Execution Copy

TAX INCREMENT DEVELOPMENT ASSISTANCE AGREEMENT

BY AND BETWEEN

CITY OF GRAND RAPIDS, MINNESOTA

AND

HWY35 PROPERTIES LLC

This document drafted by:
Kennedy & Graven, Chartered
150 South Fifth Street, Suite 700
Minneapolis, Minnesota 55402-1299
Telephone: 612-337-9300

TABLE OF CONTENTS

TAX INCREMENT DEVELOPMENT ASSISTANCE AGREEMENT

THIS TAX INCREMENT DEVELOPMENT ASSISTANCE AGREEMENT (the "Agreement"), made as of the 13th of May, 2024, by and between the City of Grand Rapids, Minnesota, a municipal corporation organized and existing under the Constitution and laws of the State of Minnesota (the "City") and HWY35 Properties LLC, a Minnesota limited liability company (the "Developer").

WITNESSETH:

WHEREAS, the City has undertaken a program to promote economic development and job opportunities and to promote the development of land which is underutilized and redevelopment of land which is underutilized or characterized by blight within the City, and in connection therewith created a development project known as Development District No. 1 (the "Development District") and developed a Development Program (the "Development Program") therefor pursuant to Minnesota Statutes, Sections 469.124 to 469.134, as amended; and

WHEREAS, pursuant to the provisions of Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the "TIF Act"), the City has created, within the Development District on property legally described in **Exhibit A** attached hereto, Tax Increment Financing District No. 1-15, qualified as redevelopment tax increment financing district (the "TIF District"), and has adopted a Tax Increment Financing Plan therefor (the "TIF Plan"), approved by the City Council of the City (the "City Council") on November 28, 2023, as amended on April 22, 2024, which provides for the use of tax increment financing in connection with certain development within the Development District and TIF District; and

WHEREAS, in order to achieve the objectives of the Development Program and the TIF Plan, the Developer has requested tax increment financing assistance from the City to finance certain public redevelopment costs of the Minimum Improvements (as hereinafter defined) to be constructed within the TIF District as more particularly set forth in this Agreement; and

WHEREAS, the requirements of Minnesota Statutes, Section 116J.993 through 116J.995, as amended (the "Business Subsidy Law"), apply to this Agreement; and

WHEREAS, the City has adopted criteria for awarding business subsidies that comply with the Business Subsidy Law, after a public hearing for which notice was published; and

WHEREAS, the City Council has approved this Agreement as a subsidy agreement under the Business Subsidy Law and held a duly noticed public hearing thereon.

WHEREAS, the City believes that the development and construction of the Minimum Improvements, and fulfillment of this Agreement are vital and are in the best interests of the City, the health, safety, morals and welfare of residents of the City, and in accordance with the public purpose and provisions of the applicable state and local laws and requirements under which the Minimum Improvements has been undertaken and is being assisted; and

NOW, THEREFORE, in consideration of the premises and the mutual obligations of the parties hereto, each of them does hereby covenant and agree with the other as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. All capitalized terms used and not otherwise defined herein shall have the following meanings unless a different meaning clearly appears from the context:

Administrative Costs has the meaning set forth in Section 3.6;

Agreement means this Tax Increment Development Assistance Agreement, as the same may be from time to time modified, amended or supplemented;

Benefit Date means the date on which a certificate of occupancy is issued by the City for the Minimum Improvements;

Business Day means any day except a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City are authorized by law or executive order to close;

Business Subsidy Law means Minnesota Statutes, Sections 116J.993 to 116J.995, as amended, in effect as of the date hereof;

Certificate of Completion means a Certificate of Completion with respect to the Minimum Improvements executed by the City pursuant to Section 4.4, in substantially the form set forth in **Exhibit E** attached hereto;

City means the City of Grand Rapids, Minnesota;

City Council means the City Council of the City;

Construction Documents means the following documents, all of which shall be in form and substance acceptable to the City: (a) evidence satisfactory to the City showing that the Minimum Improvements conforms to applicable zoning, subdivision and building code laws and ordinances, including a copy of the building permit for the Minimum Improvements; (b) a copy of the executed standard form of agreement between owner and architect for architectural services for the Minimum Improvements, if any; and (c) a copy of the executed General Contractor's contract for the Minimum Improvements, if any;

Construction Plans means the plans, specifications, drawings and related documents of the construction work to be performed by the Developer on the Minimum Improvements and the Development Property and the plans (a) shall be as detailed as the plans, specifications drawings and related documents which are submitted to the building inspector of the City; (b) shall include at least the following: (1) site plan; (2) foundation plan; (3) basement plans; (4) floor plan for each floor; (5) cross sections of each (length and width); (6) elevations (all sides); (7) grading and

drainage; and (8) landscape; and (c) shall be approved by the City in connection with the issuance of a building permit for the Minimum Improvements;

County means Itasca County, Minnesota;

Developer means HWY35 Properties LLC, a Minnesota limited liability company, its successors and assigns;

Development District means Development District No. 1, as amended;

Development Program means the Development Program for the Development District, as amended;

Development Property means the real property located in the City and legally described in **Exhibit A** attached to this Agreement;

Event of Default means any of the events described in Section 5.1 hereof;

Final TIF Payment Date means the earliest of (i) the date on which the entire principal on the TIF Note has been paid in full; (ii) February 1, 2037; (iii) any earlier date this Agreement or the TIF Note is terminated or cancelled in accordance with the terms hereof or deemed paid in full; (iv) the February 1 following the date the TIF District is terminated in accordance with the TIF Act; or (v) the date the City cancels the TIF Note upon a written request for termination from the Developer;

General Contractor means the general contractor to be chosen by the Developer, in its sole discretion;

Lease means the lease agreement between the Developer and the Tenant;

Minimum Improvements means the renovation and conversion of approximately 240,000 square feet of an existing 345,000 square foot blighted building for use as a facility for cannabis cultivation and processing and the manufacturing of cannabis-infused products, to be constructed in two phases;

Pledged Tax Increments means for any six-month period, 75% of the Tax Increments received by the City since the previous TIF Payment Date;

Public Redevelopment Costs means the public redevelopment costs of the Minimum Improvements incurred by the Developer, or its assigns listed in **Exhibit E** attached hereto which the City intends to reimburse partially through the TIF Note

Reimbursement Amount means the lesser of (i) $2,000,000, (ii) the Public Redevelopment Costs actually incurred and paid by the Developer or (iii) the amount determined pursuant to Section 3.2(9);

State means the State of Minnesota;

Tax Increments means the tax increments derived from the Development Property and the improvements thereon which have been received and are permitted to be retained by the City in accordance with the TIF Act, including without limitation Minnesota Statutes, Section 469.177, as amended;

Tenant means HWY35, LLC, a Minnesota limited liability company, its successors and assigns, and future tenants and the successors and assigns of the same;

Termination Date means the earlier of (i) February 1, 2037, (ii) the date the TIF Note is paid in full, (iii) the date on which the TIF District expires or is otherwise terminated, or (iv) the date this Agreement is terminated or rescinded in accordance with its terms;

TIF Act means Minnesota Statutes, Sections 469.174 through 469.1794, as amended;

TIF District means Tax Increment Financing District No. 1-15 located within the Development District, which was qualified as a redevelopment district under the TIF Act;

