment means that portion of the real property taxes paid with respect to the Property and the Project, which is remitted to DEDA as tax increment under TIF District No. 30 pursuant to the TIF Act.
- C. City means the City of Duluth.
- D. Eligible Project Costs means those costs as set forth in Exhibit A and as

referenced in the TIF Plan for TIF District No. 30 which may be legally funded with tax increment proceeds under Minnesota Statutes §469.174 et. seq. and case law. The current estimate of Eligible Project Costs is approximately \$1,322,500 for the Minimum Improvements and \$66,125 for the additional units.

- E. Executive Director means the Executive Director of DEDA or such person or persons designated in writing by said Executive Director to act on behalf of her/him with regard to this Agreement or any portion thereof.
- F. Minimum Improvements means the construction of twenty (20) Units for a total of over 57,000 square feet, including garages, together with related utilities, landscaping and other amenities at a cost of approximately \$4,750,000, according to the plans approved by the Executive Director pursuant to Article IV and pursuant to required City approvals.
- G. Project means the development by Developer of twenty (20) and up to forty-six (46) Units of approximately 1,314 square feet average living area, including garages, together with related utilities, landscaping and other amenities at a cost of approximately \$237,000 per unit, all according to the plans approved by the Executive Director pursuant to Article IV and pursuant to required City approvals.
- H. Property means that property located in St. Louis County, Minnesota, owned by Developer and described on Exhibit B attached hereto and made a part hereof and additional property within TIF District No. 30 acquired by Developer upon which Units are to be constructed.
- I. TIF Act means Minnesota Statutes, Sections 469.174 through 469.179, as the same may be amended from time to time.
- J. TIF District No. 30 means DEDA's Tax Increment Financing District No.30.
- K. TIF Notes mean the limited revenue tax increment financing notes ("pay-as-you-go" notes) to be issued by DEDA to the Developer pursuant to Article VI of this Agreement.
- L. TIF Plan means the Tax Increment Financing Plan for TIF District No. 30 authorized in accordance with the TIF Act, which TIF Plan is on file in the office of the Executive Director.
- M. Unit shall mean one of the townhome units of approximately 1,314 square feet

average living area plus garages to be constructed on the Property.

ARTICLE II

Application Fee and Reimbursement of Consultant Costs

In consideration of the financial assistance provided by DEDA to Developer pursuant to the terms of this Agreement, Developer has paid to DEDA a non-refundable application fee of Three Thousand and No/100 Dollars (\$3,000.00). Additionally, Developer agrees to reimburse DEDA upon invoice for services of Ehlers & Associates, Inc. to perform a “but for compliance” test for the Project and to prepare and process the TIF Plan in the amount of Fifteen Thousand and no/100ths Dollars (\$15,000.00). Developer also agrees to reimburse DEDA upon invoice for services of LHB, Inc. to perform a study to determine if TIF District No. 30 meets the definition of “substandard” as defined in the TIF Act and related issues in the amount of Twelve Thousand One Hundred Fifty-three and 75/100ths Dollars (\$12,153.75).

ARTICLE III

Preconditions to Project Construction

Developer is authorized to construct the Project in phases. The Minimum Improvements are the first phase; all other phases shall consist of the construction of four or more Units (hereinafter “Phase” or “Phase of the Project”). Prior to the commencement of construction of each Phase of the Project and as a precondition to the commencement thereof, Developer shall provide to DEDA the following items:

- A. Title. Proof reasonably satisfactory to DEDA that Developer owns the Property related to that Phase in fee simple absolute.
- B. Construction Costs. Developer’s certified estimate of the total cost of construction of that Phase of the Project.
- C. Construction Contract. A copy of the executed contract between Developer and a general contractor necessary to complete the construction of that Phase of the Project in accordance with plans, specifications and elevations, approved pursuant to Article IV and certified by Developer to be a true and correct copy thereof. Such construction contract shall provide that payments for the work

thereunder are the sole obligation of Developer.

- D. Construction Bonds. Copies of an executed payment bond and an executed performance bond provided by the above general contractor in connection with the construction of that Phase of the Project which bonds shall be in the penal amount of not less than one hundred percent (100%) of the contract price under said contraction contracts written by a bonding company or bonding companies licensed to do business in the State of Minnesota, certified by Developer to be true and correct copies thereof which name DEDA as an additional beneficiary thereof, or other evidence satisfactory to the Executive Director of the ability of the Developer to complete that Phase of the Project.
- E. Construction Financing. Copies of any loan commitments and other financing commitments obtained by Developer for each Phase of the Project, the total of any such commitments and equity contributions to be in an amount not less than the total contract price between Developer and its general contractor as described in Paragraph C above.
- F. Neighborhood Design. Approval by City of Duluth Planning Staff that the Phase of the Project complies with the Ramsey Traditional Neighborhood Design or a variance is received.

