

**OPTION AGREEMENT
FIRST AMENDMENT**

THIS FIRST AMENDMENT entered into this _____ day of _____, 2020, is by and between the Duluth Economic Development Authority, an economic development authority created and existing under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as "DEDA" and Merge, LLC, an Iowa limited liability company, d/b/a Merge Urban Development Group, hereinafter referred to as "Developer".

WHEREAS, on May 29, 2019, the parties entered into an Option Agreement in order to grant a conditional option to Developer to allow Developer to make the investment in time, money and effort to determine whether the Pastoret Terrace Building the Paul Robeson Ballroom (the "Property") can be feasibly developed; and

WHEREAS, the Property includes contributing structures to the Duluth Commercial Historic District and is or was the subject of three lawsuits: Respect Starts Here v. DEDA, 69DU-CV-18-953; Temple Corp. v. City of Duluth, 69DU-CV-18-2655; and King v. St. Louis County, 69DU-CV-17-529; and

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

1. Section A, Conditional Option, of Article II, Grant of Conditional Option, is hereby amended as follows:

In consideration of the terms and conditions of this Agreement, DEDA hereby grants to Developer an exclusive Conditional Option to purchase the Property for the amount of the Purchase Price, which Conditional Option shall be effective beginning on the Commencement Date and continuing until September 30, 2020, or final resolution of the Lawsuits via Court order including all rights of appeal, settlement or other manner (the "Final Resolution of the Lawsuits"), whichever is

later; unless sooner exercised, extended or terminated as hereinafter provided. The Executive Director shall give Developer notice of the Final Resolution of the Lawsuits. During the term of the Conditional Option, Developer will determine site conditions and will analyze the market for various kinds of development, and the terms and conditions of the Development Agreement will be finalized. If the Conditional Option is not exercised as of the latter of September 30, 2020, or the final resolution of the Lawsuits, the Conditional Option herein granted shall terminate and be of no further force and effect unless extended in writing and approved by a resolution of DEDA's Board of Commissioners.

2. Article VI, Milestones, is hereby amended as follows:

The parties agree that it is critical to both of them that the development process for the Project proceed in an expeditious and orderly manner and, therefore, the parties agree that the following Milestones be met in the timeframes herein established, subject to the right of the parties to later agree to modifications thereof. Developer shall submit to the Executive Director in writing evidence reasonably satisfactory to the Executive Director that the requirements of the Milestones have been fulfilled in the time frames set forth below. Failure by the Developer to do so will permit but not require DEDA to terminate this Option Agreement.

A. Milestone 1.

No later than September 30, 2020, Developer shall have presented to the Executive Director an outline of Developer's proposed Project which includes a list of proposed uses to be developed on the Property, their approximate size in square feet, the footprint and elevations of structures or other improvements proposed for the Property, the estimated cost of acquiring, constructing and installing any such improvements, and written description of types and characters of proposed tenancies thereof.

B. Milestone 2.

No later than September 30, 2020, Developer shall have presented to the Executive Director refined plans for the Project including architectural plans which are at least to the schematic level for any improvements to be constructed thereon, a proposed ownership structure for the development entity or entities to be involved, a proposed "sources and uses" statement for the Project, and a specific statement of what, if any, public assistance will be required for the Project to be developed and the proposed sources of such public assistance.

C. Milestone 3.

No later than September 30, 2020, or the final resolution of the Lawsuits, whichever is later, Developer shall have received approval from the DEDA Board of Commissioners and from any other required or appropriate local governmental agencies, including but not limited to the City of Duluth, of a Development Agreement and of any other means of financing requiring approval of such agencies.

3. Except as provided in this First Amendment, the terms and conditions of the Option Agreement shall remain in force and effect.

[Signature page to follow.]

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

DULUTH ECONOMIC DEVELOPMENT

MERGE, LLC, an Iowa limited liability company, d/b/a MERGE URBAN DEVELOPMENT GROUP

AUTHORITY

By: _____
Its President

By: _____
Brent Dahlstrom
Its: Manager

By: _____
Its Secretary

STATE OF IOWA)
) ss.
COUNTY OF BLACK HAWK)

The foregoing instrument was acknowledged before me this ____ day of _____, 2020 by _____ Brent Dahlstrom, the Manager of Merge, LLC, an Iowa limited liability company, d/b/a Merge Urban Development Group, on behalf of the limited liability company.

Notary Public

[illegible]

The foregoing instrument was acknowledged before me this _____ day of _____, 2020, by _____ and _____, the President and Secretary of the Duluth Economic Development Authority, an economic development authority under the laws of the State of Minnesota, on behalf of the Authority.

Notary Public

This instrument was drafted by:

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