TIF Payment Date means each February 1 and August 1, commencing on August 1, 2027 and thereafter to and including the Final TIF Payment Date; provided, that if any such TIF Payment Date should not be a Business Day, the TIF Payment Date shall be the next succeeding Business Day;

TIF Plan means the tax increment financing plan approved for the TIF District by the City Council of the City;

TIF Note means the Taxable Tax Increment Revenue Note (HWY35 Properties LLC Project) to be executed by the City and delivered to the Developer pursuant to Section 3.2 hereof, substantially in the form attached hereto as **Exhibit C**; and

Unavoidable Delays means delays, outside the control of the party claiming their occurrence, which are the direct result of strikes, lockouts or other labor troubles, prolonged adverse weather or acts of God, fire or other casualty to the Minimum Improvements, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, acts of any federal, state or local governmental unit (other than the City in exercising its rights under this Agreement) which directly result in delays, war, invasion, rebellion, revolution, insurrection, riots or civil war, or unavailability or shortage of supply of construction materials or construction labor, other than by reason of non-payment of costs of the same.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the City. The City makes the following representations and warranties:

(1) The City is a municipal corporation organized and existing under the Constitution and laws of the State and has the power to enter into this Agreement and carry out its obligations hereunder.

(2) The City has taken the actions necessary to establish the TIF District as a "redevelopment district" within the meaning of Minnesota Statutes, Section 469.174, Subdivision 10.

(3) The Minimum Improvements contemplated by this Agreement is in conformance with the development objectives set forth in the Development Program and the TIF Plan. Land use permits shall be governed by City land use ordinances and specific land use approvals separate from this Agreement.

(4) The City makes no representation or warranty, either express or implied, as to the Development Property or its condition or the soil conditions thereon, or that the Development Property shall be suitable for the Developer's purposes or needs.

(5) The City makes no representation or warranty, either express or implied, as to the Development Property or its condition, or that the Development Property shall be suitable for the Developer's purposes or needs.

Section 2.2 Representations and Warranties of the Developer. The Developer makes the following representations and warranties:

(1) The Developer is a Minnesota limited liability company duly and validly organized and existing in good standing under the laws of the State and has the corporate power and authority to enter into this Agreement and to perform its obligations hereunder and is not in violation of any law of the State.

(2) The Minimum Improvements would not be undertaken by the Developer, and in the opinion of the Developer would not be economically feasible, without the assistance and benefit to the Developer provided for in this Agreement.

(3) If and when constructed, the Developer will cause the Minimum Improvements to be constructed in accordance with this Agreement and all City, County, State and federal laws and regulations (including, but not limited to, environmental, zoning, energy conservation, building code and public health laws and regulations including the Americans with Disabilities Act).

(4) Before the Minimum Improvements may be constructed, the Developer will obtain or cause to be obtained, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable City, County, State, and federal laws and regulations.

(5) 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 contractual restriction, evidence of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(6) The Developer understands that the City may subsidize or encourage other developments in the City, including properties that compete with the Development Property and the Minimum Improvements, and that such subsidies may be more favorable than the terms of this Agreement, and that the City has informed the Developer that development of the Development Property will not be favored over the development of other properties.

(7) No member of the City Council, no other officer of the City, has either a direct or indirect financial interest in this Agreement, nor will any member of the City Council, any other officer of the City benefit financially from this Agreement within the meaning of Minnesota Statutes, Section and 471.87.

(8) The Developer is not currently in default under any business subsidy agreement with any grantor, as such terms are defined in the Business Subsidy Act.

(9) The Developer did not obtain a building permit for any portion of the Minimum Improvements or for any other improvements on the Property not included in the calculation of the original tax capacity before the date of original approval of the TIF Plan by the City.

(10) The total development costs of the Minimum Improvements are estimated to be approximately $71,148,340 and the sources of revenue to pay such costs are approximately $69,148,340, excluding the tax increment assistance, and the Developer has been unable to obtain additional private financing for the total development costs.

(11) The proposed development by the Developer hereunder would not occur but for City assistance to be provided herein.

(12) 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 provision of any contractual restriction, evidence of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(13) The Developer will reasonably cooperate with the City in resolution of any traffic, parking, trash removal or public safety problems on or adjacent to the Development Property which may arise in connection with the construction of the Minimum Improvements.

(14) The financing commitments which the Developer has obtained to finance construction of the Minimum Improvements, together with the equity funds available to the Developer, together with financing to be provided by the City pursuant to this Agreement, will be sufficient to enable the Developer to successfully complete the Minimum Improvements.

(15) The Developer has made its own projections of Tax Increments and revenues to be generated from the Minimum Improvements and of the Developer's return on investment and the Developer has not relied on any assumptions, calculations, determinations or conclusions made by the City, its governing body members, officers or agents, including the independent contractors, consultants and legal counsel, servants and employees thereof, with respect to the foregoing or in determining to proceed with the Minimum Improvements.

(16) The Developer is not currently in default under any business subsidy agreement with any grantor, as such terms are defined in the Business Subsidy Act.

(17) The Developer will take all action necessary to obtain necessary licenses from the Minnesota Office of Cannabis Management to operate its business in the State and the Minimum Improvements.

ARTICLE III

UNDERTAKINGS BY DEVELOPER AND CITY

Section 3.1 Minimum Improvements and Public Redevelopment Costs.

(1) The Developer will cause the Minimum Improvements to be constructed on the Development Property substantially in conformance with the terms of this Agreement and all local, state, and federal laws and regulations including, but not limited to, environmental, zoning, energy conservation, building code and public health laws and regulations.

(2) The Developer shall, in a timely manner, comply or cause the Tenant to comply with all requirements necessary to obtain, or cause to be obtained, 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 for the construction and operation of the Minimum Improvements.

(3) The costs of constructing and improving the Minimum Improvements shall be paid by the Developer and the City shall reimburse the Developer for the Public Redevelopment Costs through the issuance of the TIF Note as provided herein.

(4) The parties agree that the Public Redevelopment Costs to be incurred by the Developer are essential to the successful completion of the Minimum Improvements. The Developer anticipates that the Public Redevelopment Costs for the Minimum Improvements will be at least $2,000,000.

Section 3.2 TIF Note.

(1) The TIF Note will be originally issued to the Developer, as provided in Section 3.2(2), in a principal amount equal to the Reimbursement Amount and shall be dated as of its date of issuance. The principal of the TIF Note and interest thereon shall be payable on a pay-as-you-go basis solely from the Pledged Tax Increments as provided below.

(2) The TIF Note shall be issued, in substantially the form attached hereto as **Exhibit C** and interest will begin to accrue on the TIF Note only when: (A) the Developer shall have submitted paid invoices or other written proof and other documentation as may be reasonably satisfactory to the City of the exact nature and amount of the Public Redevelopment Costs incurred by the Developer, together with such other information or documentation as may be reasonably necessary and satisfactory to the City to enable the City to substantiate the Developer's tax increment expenditures for Public Redevelopment Costs and/or to comply with its increment reporting obligations to the Commissioner of Revenue, the Office of the State Auditor or other applicable official; (B) the Developer shall have obtained a certificate of occupancy from the City for the Minimum Improvements and a Certificate of Completion as provided in this Agreement; (C) the Developer shall have paid all of the Administrative Costs required to have been paid as of such date in accordance with Section 3.6 hereof; (D) the Developer is in material compliance with each term or provision of this Agreement required to have been satisfied as of such date; (E) the City shall have determined any adjustment to the Reimbursement Amount pursuant to Section 3.2(9). and (F) the Developer has signed an Acknowledgement Regarding TIF Note in

substantially the form attached to the TIF Note. The documentation provided in accordance with Section 3.2(2)(A) shall include specific invoices for the particular work from the contractor or other provider and shall include paid invoices, copies of remittances and/or other suitable documentary proofs of the Developer's payment thereof.