ARTICLE IV

Project Plans

- A. Plans, Specifications and Elevations. No less than thirty (30) days prior to the commencement of construction of each Phase of the Project, or such lesser time as approved by the Executive Director, Developer shall submit working drawings, specifications and elevations for that Phase of the Project together with detailed site grading, utility and landscaping plans and elevations to the Executive 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 DEDA, the City, the State of Minnesota and the United

States of America. The Executive Director shall review such plans, specifications and elevations within fifteen (15) days of submission of same by Developer. If the Executive 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 Developer of said rejection together with the reason or reasons therefor, Developer shall submit new or corrected plans, specifications and elevations meeting said objections within fifteen (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 Executive Director. The Executive Director's approval of Developer'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 Developer by law. Developer expressly agrees to be solely responsible for all costs, including architectural fees connected with said plans, specifications and elevations and any revisions thereto.

- B. Changes After Initial Approval. Any changes made to plans by Developer after initial review of the Executive Director shall be submitted to the Executive Director for approval in the same manner provided for in Paragraph A above.

ARTICLE V

Construction

- A. Construction. Upon the fulfillment of the preconditions to construction for the Minimum Improvements provided for in Articles II, III and IV above, but in no event later than August 1, 2018, Developer shall commence construction of the Minimum Improvements in conformance with the plans approved pursuant to Article IV. Said construction work of the Minimum Improvements shall be completed not later than June 30, 2019. Notwithstanding the above, the construction period may be extended upon the prior written approval of the Executive Director.

- B. Developer to Bear All Costs. Except for payments by DEDA provided for in Article VI, Developer specifically agrees to bear all costs related to the construction of the Project and any modifications thereto.
- C. Progress Reports. Until construction of the entire Project has been completed, Developer shall make reports in such detail and at such times as may reasonably be requested by the Executive Director as to the actual progress of Developer with respect to the Project. Additionally, upon reasonable notice, the Developer also agrees that it will permit DEDA access to the Property.
- D. Project Costs/Certificate of Completion. Promptly upon completion by Developer of the construction of each Phase of the Project in accordance with this Agreement, Developer shall submit to the Executive Director written evidence in a form satisfactory to the Executive Director of Eligible Project Costs incurred and paid. Such evidence shall include, at a minimum, paid invoices, receipts, canceled checks, mechanic lien waivers or comparable evidence of payment. DEDA and its representatives shall have the right at all reasonable times after reasonable notice to inspect, examine and copy all books and records of Developer relating to the Eligible Project Costs and the Phase of the Project. Such records shall be kept and maintained by Developer for a period of six (6) years following the issuance of a Certificate of Completion. Upon furnishing by Developer of said written evidence of Eligible Project Costs and upon completion by Developer of the construction of that Phase of the Project in accordance with this Agreement, DEDA through its Executive Director shall promptly furnish to Developer an appropriate certificate certifying completion of construction of that Phase of the Project (Certificate of Completion) in the form of that attached hereto as Exhibit C. A Certificate of Completion shall not be issued until all elements of that Phase of the Project have been completed. Upon receipt, Developer agrees to file the Certificate of Completion in the Office of the St. Louis County Recorder or Registrar of Titles, as appropriate, and to pay all costs associated therewith. Upon recordation, Developer shall immediately submit to DEDA an executed original of the Certificate of Completion showing the date and document numbers of record, or duly certified copies of the filed original.

ARTICLE VI

Payment Obligations

- A. Upon DEDA's issuance of the Certificate of Completion for the Minimum Improvements pursuant to Paragraph D of Article V, DEDA shall execute and deliver to Developer a TIF Note in substantially the form of Exhibit D in the amount of \$522,526 or the amount of documented Eligible Project Costs, whichever is less. Upon DEDA's issuance of a Certificate of Completion for each additional Phase of the Project, DEDA shall execute and deliver to Developer a TIF Note in substantially the form of Exhibit D in the amount of \$26,237 per Unit or the amount of documented Eligible Project Costs, whichever is less. Notwithstanding the above, TIF Notes shall be issued no more frequently than annually.
- B. Pursuant to the TIF Plan, DEDA's first receipt of Available Tax Increment will be in 2020. Interest payable on the TIF Note(s) in the amount of 5.9% per annum shall start to accrue on the date of execution of each TIF Note. There shall be no accrual of interest on unpaid interest. As required by statute, the amount of Available Tax Increment shall not exceed the amount of Eligible Project Costs incurred, paid, or otherwise contracted for by the Developer within 5 years of the date of certification by the St. Louis County Auditor of TIF District No.30.
- C. Developer acknowledges and agrees, as provided in the TIF Note(s), that payments under the TIF Note(s) shall be bi-annual payments in the amount of Available Tax Increment attributed to the tax parcels to which the particular TIF Note is related and received by DEDA in the six months preceding each Scheduled Payment Date as defined in the TIF Note(s). DEDA shall not be obligated to make any payments except as provided in the TIF Note(s).
- D. The TIF Note(s) will be issued without registration under the State or federal securities laws pursuant to an exemption for such issuance; and, accordingly, the TIF Note(s) may not be assigned, transferred or pledged, in whole or in part, except as specifically set forth herein.
- E. DEDA's financial commitment for payment of the TIF Note(s) under this Agreement is a revenue obligation only and will be paid by DEDA only out of

Available Tax Increment. Developer acknowledges that DEDA makes no representations or warranties that the Available Tax Increment will be sufficient to pay Developer on the TIF Note(s). Developer acknowledges that Available Tax Increment is subject to calculation by St. Louis County and changes in state statute and that some or all of the TIF Note(s) may not be paid prior to the final payment set forth in the TIF Note(s) and in such event, the amount of payments otherwise due to Developer under Paragraph A above shall be deemed upon termination of this Agreement to have been paid in full and DEDA shall have no further obligations for payments of said amounts.

