

INVESTMENT LETTER

To the City of Grand Rapids, Minnesota (the “City”)
Attention: City Administrator

Re: \$350,000 Tax Increment Revenue Note, Series 2023

The undersigned, as Purchaser of \$350,000 in principal amount of the above captioned Note (the “Note”) pursuant to a resolution of the City adopted on September 24, 2018 (the “Resolution”), hereby represents to you and to Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel, as follows:

1. We understand and acknowledge that the Note is delivered to the Purchaser as of this date pursuant to the Resolution and the Contract for Private Development dated December 6, 2010, and subsequent First Amendment to Contract for Private Development dated October 11, 2011 (the “Contract”). Pursuant to an Assignment and Assumption of Contract for Private Development and TIF Note, the Contract and the Note were assigned to the Purchaser,

2. We understand that the Note is payable as to principal and interest solely from Available Tax Increment as defined in the Note.

3. We further understand that any estimates of Tax Increment (as defined in the Contract) prepared by the City or its financial advisors in connection with the TIF District (as defined in the Contract), the Contract or the Note are for the benefit of the City, and are not intended as representations on which the Purchaser may rely.

4. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the above stated principal amount of the Note.

5. We acknowledge that no offering statement, prospectus, offering circular or other comprehensive offering statement containing material information with respect to the City and the Note has been issued or prepared by the City, and that, in due diligence, we have made our own inquiry and analysis with respect to the City, the Note and the security therefor, and other material factors affecting the security and payment of the Note.

6. We acknowledge that we have either been supplied with or have access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Note and the security therefor, and that as a reasonable investor we have been able to make our decision to purchase the above stated principal amount of the Note.

7. We have been informed that the Note (i) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, or under federal securities laws or regulations, (ii) will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.

8. We represent to you that we are purchasing the Note for our own accounts and not for resale or other distribution thereof, except to the extent otherwise provided in the Note, the Resolution, or any other resolution adopted by the City.

9. All capitalized terms used herein have the meaning provided in the Contract unless the context clearly requires otherwise.

10. The Purchaser's federal tax identification number is _____.

11. The Purchaser acknowledges that the City has made no representation or covenant, express or implied, that the revenues pledged to pay the Note will be sufficient to pay, in whole or in part, the principal and interest due on the Note. Any amounts which have not been paid on the Note on or before the final maturity date of the Note shall no longer be payable, as if the Note had ceased to be an obligation of the City. The Purchaser understands that the Note will never represent or constitute a general obligation, debt or bonded indebtedness of the City, the State of Minnesota, or any political subdivision thereof and that no right will exist to have taxes levied by the City, the State of Minnesota or any political subdivision thereof for the payment of principal and interest on the Note.

12. The Purchaser understands that the Note is payable solely from certain tax increments, which are taxes received on improvements made to certain property (the "Improvements") in a tax increment financing district from the increased taxable value of the property over its base value at the time that the tax increment financing district was created, which base value is called "original net tax capacity." There are risk factors in relying on tax increments to be received, which include, but are not limited to, the following:

A. Value of Improvements. If the contemplated Improvements constructed in the tax increment financing district are completed at a lesser level of value than originally contemplated, they will generate fewer taxes and fewer tax increments than originally contemplated.

B. Damage or Destruction. If the Improvements are damaged or destroyed after completion, their value will be reduced, and taxes and tax increments will be reduced. Repair, restoration or replacement of the Improvements may not occur, may occur after only a substantial time delay, or may involve property with a lower value than the Improvements, all of which would reduce taxes and tax increments.

C. Change in Use to Tax-Exempt. The Improvements could be acquired by a party that devotes them to a use which causes the property to be exempt from real property taxation. Taxes and tax increments would then cease.

D. Depreciation. The Improvements could decline in value due to changes in

the market for such property or due to the decline in the physical condition of the property. Lower market valuation will lead to lower taxes and lower tax increments.

E. Non-payment of Taxes. If the property owner does not pay property taxes, either in whole or in part, the lack of taxes received will cause a lack of tax increments. The Minnesota system of collecting delinquent property taxes is a lengthy one that could result in substantial delays in the receipt of taxes and tax increments, and there is no assurance that the full amount of delinquent taxes would be collected. Amounts distributed to taxing jurisdictions upon a sale following a tax forfeiture of the property are not tax increments.

F. Reductions in Taxes Levied. If property taxes are reduced due to decreased municipal levies, taxes and tax increments will be reduced. Reasons for such reduction could include lower local expenditures or changes in state aids to municipalities. For instance, in 2001 the Minnesota Legislature enacted an education funding reform that involved the state increasing school aid in lieu of the local general education levy (a component of school district tax levies).

G. Reductions in Tax Capacity Rates. The taxable value of real property is determined by multiplying the market value of the property by a tax capacity rate. Tax capacity rates vary by certain categories of property; for example, the tax capacity rates for residential homesteads are currently less than the tax capacity rates for commercial and industrial property. In 2001 the Minnesota Legislature enacted property tax reform that lowered various tax capacity rates to “compress” the difference between the tax capacity rates applicable to residential homestead properties and commercial and industrial properties.

H. Changes to Local Tax Rate. The local tax rate to be applied in the tax increment financing district is the lower of the current local tax rate or the original local tax rate for the tax increment financing district. In the event that the Current Local Tax Rate is higher than the Original Local Tax Rate, then the “excess” or difference that comes about after applying the lower Original Local Tax Rate instead of the Current Local Tax Rate is considered “excess” tax increment and is distributed by Itasca County to the other taxing jurisdictions and such amount is not available to the City as tax increment.

I. Legislation. The Minnesota Legislature has frequently modified laws affecting real property taxes, particularly as they relate to tax capacity rates and the overall level of taxes as affected by state aid to municipalities.

Lakewood Heights Apartments LLC

By _____
Its _____

Dated: _____, 2024