(3) Subject to the provisions thereof, the TIF Note shall bear simple, non-compounding interest at the rate equal to 6% per annum. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Principal and interest on the TIF Note will be payable on each TIF Payment Date; however, the sole source of funds required to be used for payment of the City's obligations under this Section and correspondingly under the TIF Note shall be the Pledged Tax Increments received in the 6-month period preceding each TIF Payment Date. On each TIF Payment Date the Pledged Tax Increment shall be credited against the accrued interest then due on the TIF Note and then applied to reduce the principal. All Tax Increments in excess of the Pledged Tax Increments necessary to pay the principal and accrued interest on the TIF Note are not subject to this Agreement, and the City retains full discretion as to any authorized application thereof. To the extent that the Pledged Tax Increments are insufficient to pay all amounts otherwise due on the TIF Note on the Final TIF Payment Date, said unpaid amounts shall then cease to be any debt or obligation of the City under the TIF Note. No interest will accrue on the TIF Note during any period in which payments have been suspended pursuant to Section 5.1 hereof.

(4) The TIF Note shall be a special and limited obligation of the City and not a general obligation of the City, and only Pledged Tax Increments shall be used to pay the principal of and interest on the TIF Note.

(5) The Developer further acknowledges that estimates of Tax Increments and Pledged Tax Increments prepared by the City or its financial advisors in connection with the TIF District or this Agreement are for the benefit of the City, and are not intended as representations on which the Developer may rely. The Developer further acknowledges that if development of the Minimum Improvements is delayed or not completed, the effect of such delay or failure to complete may be to reduce the amount of the Tax Increment available to pay the TIF Note.

(6) The City's obligation to make payments on the TIF Note on any TIF Payment Date or any date thereafter is subject to adjustment as set forth in Section 3.2(9) and shall be conditioned upon the requirement (A) there shall not at that time be an Event of Default that has occurred and is continuing under this Agreement that has not been cured during the applicable cure period, (B) this Agreement shall not have been terminated pursuant to Section 5.2, and (C) all conditions set forth in Section 3.2(2) have been satisfied as of such date.

(7) The TIF Note shall be governed by and payable pursuant to the additional terms thereof, as actually executed, in substantially the form set forth in **Exhibit C** attached hereto. In the event of any conflict between the terms of the TIF Note and the terms of this Section 3.2, the terms of the TIF Note shall govern. The issuance of the TIF Note is pursuant and subject to the terms of this Agreement.

(8) In accordance with Section 469.1763, Subdivision 3 of the TIF Act, conditions for delivery of the TIF Note must be met within 5 years after the date of certification of the TIF District

by the County. If the conditions are not satisfied by such date, the City has no further obligations under this Section 3.2.

(9) The financial assistance to the Developer under this Agreement is based on certain assumptions regarding the square footage redeveloped, improved, and used in the Tenant's business within the Minimum Improvements by the Developer (the "Developed Square Footage"). The City and Developer agree that the Developed Square Footage will be reviewed by the City at the time the Developer requests a Certificate of Completion. Upon submitting the request for the Certificate of Completion under Section 3.7, the Developer shall allow the City to inspect and determine, in its sole discretion, the Developed Square Footage. If the actual Developed Square Footage at that time is less than 240,000 square feet ("Area Goal"), the Reimbursement Amount will be reduced by the percentage less than the Area Goal the actual Developed Square Footage is and such reduction will be reflected in a reduced principal amount of the TIF Note. For example, if the Developer has completed 210,000 square feet of Developed Square Footage, the Reimbursement Amount will be reduced by 12.5% and the total Reimbursement Amount will be $1,750,000.

Section 3.3 Effect of Delay. The Developer acknowledges that if construction of the Minimum Improvements is delayed or not completed, the effect of such delay or failure to complete may be to reduce the amount of the Tax Increment available to pay the TIF Note.

Section 3.4 Business Subsidy Act. The provisions of this Section constitute the business subsidy agreement for the purposes of the Business Subsidy Act.

(1) *General Terms*. The parties agree and represent to each other as follows:

(a) The subsidy provided to the Developer consists of the TIF Note from the City.

(b) The public purposes of the subsidy are to facilitate redevelopment in the City and the County, help redevelop a long vacant building in the City, increase jobs in the City, the County and the State (including construction jobs), and increase the tax base of the City, the County and the State.

(c) The goals for the subsidy are to secure development of the Minimum Improvements on the Development Property, to maintain such improvements as a facility for cannabis cultivation and processing and the manufacturing of cannabis-infused products for the time period described in clause (f) below and to create the jobs and wage levels in accordance with Section 3.4(2) hereof.

(d) If the goals described in clause (c) are not met, the Developer must make the payments to the City described in Section 3.4(3).

(e) The subsidy is needed to mitigate the cost of site and building improvements to complete the Minimum Improvements on the Development Property is financially infeasible without public assistance, all as determined upon approvals of the TIF Plan and amendments thereto.

(f) The Developer shall cause the Tenant to operate the Minimum Improvements as a facility for cannabis cultivation and processing and the manufacturing of cannabis-infused products for at least 5 years following the Benefit Date.

(g) The Developer's parent company is HWY35, LLC, a Minnesota limited liability company.

(h) In addition to the TIF Note, the Developer has received a loan from the Iron Range Resources and Rehabilitation Board in the amount of $10,000,000 in connection with developing the Minimum Improvements on the Development Property.

(2) *Job and Wage Goals*. By the compliance date, which is the date two (2) years after the Benefit Date (the "Compliance Date"), the Developer shall cause the Tenant to (i) create at least 300 new full-time equivalent jobs at the Minimum Improvements, and (ii) cause the average hourly wage of the jobs to be at least $20.00 per hour, exclusive of benefits. Notwithstanding anything to the contrary herein, if the wage and job goals described in this paragraph are met by the Compliance Date, those goals are deemed satisfied as of the date such wage and job goals are met, despite the Developer's continuing obligations under Sections 3.4(1)(f) and 3.4(4). The City may, after a public hearing, extend the Compliance Date by up to one year, provided that nothing in this section will be construed to limit the City's legislative discretion regarding this matter.

(3) *Remedies*. If the Developer fails to meet the goals described in Section 3.4(2), the Developer shall repay to the City, upon written demand from the City a "pro rata share" of the amounts paid by the City to the Developer under the TIF Note plus interest on said amount at the implicit price deflator as defined in Minnesota Statutes, Section 275.50, subd. 2, accrued from the Benefit Date to the date of payment. The term "pro rata share" means percentages calculated as follows:

(a) if the failure relates to the number of jobs, the jobs required less the jobs created, divided by the jobs required;

(b) if the failure relates to wages, the number of jobs required less the number of jobs that meet the required wages, divided by the number of jobs required;

(c) if the failure relates to maintenance of the Minimum Improvements as a warehouse and distribution facility in accordance with Section 3.4(1)(f), 60 less the number of months of operation as a warehouse and distribution facility (where any month in which the Minimum Improvements is in operation for at least 15 days constitutes a month of operation), commencing on the Benefit Date and ending with the date the Minimum Improvements ceases operation as determined by the City divided by 60; and

(d) if more than one of clauses (a) through (c) apply, the sum of the applicable percentages, not to exceed 100%.