- F. Developer acknowledges that the estimates of Available Tax Increment and tax projections, which may have been made by DEDA or its agents, officers or employees are estimates only, are made for the sole use and benefit of DEDA and are not intended for Developer's reliance. DEDA does not warrant that it will have throughout the term of this Agreement the continuing legal ability under State law to apply Available Tax Increment to the payment of the TIF Note(s).

ARTICLE VII

Operating Covenants

Developer agrees that in its operations and use of the Units, the Property and the Project, in accordance with industry standards, Developer shall:

- A. **Maintenance.** At all times cause the Units, the Project and the Property to be operated and maintained in a neat, orderly condition, to maintain and preserve and keep in good repair, working order and condition said Units, Property and Project and to perform all needed and proper repairs, renewals and replacements necessary to be made thereto. The maintenance of the Units, Project and the Property 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 Units, Property and Project.
- B. **Utilities.** Pay or cause to be paid any and all charges for utilities furnished to the

Units, Project and the Property 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 and all of its licenses, permits and consents to the extent necessary and desirable to the operation of its business and affairs relating to the Units, the Project and the Property 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 Units, the Project and the Property 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 Units, the Project and the Property; 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 Developer's title to the Units, the Project and the Property.
- 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 Units, Project or the Property, 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 Units and the Property, or any part thereof, and to pay all fees, charges and rentals for utilities, service or extensions for the Unit and the Property 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 Units, the Project and the Property 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. Continued Use. Continue use of the Units and the Property as townhome units during the term of this Agreement. Continued use includes the townhome units being offered for lease. Continued use does not require actual leasing as long as commercially reasonable efforts are being used to lease the townhome units.

- I. Wage Covenants

Abide by the requirements of Article XXVI of Chapter 2 of the Duluth City Code, 1959, as amended (the "Duluth Living Wage Ordinance"). Cause the laborers, mechanics or apprentice-trainees directly employed upon the Project worksite to be paid the wage rates as provided in the federal Davis Bacon Act, as amended. Enter into a Project Labor Agreement in conformance with the requirements of Section 2-29 of the Duluth City Code, 1959, as amended.

ARTICLE VIII

Provision Against Liens, Assignments and Transfers

- A. Provision Against Liens. Except for encumbrances permitted pursuant to this Article, Developer shall not permit or allow any mechanics' or materialmen's liens to be filed or established or to remain against the Units, the Property or the Project or any part thereof provided that if Developer shall first notify DEDA of its intention to do so and post such security as the Executive Director reasonably deems necessary, Developer may, in good faith, contest any such mechanic's or other liens filed or established as long as DEDA does not deem its interest or rights in this Agreement to be subject to foreclosure by reason of such context; provided however, in the event a private lender also requests security with respect to such lien(s), DEDA agrees that it may be jointly protected with said lender by the same security, the amount of which shall be the greater of that security requested by the Lender or the Executive Director. Except liens or encumbrances allowed in writing by the Executive Director, Developer shall not create or permit any mortgage or encumbrance to be filed or established or to remain against the Units, the Property, or the Project or any part thereof which would materially or adversely affect DEDA's interest during the term of this Agreement. Notwithstanding the foregoing,

the Developer may enter into a first mortgage at any time following completion of the Project or so much of the Project that has been constructed within five (5) years following certification of TIF District No. 30, so long as Developer is not in default hereunder and so long as such mortgage does not exceed 85% of a certified appraisal, a copy of which shall be provided to DEDA. In the event that such a mortgage is proposed, DEDA, on thirty (30) days' written notice, will subordinate this Agreement to the lien of such a mortgage.

B. Provision Against Assignments, Transfers or Change in Identity of Developer. The parties hereto acknowledge that DEDA is relying upon the qualifications and identity of Developer to construct, operate and maintain the Units, the Project and the Property. Therefore, except as may be approved in writing in advance by the Executive Director or as otherwise approved by this Agreement, Developer 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, trust, lien or power of attorney, nor has it nor will it allow any change in the identity of the principals or their respective percentages of ownership or voting rights, if such change would result in a change of control, and has not or will not otherwise transfer in any other way all or any portion of the Units, the Property, the Project, Developer, this Agreement or any other contract or agreement entered into in connection with carrying out its obligations hereunder; and Developer will not make or create or suffer to be made any such transfer of Developer's rights hereunder. Notwithstanding the above, Developer is authorized to lease any portion of the Units.