Nothing in this Section shall be construed to limit the City's remedies under Section 5.2 hereof. In addition to the remedy described in this Section and any other remedy available to the City for the Developer's failure to meet the goals stated in Section 3.4(1)(c), the Developer agrees and understands that it may not receive a business subsidy from the City or any grantor (as defined

in the Business Subsidy Act) for a period of 5 years from the date of the failure or until the Developer satisfies its repayment obligation under this Section, whichever occurs first.

(4) *Report*s. The Tenant has agreed, pursuant to the Lease with the Developer, to (i) report its progress on achieving the Goals to the City until the later of the date the Goals are met or two years from the Benefit Date, or, if the Goals are not met, until the date the Business Subsidy is repaid, (ii) include in the report the information required in Section 116J.994, Subdivision 7 of the Business Subsidies Act on forms developed by the Minnesota Department of Employment and Economic Development, and (iii) send completed reports to the City. The Developer agrees to file or cause the Tenant to file these reports no later than March 1 of each year commencing March 1, 2025, and within 30 days after the deadline for meeting the Goals. The City agrees that if it does not receive the reports, it will mail the Developer a warning within one week of the required filing date. If within 14 days of the post-marked date of the warning the reports are not made, the Developer agrees to pay to the City a penalty of $100 for each subsequent day until the report is filed up to a maximum of $1,000.

Section 3.5 Real Property Taxes. The Developer shall pay or cause to be paid all real property taxes payable with respect to all and any parts of the Development Property acquired and owned by it and any statutory or contractual duty that shall accrue subsequent to the date of its acquisition of title to the Development Property (or part thereof) and until the Developer's obligations have been assumed by any other person pursuant to the provisions of this Agreement or title to the property is vested in another person.

The Developer agrees that prior to the Termination Date, so long as it owns the Development Property:

(1) It will not seek administrative review or judicial review of the applicability or constitutionality of any tax statute relating to the taxation of real property contained on the Development Property determined by any tax official to be applicable to the Minimum Improvements or the Developer or raise the inapplicability or constitutionality of any such tax statute as a defense in any proceedings, including delinquent tax proceedings; provided, however, that "tax statute" does not include any local ordinance or resolution levying a tax; and

(2) It will not seek any tax exemption, tax deferral or abatement, either presently or prospectively or any other State or federal law, of the taxation of real property contained in the Development Property between the date of execution of this Agreement and the Termination Date.

(3) The Developer shall notify the City within 10 days of filing any petition to seek a reduction in market value or property taxes on any portion of the Development Property under any State law (referred to as a "Tax Appeal"). If as of the TIF Payment Date, any Tax Appeal is pending, the City will continue to make payments on the TIF Note but only to the extent that the Tax Increment is applicable, relates to property taxes paid with respect to the market value of the Development Property not being challenged as part of the Tax Appeal, and the City will withhold the Tax Increments related to property taxes paid with respect to the portion of the market value of the Development Property being challenged as part of the Tax Appeal, all as determined by the City in its sole discretion. After the Tax Appeal is fully resolved and the amount of Tax Increments

attributable to the disputed tax payments is finalized, the City will apply any withheld amount to the payment of the TIF Note, to the extent not reduced as a result of the Tax Appeal promptly.

Section 3.6 Developer to Pay City's Fees and Expenses. The Developer will pay all of the reasonable Administrative Costs (as defined below) of the City and must pay such costs to the City within 30 days after receipt of a written invoice from the City describing the amount and nature of the costs to be reimbursed. For the purposes of this Agreement, the term "Administrative Costs" means out of pocket costs incurred by the City with staff and consultant (including reasonable legal, financial advisor, etc.) costs of the City, all attributable to or incurred in connection with the establishment of the TIF District, the drafting and adoption of the TIF Plan, and the review, negotiation and preparation of this Agreement (together with any other agreements entered into between the parties hereto contemporaneously therewith) and the review and approvals of other documents and agreements in connection with the Minimum Improvements, or in connection with any amendments to any of the foregoing. In addition, certain engineering, environmental advisor, legal, land use, zoning, subdivision and other costs related to the development of the Development Property are required to be paid, or additional funds deposited in escrow, as provided in accordance with the City's planning, zoning, and building fee schedules. The City acknowledges that the Developer has deposited $5,000 with the City toward payment of the Administrative Costs. If such costs exceed such amount, then at any time, but not more often than monthly, the City, as applicable, will deliver written notice to Developer setting forth any additional fees and expenses and Developer agrees to pay all fees and expenses within 30 days of the City's, as applicable, written request. Any unused amount of such deposit shall be returned to the Developer.

This Section 3.6 shall survive termination of this Agreement and shall be binding on the Developer regardless of the enforceability of any other provision of this Agreement.

ARTICLE IV

ADDITIONAL MINIMUM IMPROVEMENTS COVENANTS

Section 4.1 Construction Plans.

(1) Prior to the commencement of construction of the Minimum Improvements, the Developer will deliver to the City the Construction Plans, Construction Documents and a sworn construction cost statement certified by the Developer and the General Contractor (the "Sworn Construction Cost Statement") all in form and substance reasonably acceptable to the City. The Construction Plans for the Minimum Improvements shall be consistent with the Development Program, this Agreement, and all applicable State and local laws and regulations and any site plan or design drawings previously submitted to the City. The City's building official and the City Administrator of the City on behalf of the City shall promptly review any Construction Plans upon submission and deliver to the Developer a written statement approving the Construction Plans or a written statement rejecting the Construction Plans and specifying in reasonable detail the deficiencies in the Construction Plans. Approval of the Construction Plans may be withheld unless: (i) the Construction Plans substantially conform to the terms and conditions of this Agreement; (ii) the Construction Plans are consistent with the goals and objectives of the Development Program and the TIF Plan; (iii) the Construction Plans comply with any site plan or design drawings previously submitted to the City; and (iv) the Construction Plans do not violate any applicable federal, State or local laws, ordinances, rules or regulations. If the Construction Plans are not approved by the City, then the Developer shall make such changes as the City may reasonably require and resubmit revised Construction Plans to the City for approval. The provisions of this Section relating to approval, rejection and resubmission of corrected Construction Plans shall continue to apply until the Construction Plans have been approved by the City. The City's approval shall not be unreasonably withheld or conditioned.

(2) No changes shall be made to the Construction Plans for the Minimum Improvements without the City's prior written approval, unless the aggregate of such changes does not increase or decrease the total costs of the Minimum Improvements by more than 10%. No changes which materially alter (a) the Minimum Improvements' site plan, (b) exterior appearance, (c) construction quality, or (d) exterior materials included in the final Design Drawings and Construction Plans shall be made without the City's prior written consent. The approval of the City will not be unreasonably withheld, conditioned, or delayed.

(3) The approval of the Construction Plans, or any proposed amendment to the Construction Plans, by the City does not constitute a representation or warranty by the City that the Construction Plans or the Minimum Improvements comply with any applicable building code, health or safety regulation, zoning regulation, environmental law or other law or regulation, or that the Minimum Improvements will meet the qualifications for issuance of a certificate of occupancy, or that the Minimum Improvements will meet the requirements of the Developer or any other users

of the Minimum Improvements. Approval of the Construction Plans, or any proposed amendment to the Construction Plans, by the City will not constitute a waiver of an Event of Default or of any State or City building or other code requirements that may apply. Nothing in this Agreement shall be construed to relieve the Developer of its obligations to receive any required approval of the Construction Plans from any City department and does not relieve the Developer of the obligation to comply with applicable federal, State and local laws, ordinances, rules and regulations, or to construct the Minimum Improvements in accordance therewith.

Section 4.2 Compliance with Environmental Requirements.

(1) The Developer shall comply with all applicable local, state, and federal environmental laws and regulations, and will obtain, and maintain compliance under, any and all necessary environmental permits, licenses, approvals or reviews.

(2) The City makes no warranties or representations regarding, nor does it indemnify the Developer with respect to, the existence or nonexistence on or in the vicinity of the Development Property or anywhere within the TIF District of any toxic or hazardous substances or wastes, pollutants or contaminants (including, without limitation, asbestos, urea formaldehyde, the group of organic compounds known as polychlorinated biphenyls, petroleum products including gasoline, fuel oil, crude oil and various constituents of such products, or any hazardous substance as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), 42 U.S.C. §§ 961-9657, as amended) (collectively, the "Hazardous Substances").

(3) The Developer agrees to take all necessary action to remove or remediate any Hazardous Substances located on the Development Property to the extent required by and in accordance with all applicable local, state and federal environmental laws and regulations.

(4) The Developer waives any claims against the City and the County, for indemnification, contribution, reimbursement or other payments arising under federal and state law and the common law or relating to the environmental condition of the land comprising the Development Property.

Section 4.3 Commencement and Completion of Construction. Subject to the terms and conditions of this Agreement and to Unavoidable Delays, the Developer will commence construction of the Minimum Improvements by September 30, 2024 or and shall substantially complete construction of the Minimum Improvements June 30, 2026. Notwithstanding the foregoing, failure of the Developer to commence construction or substantially complete the Minimum Improvements shall not be an Event of Default hereunder unless the Developer fails to commence construction of the Minimum Improvements by December 31, 2024 or fails to obtain a certificate of occupancy for the Minimum Improvements by December 31, 2026. The Minimum Improvements will be constructed by the Developer on the Development Property in conformity with the Construction Plans approved by the City. Prior to completion, upon the request of the City, and subject to applicable safety rules, the Developer will provide the City reasonable access to the Development Property. "Reasonable access" means at least one site inspection per week during regular business hours. During construction, marketing and rentals of the Minimum

Improvements, the Developer will deliver progress reports to the City from time to time as reasonably requested by the City.

Section 4.4 Certificate of Completion. The Developer shall notify the City when construction of the Minimum Improvements has been substantially completed. The City shall, within 30 days after such notification, inspect the Minimum Improvements in order to determine (A) whether the Minimum Improvements has been constructed in substantial conformity with the approved Construction Plans and (B) the Developed Square Footage. If the City determines that the Minimum Improvements has not been constructed in substantial conformity with the approved Construction Plans in ways other than the total square footage, the City shall deliver a written statement to the Developer indicating in adequate detail the specific respects in which the Minimum Improvements have not been constructed in substantial conformity with the approved Construction Plans and Developer shall have a reasonable period of time to remedy such deficiencies. The City shall re-inspect the Minimum Improvements within a reasonable period of time after receiving notice that such deficiencies have been remedied in order to determine whether the Minimum Improvements has been constructed in substantial conformity with the approved Construction Plans and this Agreement. Within a reasonable period of time after determining that the Minimum Improvements has been constructed in substantial conformity with the approved Construction Plans and determining that the following conditions precedent have been satisfied, the City will furnish to the Developer a Certificate of Completion substantially in the form set forth **in Exhibit D** attached hereto certifying the completion of the Minimum Improvements and the Developed Square Footage:

(1) There shall exist no uncured Event of Default hereunder;

(2) The City shall have issued a Certificate of Occupancy for the Minimum Improvements;

(3) The City Administrator, or designee, on behalf of the City shall have reasonably determined that the Minimum Improvements has been substantially completed and constructed in accordance with all local, state and federal laws and regulations (including without limitation environmental, zoning, building code, housing code, and public health laws and regulations), and any applicable permits and in substantial conformity with this Agreement and the final construction plans approved by the City in connection with issuing construction permits, each as applicable;

(4) The Developer shall certify to the City that all costs related to the Minimum Improvements and the development of the Development Property, including without limitation, payments to all contractors, subcontractors, and Minimum Improvements laborers, have been paid prior to the date of the request to the City.

(5) The Certificate of Completion issued for the Minimum Improvements shall conclusively satisfy and terminate the agreements and covenants of the Developer in this Agreement solely with respect to construction of the Minimum Improvements. The issuance of a Certificate of Completion under this Agreement shall not be construed to relieve the Developer of any inspection or approval required by any City department in connection with the construction,

completion or occupancy of the Minimum Improvements nor shall it relieve the Developer of any other obligations under this Agreement.

Section 4.5 Additional Responsibilities of the Developer.

(1) The Developer will provide and maintain or cause to be maintained at all times and, from time to time at the request the City, furnish the City, as applicable, with proof of payment of premiums on insurance of amounts and coverages normally held by owners of property similar to the Minimum Improvements.

(2) The Developer will construct, operate and maintain, or cause to be operated and maintained, the Minimum Improvements substantially in accordance with the terms of this Agreement, the Development Program and all local, state, and federal laws and regulations including, but not limited to zoning, building code, public health laws and regulations, except for approved variances necessary to construct the Minimum Improvements contemplated in the Construction Plans approved by the City.

(3) The Developer will not construct any building or other structures on, over, or within the boundary lines of any public utility easement unless such construction is provided for in such easement or has been approved by the utility involved.

(4) The Developer, at its own expense, will replace any public facilities and public utilities damaged during the construction of the Minimum Improvements, in accordance with the technical specifications, standards and practices of the owner thereof.

(5) The Developer at all times prior to the termination of this Agreement will operate and maintain, preserve and keep the Minimum Improvements or cause the Minimum Improvements to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in commercially reasonable good repair and condition.

(6) In the event of damage or destruction of the Minimum Improvements during the term of this Agreement, the Developer shall repair or rebuild the Minimum Improvements or cause the Minimum Improvements to be repaired or rebuilt.

Section 4.6 Right to Collect Delinquent Taxes. The Developer acknowledges that the City is providing substantial aid and assistance in furtherance of the Minimum Improvements through reimbursement of the Public Redevelopment Costs with Pledged Tax Increments. The Developer understands that the Pledged Tax Increments are derived from real estate taxes on the Development Property, which taxes must be promptly and timely paid. To that end, the Developer agrees for itself, its successors and assigns, that in addition to the obligation pursuant to statute to pay real estate taxes, it is also obligated by reason of this Agreement, to pay before delinquency all real estate taxes assessed against the Development Property and the Minimum Improvements. The Developer acknowledges that this obligation creates a contractual right on behalf of the City to sue the Developer or its successors and assigns, to collect delinquent real estate taxes and any penalty or interest thereon and to pay over the same as a tax payment to the County auditor. In any such suit, the City shall also be entitled to recover its costs, expenses and reasonable attorney fees.