C. Assignments after Issuance of a Certificate of Completion. Subject to the provisions of Paragraph B of this Article, after a Certificate of Completion has been issued for a Phase of the Project, Developer may sell, assign, convey or otherwise transfer its interest in that Phase of the Project, including the TIF Note, the Property and Units related to that Phase provided the following have been satisfied:

1. Thirty days' prior written notice of the transfer is provided to the Executive Director.

2. Any transfer shall include the transfer of all of the Property, the Project, the Units, the TIF Note and this Agreement to the same transferee with respect to that Phase of the Project.
3. Any Phase or Phases to be sold, assigned, conveyed or otherwise transferred shall have a separate legal description and shall be a separate tax parcel or parcels.
4. The transferee shall agree by affidavit to assume the Property, the Project, the Units, the TIF Note and this Agreement with respect to that Phase of the Project and to comply with all the terms and conditions of this Agreement not otherwise extinguished by the completion and certification of construction of that Phase of the Project. The form of the affidavit shall have the prior approval of DEDA's Attorney and shall be provided to the Executive Director upon transfer.

Failure to comply with the requirements of Paragraphs 1, 2 and 3 above shall be an event of default under this Agreement. Provided the above requirements are met, upon transfer of the Property, the Project, the Units, the TIF Note and the Development Agreement with respect to that Phase of the Project, the obligations of Developer under this Agreement are terminated with respect to the same, except that Developer shall remain liable for any obligations that arose prior to the date of such transfer that were required to be performed prior to such transfer.

ARTICLE IX

Indemnification

- A. Generally. Developer shall, to the fullest extent permitted by law, protect, indemnify and save DEDA and the City and their officers, agents, servants, employees and any person who controls DEDA 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 including claims for contribution or indemnity, demands and judgments of any nature arising from:
1. Any injury to or death of any person or damage to property in or upon the

Units, the Project or the Property or any part thereof, or growing out of or in connection with the use or non-use, construction or rehabilitation, condition or occupancy of the Units, the Project or the Property or any part thereof and also, without limitation, the construction or installation of the Units or the Project or any portion of thereof. 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 Developer, customers, suppliers or affiliated organizations under any Workers' Compensation Act, Disability Benefit Acts or any other Employee Benefit Acts.

2. Any violation by Developer of any provision of this Agreement.
3. Any violation of any contract, agreement or restriction related to the Units, the Project or the Property which shall have existed at the commencement of the term of this Agreement or shall have been approved by Developer;
or
4. Any violation of any law, ordinance, court order or regulation affecting the Units, the Project or the Property, or the ownership, occupancy or use thereof.

B. Environmental Indemnification. In addition to the generality of the above, Developer hereby agrees that for itself, its successors and assigns that it will indemnify and save DEDA and the City and their officers, agents, servants and employees and any person who controls DEDA or 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, including claims for contribution or indemnity, demands and judgments arising out of any condition existing in the Units or on the Property, whether pre-existing or after-created, 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 of Minnesota 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 in the Units or on the Property or the release or threatened release 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 property, and that indemnification granted hereby shall include all costs of clean-up and remediation and response costs, together with the costs incurred in proceedings before a 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 may be necessary to meet the requirements of the aforesaid agencies and any other costs and expenses of any kind whatsoever arising out of such conditions existing in the Units or on the Property.

- C. Indemnification Procedures. Promptly after receipt by DEDA of notice of the commencement of any action with respect to which Developer is required to indemnify DEDA or the City under this Article, DEDA shall notify Developer in writing of the commencement thereof, and, subject to the provisions as hereinafter stated, Developer shall assume the defense of such action, including the employment of legal counsel satisfactory to DEDA or the City and the payment of expenses. In so far as such action shall relate to any alleged liability of DEDA or the City with respect to which indemnity may be sought against Developer, DEDA and the 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 Developer.

ARTICLE X

Insurance

Developer shall provide for purchase and maintenance of such insurance as will protect Developer, DEDA and the City against risk of loss or damage to the Units, the Project and the Property and any other property permanently located or exclusively used at the Project site and against claims which may arise or result from the maintenance and use of the Units, the Project and the Property, including operations

conducted in connection with construction of improvements thereupon. Such coverages shall include but shall not necessarily be limited to the following:

A. Insurance During Construction. Developer, prior to entering on the Property for construction work, shall procure or cause to be procured and maintain or require 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. Developer shall provide "All Risk" builder's risk insurance under a completed value form 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 in the Units and on the Project and the Property, to the full replacement value thereof, except that such policy may provide for a deductible amount not to exceed Fifty Thousand and No/100 Dollars (\$50,000.00) per occurrence. Said insurance shall be endorsed to provide consent for occupancy of the Units and shall be maintained in effect until permanent property coverage as provided for hereinafter is in force.
2. Public Liability Insurance. Public Liability Insurance written on an "occurrence" basis under a Comprehensive General Liability Insurance and Automobile Liability Insurance Form with "Broad Form" property damage liability coverage, with XCU exclusion removed, in limits of not less than \$2,000,000 aggregate per occurrence 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. DEDA and the City shall be named as additional insureds on the Commercial General Liability Insurance and Automobile Liability Insurance policies. Contractor shall also require such liability coverage of its subcontractors unless they be insured under contractor's policies. Contractor's and subcontractors'

liability coverages shall include:

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

B. Permanent Insurance. Developer shall procure and continuously maintain, except as otherwise provided below, insurance covering all risks of injury to or death of persons or damage to property arising in any way out of or as a result of Developer's ownership of, occupancy of or use of the Units, the Project and the Property, carried in the name of Developer as follows:

1. Property Insurance. Prior to expiration of the buildings' risk coverage specified above, the Units, Project and Property, 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. Developer hereby waives any and all claims or causes of action against DEDA 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.
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, Developer shall procure and maintain continuously in force Public Liability Insurance written on an

"occurrence" basis under a Commercial General Liability Insurance and Automobile Liability Insurance 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. DEDA and the City shall be named as additional insureds therein. Insurance shall cover:

- a. Public liability, including premises and operations coverage;
- b. Independent contractors--protective contingent 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.