Section 4.7 Prohibition Against Transfer and Assignment. The Developer represents and agrees that prior to the Termination Date, the Developer shall not transfer this Agreement, the TIF Note, the Development Property or the Minimum Improvements or any part thereof or any interest therein, except to the Tenant or an Affiliate, without written notice to the City and without the prior written approval of the City. The City shall be entitled to require as conditions to any such approval that:

(1) Any proposed transferee shall have the qualifications and financial responsibility, in the reasonable judgment of the City, necessary and adequate to fulfill the obligations undertaken in this Agreement by the Developer.

(2) In the absence of a specific written agreement by the City to the contrary, no such transfer or approval by the City thereof shall be deemed to relieve the Developer or any other party bound in any way by this Agreement or otherwise with respect to the construction of the Minimum Improvements, from any of its obligations with respect thereto.

(3) There shall be submitted to the City for review and prior written approval all instruments and other legal documents involved in effecting the transfer of any interest in this Agreement or the Minimum Improvements.

(4) Any proposed transferee of the TIF Note shall execute and deliver to the City an acknowledgment regarding the limitations of the TIF Note in a form satisfactory to the City.

(5) There shall be submitted to the City for review all instruments and other legal documents involved in effecting transfer, and if approved by the City, its approval shall be indicated to the Developer in writing.

(6) The Developer shall have paid all reasonable legal fees and expenses of the City, including fees of the City Attorney's office and outside counsel retained by the City to review the documents submitted to the City in connection with any transfer.

(7) The Developer and its transferees shall comply with such other conditions as are necessary in order to achieve and safeguard the purposes of the Act, the TIF Act and this Agreement.

Section 4.8 Records. The City and the Authority, through any authorized 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 Minimum Improvements. Such records shall be kept and maintained by Developer through the Termination Date.

Section 4.9 Encumbrance of the Development Property. Until the issuance of a Certificate of Completion, without the prior written consent of the City, which will not be unreasonably withheld or delayed, neither the Developer nor any successor in interest to the Developer will engage in any financing or any other transaction creating any mortgage or other encumbrance or lien upon the Development Property, or portion thereof, whether by express agreement or operation of law, or suffer any encumbrance or lien to be made on or attach to the Development Property except for the purpose of obtaining funds only to the extent necessary for financing or refinancing the acquisition, construction and operation of the Minimum

Improvements (including, but not limited to, land and building acquisition, labor and materials, professional fees, development fees, real estate taxes, reasonably required reserves, construction interest, organization and other direct and indirect costs of development and financing, costs of constructing the Minimum Improvements, and an allowance for contingencies) including without limitation land use restriction agreements in connection with such financings; provided, however, this provision shall not be considered a waiver of the requirements of Section 4.7 with respect to any Transfer (as hereinafter defined) of the TIF Note in connection with any such financing or refinancing nor shall anything contained in this Section prohibit the Developer from making transfers in accordance with Section 4.7.

Section 4.10. Restrictions on Use. The Developer agrees for itself, its successors and assigns and every successor in interest to the Development Property, or any part thereof, that the Developer and such successors and assigns shall operate, or cause to be operated, the Minimum Improvements as a facility for the cultivation and processing of cannabis and the manufacturing of cannabis-infused products accordance with this Agreement until the Termination Date.

ARTICLE V

EVENTS OF DEFAULT

Section 5.1 Events of Default Defined. The following shall be "Events of Default" under this Agreement and the term "Event of Default" shall mean whenever it is used in this Agreement any one or more of the following events:

(1) Failure by the Developer to timely pay any ad valorem real property taxes, special assessments, utility charges or other governmental impositions with respect to the Minimum Improvements or the Development Property.

(2) Subject to Unavoidable Delays, failure by the Developer to commence construction of the Minimum Improvements by December 31, 2024, and to proceed with due diligence to substantially complete the construction of the Minimum Improvements pursuant to the terms, conditions and limitations of this Agreement and obtain a certificate of occupancy from the City by June 1, 2026.

(3) Failure of the Developer to observe or perform any other covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement.

(4) Sale of the Development Property or the Minimum Improvements, or any portion thereof, by the Developer in violation and without written permission by the City except pursuant to Section 4.7 of this Agreement;

(5) If the Developer shall:

(a) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act of 1978, as amended or under any similar federal or state law; or

(b) make an assignment for the benefit of its creditors; or

(c) admit in writing its inability to pay its debts generally as they become due; or

(d) be adjudicated as bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Developer, as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within 60 days after the filing thereof; or a receiver, trustee or liquidator of the Developer, or of the Minimum Improvements, or part thereof, shall be appointed in any proceeding brought against the Developer, and shall not be discharged within 60 days after such appointment, or if the Developer, shall consent to or acquiesce in such appointment.

Section 5.2 Remedies on Default. Whenever any Event of Default referred to in Section 5.1 occurs and is continuing, the City may take any one or more of the following actions after the giving of written notice to the Developer citing with specificity the item or items of default and notifying the Developer that it has 30 days within which to cure said Event of Default. If the Event of Default has not been cured within said 30 days or a reasonable period of time, not exceeding 90 days, then:

(1) The City may suspend its performance under this Agreement until they receive written assurances from the Developer, deemed adequate by the City, that the Developer will cure its default and continue its performance under this Agreement.

(2) The City may suspend its performance under the TIF Note until it receives written assurances from the Developer, deemed adequate by the City, that the Developer will cure its default, and no interest shall accrue on the TIF Note for the benefit of the Developer while performance is suspended in accordance with this Section 5.2.

(3) The City may terminate this Agreement.

(4) The City may terminate the TIF Note.

(5) The City may take any action, including legal or administrative action, in law or equity, which may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant of the Developer under this Agreement.

Section 5.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 5.4 No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 5.5 Indemnification of the City

(1) The Developer releases from and covenants and agrees that the City, its governing body members, officers, agents, including the independent contractors, consultants and legal counsel, servants and employees thereof (hereinafter, for purposes of this Section, collectively the "Indemnified Parties") shall not be liable for and agrees to indemnify and hold harmless the Indemnified Parties against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Minimum Improvements or any other loss, cost expense, or penalty.

(2) Except for any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties, the Developer agrees to protect and defend the Indemnified Parties, now and forever, and further agrees to hold the Indemnified Parties harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from the actions or inactions of the Developer (or if other persons acting on its behalf or under its direction or control) under this Agreement, or the transactions contemplated hereby or the Developer's acquisition, construction, installation, ownership and operation of the Minimum Improvements.

(3) All covenants, stipulations, promises, agreements and obligations of the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City, as applicable, and not of any governing body member, officer, agent, servant or employee of the City, as the case may be.

(4) Nothing in this Agreement shall be construed as a limitation of or waiver by the City of any immunities, defenses, or other limitations on liability to which the City is entitled by law, including but not limited to the maximum monetary limits on liability established by Minnesota Statutes, Chapters 466 or 604.

Section 5.6 Reimbursement of Attorneys' Fees. If the Developer shall default under any of the provisions of this Agreement, and the City shall employ attorneys or incur other reasonable expenses for the collection of payments due hereunder, or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer contained in this Agreement, the Developer will within 30 days reimburse the City, as applicable, for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

ARTICLE VI

ADDITIONAL PROVISIONS

Section 6.1 Insurance.