3. Workers' Compensation. Workers' Compensation Coverage in statutory amounts with "all states" endorsement unless qualified as a self-insurer under Minnesota Law, and evidence of such qualification is furnished to DEDA. Employees' liability insurance shall be carried in limits of \$100,000 per employee.

C. Modification of Insurance Requirements. It is agreed between the parties that DEDA shall have the right to modify the forms of the insurance provided for in Paragraphs A and B above and the limits set forth with regard thereto provided that any such modification and policy forms or limits shall be of such a character and in such amounts as are reasonably necessary to provide DEDA with the types and amounts of protection provided for in this Agreement at the time of its execution. In the event that DEDA shall desire to so modify said insurance requirements, DEDA shall notify Developer of the proposed modifications not less than sixty (60) days prior to the date set by DEDA for said modifications to go into effect.

D. 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 Minnesota. DEDA shall be named as Additional Insured under the Public Liability and Automobile Liability Insurance required under Paragraphs A and B above. Developer shall also provide evidence of statutory Minnesota Workers' Compensation Insurance.

- E. Certifications. Developer shall be required to supply to DEDA written certifications of insurance requiring the insurer to give DEDA thirty (30) days' written notice prior to cancellation or modification of said insurance for any reason other than non-payment of premium and ten (10) days' written notice prior to cancellation for non-payment of premium of said insurance.
- F. Reconstruction Obligation and Uninsured Loss. In the event the Project or any Phase or any portion thereof is destroyed by fire or other casualty, Developer shall forthwith repair, reconstruct, and restore the improvements 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, restoration, or construction, Developer shall apply the proceeds of any insurance received by Developer to the payment or reimbursement of the costs thereof. Developer shall, however, complete the repair, reconstruction and restoration of the improvements whether or not the proceeds of any insurance received by Developer are sufficient to pay for such repair, restoration, and reconstruction. Notwithstanding the above, Developer may decline to rebuild provided that, within one (1) year of the date of destruction by fire or other casualty, it repays DEDA all principal and interest payments under the TIF Note(s) for that Phase or Phases. Additionally, in such event, DEDA shall have no further obligation to make any payments under the TIF Note(s) for that Phase or Phases.

ARTICLE XI

Developer Defaults and Remedies Therefor

- A. Events of Default. The following shall be deemed to be events of default by Developer under the terms and conditions of this Agreement to which the

remedies set forth in Section B below shall be applicable.

1. Developer shall fail to pay real estate taxes as and when due and payable unless contested in good faith by Developer.
2. Developer shall fail to observe or perform any of the terms, conditions, covenants or agreements required to be observed or performed by it pursuant to this Agreement and such failure shall continue for a period of 45 calendar days after DEDA has, pursuant to the provisions of this Agreement, given written notice to Developer of such default or, in the event that such default shall be incapable of cure with reasonable diligence during said 45 day period, shall have failed to commence to cure said default within 45 days of the date of said notice and to diligently pursue the same to completion.
3. Developer shall permit valid liens, not cured or contested within thirty 30 days, to be placed on the Units or the Property or both or Developer loses title to the Units or the Property or both.
4. Developer makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts as they become due; or an adjudication of bankruptcy or insolvency is made as to Developer or its business; or Developer files a petition of bankruptcy or files a petition seeking any reorganization, dissolution, liquidation, or rearrangement, composition, readjustment or similar action under any present or future bankruptcy or insolvency, statute, law or regulation; or Developer files an answer admitting to or not contesting to the material allegations of a petition filed against it in such proceeding or fails to have dismissed or vacated within sixty (60) days after its filing such a petition or seeks or consents or acquiesces in the appointment of any trustee, receiver or liquidator of a material part of Developer's properties or fails to have dismissed or vacated within sixty (60) days after the appointment without the consent or acquiescence of Developer of any trustee, receiver or liquidator of any material part of Developer's properties.

B. Remedies. DEDA shall have the following remedies in the event of a default:

1. Terminate this Agreement and/or the TIF Note(s).
 2. Withhold the performance of any obligation owed by DEDA under this Agreement and/or the TIF Note(s).
 3. With respect to a default of any Phase of the Project, seek and be entitled to repayment from Developer thereof of all sums paid by DEDA for that Phase pursuant to Article VI, which repayment obligation shall, from the date of default, bear interest at the rate of 6.0% per annum.
 4. Seek and be entitled to monetary damages for any damages incurred by DEDA as a result of a default.
 5. Cease making payments under this Agreement and the TIF Note(s) of Available Related Tax Increment as defined in the TIF Note(s).
 6. Seek and be entitled to injunctive or declaratory relief as is necessary to prevent violation of the terms and conditions of this Agreement or to compel Developer's performance of its obligations hereunder.
 7. Seek such other legal or equitable relief as a court of competent jurisdiction may determine is available to DEDA.
- C. Non-Waiver. The waiver by DEDA of any default on the part of Developer or the failure of DEDA to declare default on the part of Developer of any of its obligations pursuant to this Agreement shall not be deemed to be a waiver of any subsequent event of default on the part of Developer of the same or of any other obligation of Developer under this Agreement. To be effective, any waiver of any default by Developer hereunder must be in writing by the Executive Director.
- 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 XII

Representations by DEDA

DEDA makes the following representations as the basis for the undertaking on its part herein contained:

- A. It is a lawfully constituted economic development authority under the laws of the

State of Minnesota, it is not in material violation of any provisions of State law and it has full power and authority to enter into this Agreement and perform its obligations hereunder.