(1) The Developer will provide and maintain at all times during the process of constructing the Minimum Improvements an All-Risk Broad Form Basis Insurance Policy and, from time to time during that period, at the request of the City, furnish the City with proof of payment of premiums on policies covering the following:

(a) Builder's risk insurance, written on the so-called "Builder's Risk Completed Value Basis," in an amount equal to 100% of the insurable value of the Minimum Improvements at the date of substantial completion, and with coverage available in nonreporting form on the so-called "Special Form" form of policy (to accomplish the above-required insurance, a master or portfolio-based property insurance policy may be used);

(b) Comprehensive general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations, and contractual liability insurance) together with an Owner's Protective Liability Policy with limits against bodily injury and property damage of not less than $1,000,000 for each occurrence (to accomplish the above-required limits, an umbrella excess liability policy may be used). The City shall be listed as additional insured parties on the policy; and

(c) Workers' compensation insurance, with statutory coverage, provided that the Developer may be self-insured with respect to all or any part of its liability for workers' compensation.

(2) Upon completion of construction of the Minimum Improvements and prior to the Termination Date, the Developer shall maintain, or cause to be maintained, at its cost and expense, and from time to time at the request of the City shall furnish proof of the payment of premiums on, insurance as follows:

(a) Insurance against loss and/or damage to the Minimum Improvements under a policy or policies covering such risks as are ordinarily insured against by similar businesses.

(b) Comprehensive general public liability insurance, including personal injury liability (with employee exclusion deleted), against liability for injuries to persons and/or property, in the minimum amount for each occurrence and for each year of $1,000,000, and shall be endorsed to show the City as an additional insured.

(c) Such other insurance, including workers' compensation insurance respecting all employees of the Developer, in such amount as is customarily carried by like organizations engaged in like activities of comparable size and liability exposure; provided that the Developer may be self-insured with respect to all or any part of its liability for workers' compensation.

(d) All insurance required in this Agreement shall be taken out and maintained in responsible insurance companies selected by the Developer that are authorized under the laws of the State to assume the risks covered thereby. Upon request, the Developer will deposit annually with the City, policies evidencing all such insurance, or a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect. Unless otherwise provided in this Agreement each policy shall contain a provision that the insurer shall not cancel nor modify it in such a way as to reduce the coverage provided below the amounts required herein without giving written notice to the Developer, the City at least 30 days before the cancellation or modification becomes effective. In lieu of separate policies, the Developer may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein, in which event the Developer shall deposit with the City a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Minimum Improvements.

(e) The Developer agrees to notify the City immediately in the case of damage exceeding $100,000 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. In such event the Developer will forthwith repair, reconstruct, and restore the Minimum Improvements to substantially the same or an improved condition or value as it existed prior to the event causing such damage and, to the extent necessary to accomplish such repair, reconstruction, and restoration, the Developer will apply the net proceeds of any insurance relating to such damage received by the Developer to the payment or reimbursement of the costs thereof.

(1) The Developer shall complete the repair, reconstruction and restoration of the Minimum Improvements regardless of whether the net proceeds of insurance received by the Developer for such purposes are sufficient to pay for the same. Any net proceeds remaining after completion of such repairs, construction, and restoration shall be the property of the Developer.

(2) A failure to promptly repair, reconstruct and restore the Minimum Improvements as required by this Section 6.1(e) will be considered an Event of Default under this Agreement and the City may suspend payments on the City TIIF Note, as applicable, or exercise any other remedies provided in Section 5.2 hereof.

All of the insurance provisions set forth in this Section shall terminate upon the termination of this Agreement.

Section 6.2 Conflicts of Interest. No member of the governing body or other official of the City shall have any financial interest, direct or indirect, in this Agreement, the Development Property or the Minimum Improvements, or any contract, agreement or other transaction contemplated to occur or be undertaken thereunder or with respect thereto, nor shall any such member of the governing body or other official participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. No member, official or employee of the City shall be personally liable to the City in the event of any default or breach by the Developer or successor of any obligations under the terms of this Agreement.

Section 6.3 Titles of Articles and Sections. Any titles of the several parts, articles and sections of the Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 6.4 Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by any party to any other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, and

(a) in the case of the Developer is addressed to or delivered personally to:

HWY35 Properties LLC
6910 N Holmes St., Ste 310
Gladstone, MO 54118
Attn: Jack Mitchell

(b) in the case of the City is addressed to or delivered personally to the City at:

City of Grand Rapids, Minnesota
420 North Pokegama Avenue
Grand Rapids, MN 55744
Attn: City Administrator

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

Section 6.5 No Additional Waiver Implied by One Waiver. If any agreement contained in this Agreement should be breached by any party and thereafter waived by the other parties, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 6.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 6.7 Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

Section 6.8 Term; Termination. Unless this Agreement is terminated earlier in accordance with its terms this Agreement shall terminate on the Termination Date. Early termination upon a written request from the Developer shall be in the City's sole discretion. After the Termination Date, if requested by the Developer, the City will provide a termination certificate as to the Developer's obligations hereunder.

Section 6.9 Provisions Surviving Rescission, Expiration or Termination. Sections 5.5 and 3.6 shall survive any rescission, termination, or expiration of this Agreement with respect to or arising out of any event, occurrence or circumstance existing prior to the date thereof.

Section 6.10 Amendment. This Agreement may be amended only by written agreement approved by the City and the Developer.

Section 6.11 Superseding Effect. This Agreement, together with the Purchase Agreement, reflects the entire agreement of the parties with respect to the development of the Development Property, and supersedes in all respects all prior agreements of the parties, whether written or otherwise, with respect to the development of the Development Property.

Section 6.12 Relationship of Parties. Nothing in this Agreement is intended, or shall be construed, to create a partnership or joint venture among or between the parties hereto, and the rights and remedies of the parties hereto shall be strictly as set forth in this Agreement. All covenants, stipulations, promises, agreements and obligations of the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City, as applicable, and not of any governing body member, officer, agent, servant or employee of the City.

Section 6.13 Venue. All matters, whether sounding in tort or in contract, relating to the validity, construction, performance, or enforcement of this Agreement shall be controlled by and determined in accordance with the laws of the State of Minnesota, and the Developer agrees that all legal actions initiated by the Developer, or the City with respect to or arising from any provision contained in this Agreement shall be initiated, filed and venued exclusively in the State of Minnesota, Itasca County, District Court and shall not be removed therefrom to any other federal or state court.

Section 6.14 Interpretation; Concurrence. The language in this Agreement shall be construed simply according to its generally understood meaning, and not strictly for or against any party and no interpretation shall be affected by which party drafted any part of this Agreement. By executing this Agreement, the parties acknowledge that they (a) enter into and execute this Agreement knowingly, voluntarily and willingly of their own volition with such consultation with legal counsel as they deem appropriate; (b) have had a sufficient amount of time to consider this Agreement's terms and conditions, and to consult an attorney before signing this Agreement; (c) have read this Agreement, understand all of its terms, appreciate the significance of those terms and have made the decision to accept them as stated herein; and (d) have not relied upon any representation or statement not set forth herein.

Section 6.15 Recording. The City may record this Agreement and any amendments thereto with the County recorder. The Developer shall pay all costs for recording.