- B. There are not actions, suits or proceedings pending, or to the knowledge of DEDA, threatened against DEDA or any property of DEDA in any court or before any federal, state, municipal or governmental agency which, if decided adversely to DEDA, would have a material adverse effect upon DEDA or any business or property of DEDA and DEDA is not in default with respect to any order of any court or government agency.
- C. DEDA will perform all its obligations under this Agreement.

ARTICLE XIII

Developer's Representations and Warranties

Developer represents and warrants that:

- A. The Developer is a Minnesota limited liability company duly organized and authorized to transact business in the State, it is fully competent to acquire the Property and to construct the Project thereon, it is not in violation of any provisions of its articles of organization, member control agreement, or the laws of the State, it has the power to enter into this Agreement, and has duly authorized the execution, delivery and performance of this Agreement by proper action of its members.
- B. Developer will perform all of its obligations under this Agreement. Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of the terms, conditions, or provisions of any agreement or instrument of whatever nature to which the Developer is now a party or by which Developer is bound, or constitutes a default under the foregoing.
- C. No actions, suits, or proceedings are pending or, to the knowledge of Developer, threatened against Developer or any property of Developer in any court or before any federal, state, or municipal or other governmental agency that, if decided

adversely to Developer, would have a material adverse effect upon Developer, the Units, the Property, or the Project, and Developer is not in default of any order of any court or governmental agency which, if decided adversely to Developer, would have a material adverse effect upon the Units, the Property or the Project.

- D. The Developer 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). The Developer will obtain, in a timely manner, all required permits, licenses and approvals, and will 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.
- E. Developer 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.
- F. Developer shall do such things as are necessary to cause any information, document, certificate, statement in writing, or report required under this Agreement delivered to DEDA or any third party under this Agreement to be true, correct, and complete in all material respects.
- G. That if necessary, Developer agrees to perform any survey work prior to construction, and all descriptions and exhibits hereto and definitions herein shall be subject to such revisions as are necessary after completion of any survey.
- H. That without the assistance to be provided by DEDA hereunder, Developer's cost of developing the Project would be more than can be supported by the amounts that are reasonable to be charged to tenants as rent and the available resources would be inadequate and not economically feasible to develop the Project and that, therefore, but for the DEDA assistance to be provided for hereunder, the Project would not be economically feasible for Developer; and Developer would not have developed the Project and operated the same in the reasonably foreseeable future.

ARTICLE XIV

Term

The term of this Agreement shall commence on the date first shown above and shall continue for a period of 26 years from the date of receipt by DEDA from the St. Louis County Auditor's Office of the first payment of Captured Tax Increment unless changes in law prevent DEDA from any receipt of further payments of Captured Tax Increment in which event the Agreement is terminated, or unless this Agreement is otherwise terminated as provided for herein. Termination shall not terminate any indemnification provisions or any other provisions which by their nature survive termination and shall not terminate any other rights or remedies arising under this Agreement due to any event of default which occurred prior to such termination.

ARTICLE XV

Agreement Runs with the Land

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties to the extent assignment is permitted hereunder. This Agreement shall run with the land.

ARTICLE XVI

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 DEDA: DEDA
 Room 402 City Hall
 411 West First Street
 Duluth, MN 55802
 Attn: Executive Director

In the case of Developer: Ramsey III, LLC
 c/o Thies and Talle Enterprises, Inc.
 470 W. 78th Street, Suite 260

Chanhassen, MN 55317

With copies to: Hanft Fride, A Professional Association
1000 US Bank Place
130 W. Superior Street
Duluth, MN 55802
Attn: William M. Burns, Esq.

or at such other address with respect to either such party as that party may, from time to time, designate in writing and forward to the other as provided in this section.

ARTICLE XVII

Recordation

Immediately upon execution of this Agreement, Developer agrees to record this Agreement in the office of the St. Louis County Recorder and/or Registrar of Titles and to pay all costs associated therewith. Upon recordation, Developer shall immediately submit to DEDA an executed original of the Agreement showing the date and document numbers of record, or a certified copy of the filed original.

ARTICLE XVIII

Disclaimer of Relationships

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

ARTICLE XIX

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 XX

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 XXI

Authorization to Execute Agreement

Developer represents to DEDA that the execution of this Agreement has been duly and fully authorized by its governing body or board, that the officers of Developer 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 Developer in accordance with the terms and conditions thereof.

ARTICLE XXVI

Title of Articles

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

ARTICLE XXII

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 XXVIII

No Third Party Rights

This Agreement is to be construed and understood solely as an agreement between the parties and shall not be deemed to create any rights in any other person or entity. No person or entity shall have the right to make claim that he, she or it is a third party beneficiary of this Agreement or of any of the terms and conditions hereof, which, as between the parties, may be waived at any time by mutual agreement between the parties.

ARTICLE XXIII

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.

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

DULUTH ECONOMIC DEVELOPMENT
AUTHORITY

RAMSEY III, LLC
a Minnesota limited liability company

By: _____
Its President

By: _____
Name: Kenneth R. Talle
Its: Chief Manager and CEO

By: _____
Its Secretary

STATE OF MINNESOTA)
) SS
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me this ____ day of _____, 2018, by Tim McShane and Zack Filipovich, the President and Secretary, respectively, of the Duluth Economic Development Authority of Duluth, an economic development authority created and existing under Minnesota Statutes, on behalf of the Authority.

Notary Public

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2018, by Kenneth R. Talle, the Chief Manager and CEO of Ramsey III, LLC, a Minnesota limited liability company, on behalf of the limited liability company.

Notary Public

This instrument was drafted by:

Joan M. Christensen
Attorney for the Duluth Economic
Development Authority
410 City Hall
Duluth, MN 55802
(218) 730-5273

EXHIBIT A
Eligible Project Costs

Demolition Costs	\$ 60,564.00
Site Improvements/Public Infrastructure (not including building)	\$ 700,493.00
Pro-rata Architectural, Engineering, legal and other consultant	\$ 23,625.00
Environmental Tests and Remediation	\$ 25,000.00
Permits/Fees (SAC/WAC, electric, telecommunication)	\$ 10,333.60
Property Acquisition	<u>\$ 502,500.00</u>
	\$1,322,515.60

EXHIBIT B
Developer Property
Located in St. Louis County, Minnesota

425 North 54th Avenue West

Parcels 010-4470-00670 and 010-4470-00720

Legal description: Lots 1, 2, 3, 4, 5, 6, 7 and 8, Block 5, West Duluth, First Division

406 North 54th Avenue West:

Parcel 010-4470-00640

Legal description: Lots 14, 15 and 16, Block 4, West Duluth, First Division

409 North 53rd Avenue West:

Parcels 010-4470-00440 and 010-4470-00450

Legal description: Lots 11, 12, 13, 14 and 15, Block 3, West Duluth, First Division

5303 Ramsey Street:

Parcel 010-4470-00490

Legal description: Lot 16, Block 3, West Duluth, First Division

EXHIBIT C

CERTIFICATE OF COMPLETION

RECITALS:

A. On _____, 20_____, the Duluth Economic Development Authority, an economic development authority created and existing under Minnesota Statutes (1989) Chapter 469 (“DEDA”), and Ramsey III, LLC (“Developer”), entered into a Development Agreement, which agreement was recorded in the Office of the St. Louis County Recorder on _____, 2017, as Document No. _____, and in the Office of the St. Louis County Registrar of Title on _____, 2017, as Document No. _____ (the “Development Agreement”), relating to property located in St. Louis County, Minnesota, and legally in the attached Exhibit A (the “Developer Property”).

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. Paragraph D of Article V of the Development Agreement provides that a Certificate of Completion be issued by DEDA’s Executive Director upon, among other things, completion by Developer of the construction of a Phase of the Project in accordance with the Development Agreement.

D. Developer has completed construction of a Phase of the Project in a manner deemed sufficient by DEDA to permit execution and recording of this Certificate of Completion.

NOW, THEREFORE:

1. Construction of the Phase of the Project required to be performed by Developer pursuant to the Development Agreement with respect to the Property, has been completed, and those requirements under the Development Agreement which relate solely to construction obligations of the Phase of the Project have been fulfilled, but all other conditions and restrictions contained in the Development Agreement shall remain in effect.

(END OF TEXT ON THIS PAGE)

Exhibit A to the Certificate of Completion
Description of Developer Property

The Developer Property is located in St. Louis County, MN and described as follows:

EXHIBIT D
TIF NOTE

Principal Amount

Annual Rate

\$ _____

5.9%

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF ST. LOUIS

DULUTH ECONOMIC DEVELOPMENT AUTHORITY

TAX INCREMENT FINANCING (TIF) REVENUE NOTE
(RAMSEY III, LLC PROJECT)

The Duluth Economic Development Authority, an economic development authority created and existing pursuant to Minnesota Statutes Chapter 469 ("DEDA"), hereby acknowledges itself to be indebted and, for value received, hereby promises to pay Ramsey III, LLC, a Minnesota limited liability company (the "Developer"), or its registered assigns (the "Registered Owner"), the principal amount of \$ _____ Dollars (\$ _____), which is the amount determined in Paragraph A of Article VI of that certain Development Agreement between DEDA and the Developer dated _____, 2018, and bearing DEDA Contract No. _____, as may be amended from time to time (the "Agreement"), but only in the manner, at the times, from the sources of revenue, and to the extent hereinafter provided.

This TIF Note is issued pursuant to the Agreement. Terms are defined in this TIF Note or in the Agreement. The principal amount of this TIF Note, as adjusted above, shall bear interest at the annual rate specified above and interest shall start to accrue as of the date of execution of this TIF Note. There shall be no accrual of interest on unpaid interest. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

This Note is issued and payable solely from Available Tax Increment, as defined in the Agreement, attributed to the tax parcels to which this TIF Note is related (the "Available Related Tax Increment"). DEDA shall by check pay to the Registered Owner of the TIF Note bi-annual payments in the amount of the Available Related Tax Increment (the "Scheduled Payment") payable on August 1 and February 1 of each year, commencing on August 1, 20____, to and including February 1, 20____, or, if the 1st should not be a business day the next succeeding business day (the "Scheduled Payment Dates"). Available Related Tax Increment shall first be applied to accrued interest and then to principal.

This Note shall terminate and be of no further force and effect following (a) February 1, 20____; (b) any date upon which the Agreement or this TIF Note has terminated under said Agreement; or (c) on the date that all principal and interest payable hereunder shall have been paid in full; whichever occurs earliest. This TIF Note may be prepaid in whole or in part at any time without penalty.

DEDA makes no representation or covenant, express or implied, that the Available Related Tax Increment will be sufficient to pay, in whole or in part, the amounts which are or may become due and payable hereunder.

DEDA's payment obligations hereunder shall be further conditioned on the fact that no event of default by Developer under the Agreement shall have occurred and be continuing, but such unpaid amounts shall become payable, without interest accruing thereon during the period of default, if said event of default shall thereafter have been cured; and, further, if pursuant to the occurrence of an event of default under the Agreement DEDA elects to terminate the Agreement or this TIF Note, DEDA shall have no further debt or obligation under this Note whatsoever. Reference is hereby made to all of the provisions of the Agreement for a fuller statement of the rights and obligations of DEDA to pay the principal of this TIF Note and the interest thereon, and said provisions are hereby incorporated into this TIF Note as though set out in full herein.

THIS TIF NOTE IS A SPECIAL, LIMITED REVENUE OBLIGATION AND NOT A GENERAL OBLIGATION OF DEDA OR THE CITY OF DULUTH (THE "CITY") AND IS PAYABLE BY DEDA ONLY FROM THE SOURCES AND SUBJECT TO THE QUALIFICATIONS STATED OR REFERENCED HEREIN. THIS TIF NOTE IS NOT A GENERAL OBLIGATION OF DEDA OR THE CITY, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS OF DEDA OR THE CITY ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS TIF NOTE AND NO PROPERTY OR OTHER ASSET OF DEDA OR THE CITY, SAVE AND EXCEPT THE ABOVE REFERENCED PLEDGED AVAILABLE RELATED TAX INCREMENT, IS OR SHALL BE A SOURCE OF PAYMENT OF DEDA'S OBLIGATIONS HEREUNDER.

The Registered Owner shall never have or be deemed to have the right to compel any exercise of any taxing power of DEDA, the City or of any other public body, and neither DEDA, the City nor any person executing or registering this TIF Note shall be liable personally hereon by reason of the issuance or registration thereof or otherwise.

This TIF Note is issued by DEDA in aid of financing a project pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.174 to 469.179, the Minnesota Tax Increment Act.

THIS TIF NOTE HAS NOT BEEN REGISTERED UNDER ANY FEDERAL OR STATE SECURITIES LAWS AND MAY NOT BE SOLD, ASSIGNED, PLEDGED, OR OTHERWISE DISPOSED OF OR TRANSFERRED EXCEPT AS PROVIDED FOR IN THE AGREEMENT.

Except as provided in the Agreement, this TIF Note may not be assigned but, upon such assignment, the assignor shall promptly notify DEDA at the office of the Executive Director by registered mail, and the assignee shall surrender the same to the Executive Director either in exchange for a new fully registered note or for transfer of this Note on the registration records for the TIF Note maintained by DEDA. Each permitted assignee shall take this TIF Note subject to the foregoing conditions and subject to all provisions stated or referenced herein and in the Agreement.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to have happened, and to be performed precedent to and in the issuance of this TIF Note have been done, have happened, and have been performed in regular and due form, time, and manner as required by law; and that this TIF Note, together with all other indebtedness of DEDA outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of DEDA to exceed any constitutional or statutory limitation thereon.

IN WITNESS WHEREOF, the Duluth Economic Development Authority, by its Board of Commissioners, has caused this TIF Note to be executed by the manual signatures of the President and the Secretary of DEDA and has caused this Note to be issued on and dated _____, 20____.

DULUTH ECONOMIC DEVELOPMENT
AUTHORITY

By: _____
Its President

By: _____
Its Secretary

Approved as to form
Assistant City Attorney

CERTIFICATION OF REGISTRATION

It is hereby certified that the foregoing TIF Note, as originally issued on _____, 20____, was on said date registered in the name of Ramsey III, LLC, a Minnesota Limited Liability Company, and that, at the request of the Registered Owner of this TIF Note, the undersigned has this day registered the TIF Note in the name of such Registered Owner, as indicated in the registration blank below, on the books kept by the undersigned for such purposes.

<u>Name and Address of Registered Owner</u>	<u>Date of Registration</u>	<u>Signature of Treasurer of City of Duluth</u>
Ramsey III, LLC _____ _____	_____, 20__	_____