Section 6.16 Government Data. The Developer has been required to provide certain data to the City, or their consultants in connection with applying for financial assistance in constructing the Minimum Improvements. It is also likely that the Developer will be required to provide additional data to the City or consultants in the course of administering the TIF District to ensure compliance with this Agreement and the TIF Act. All data provided to the City or their consultants is government data within the meaning of the Minnesota Statutes, Chapter 13 (the "MGDPA"). The parties recognize that some of the data provided by the Developer to the City or their consultants may be nonpublic data as defined by the MGDPA. The parties acknowledge that the City is subject to the MGDPA and will handle all government data in its possession in accordance with the MGDPA, notwithstanding any other agreement or understanding to the contrary.

IN WITNESS WHEREOF, the City has caused this Agreement to be duly executed in its name and on its behalf, and the Developer has caused this Agreement to be duly executed in its name and on its behalf, on or as of the date first above written.

CITY OF GRAND RAPIDS, MINNESOTA

By_____
Its Mayor

By_____
Its City Administrator

STATE OF MINNESOTA)
) SS.
COUNTY OF ITASCA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2024, by Dale Christy, the Mayor of the City of Grand Rapids, Minnesota (the "City"), a municipal corporation and political subdivision, on behalf of the City.

_____
Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF ITASCA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2024, by Tom Pagel, the City Administrator of the City of Grand Rapids, Minnesota (the "City"), a municipal corporation and political subdivision, on behalf of the City.

_____
Notary Public

HWY35 PROPERTIES LLC

By_____
Its_____

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2024, by _____, the _____ of HWY35 Properties LLC, a Minnesota limited liability company, on behalf of the corporation.

_____
Notary Public

Signature page to Tax Increment Development Assistance Agreement

This Tax Increment Development Assistance Agreement has been reviewed and consented to by HWY35, LLC, a Minnesota limited liability company (the "Tenant"). The terms herein, especially as they pertain to job and wage goals to be met by the Tenant in Section 3.4(2) hereof are hereby agreed to by the Tenant.

HWY35, LLC

By_____
Its_____

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2024, by _____, the _____ of HWY35, LLC, a Minnesota limited liability company, on behalf of the corporation.

_____
Notary Public

Signature page to Tax Increment Development Assistance Agreement

EXHIBIT A

Description of TIF District

The area encompassed by the TIF District shall also include all street or utility rights-of-way located upon or adjacent to the property located in the City of Grand Rapids, Itasca County, Minnesota legally described as:

LEGAL LAND DESCRIPTION:

EASTERLY TRACT:
That part of Government Lot 3, Section 19, Township 55 North, Range 25 West, Itasca County, Minnesota, lying westerly and southerly of the following described line:
COMMENCING at the northwest corner of said Government Lot 3; thence North 86 degrees 48 minutes 06 seconds East, assigned bearing, along the north line of said Government Lot 3, a distance of 190.35 feet to the northeast corner of the West 190.00 feet of said Government Lot 3 and the point of beginning of the line to be herein described; thence South 00 degrees 17 minutes 11 seconds West, along the east line of said West 190.00 feet a distance of 505.94 feet; thence South 44 degrees 19 minutes 07 seconds East 409.82 feet; thence South 85 degrees 17 minutes 34 seconds East 432.64 feet; thence South 75 degrees 32 minutes 33 seconds East 299.16 feet; thence South 53 degrees 17 minutes 09 seconds East 339.36 feet to the east line of said Government Lot 3 and said described line there terminating.
TOGETHER WITH
Government Lot 4, Section 19, Township 55 North, Range 25 West, Itasca County, Minnesota.
TOGETHER WITH
Government Lot 10, Section 19, Township 55 North, Range 25 West, Itasca County, Minnesota.
TOGETHER WITH
The West 660.00 feet of Government Lot 5, Section 19, Township 55 North, Range 25 West, Itasca County, Minnesota.
TOGETHER WITH
The West 660 feet of the Northeast Quarter of the Southwest Quarter, Section 19, Township 55 North, Range 25 West, Itasca County, Minnesota.

EXHIBIT B

Description of Development Property

The property located in the City of Grand Rapids, Itasca County, Minnesota legally described as:

LEGAL LAND DESCRIPTION:

EASTERLY TRACT:
That part of Government Lot 3, Section 19, Township 55 North, Range 25 West, Itasca County, Minnesota, lying westerly and southerly of the following described line:
COMMENCING at the northwest corner of said Government Lot 3; thence North 86 degrees 48 minutes 06 seconds East, assigned bearing, along the north line of said Government Lot 3, a distance of 190.35 feet to the northeast corner of the West 190.00 feet of said Government Lot 3 and the point of beginning of the line to be herein described; thence South 00 degrees 17 minutes 11 seconds West, along the east line of said West 190.00 feet a distance of 505.94 feet; thence South 44 degrees 19 minutes 07 seconds East 409.82 feet; thence South 85 degrees 17 minutes 34 seconds East 432.64 feet; thence South 75 degrees 32 minutes 33 seconds East 299.16 feet; thence South 53 degrees 17 minutes 09 seconds East 339.36 feet to the east line of said Government Lot 3 and said described line there terminating.
TOGETHER WITH
Government Lot 4, Section 19, Township 55 North, Range 25 West, Itasca County, Minnesota.
TOGETHER WITH
Government Lot 10, Section 19, Township 55 North, Range 25 West, Itasca County, Minnesota.
TOGETHER WITH
The West 660.00 feet of Government Lot 5, Section 19, Township 55 North, Range 25 West, Itasca County, Minnesota.
TOGETHER WITH
The West 660 feet of the Northeast Quarter of the Southwest Quarter, Section 19, Township 55 North, Range 25 West, Itasca County, Minnesota.

EXHIBIT C

Form of TIF Note

No. R-1 $[2,000,000]

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF ITASCA
CITY OF GRAND RAPIDS, MINNESOTA

TAXABLE TAX INCREMENT REVENUE NOTE
(HWY35 Properties LLC Project)

Rate	**Date of Issuance**	**Principal Amount**
_6.00%	_____, 20__	$[2,000,000]

The City of Grand Rapids, Minnesota (the "City"), hereby acknowledges itself to be indebted and, for value received, hereby promises to pay the amounts hereinafter described (the "Payment Amounts") to HWY35 Properties LLC, a Minnesota limited liability company (the "Developer"), or its registered assigns (the "Registered Owner"), the principal amount of [Two Million and 00/100 Dollars ($2,000,000)],but only in the manner, at the times, from the sources of revenue, and to the extent hereinafter provided.

This Note is issued pursuant to that certain Tax Increment Development Assistance Agreement, dated as of May 13, 2024, as the same may be amended from time to time (the "Agreement"), by and between the City, and the Developer. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

Simple, non-compounding interest shall accrue on the outstanding principal amount of the Note at a rate equal to 6.00% per annum; provided that no interest shall accrue on this Note during any period that an Event of Default has occurred, and such Event of Default is continuing, under the Agreement and City has exercised its remedy under the Agreement to suspend payment on the Note. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The amounts due under this Note shall be payable on August 1, 2027 and on each February 1 and August 1 thereafter to and including the earliest of (i) the date on which the entire principal and accrued interest on the TIF Note has been paid in full; or (ii) February 1, 2037; or (iii) any earlier date the Agreement or this Note is cancelled in accordance with the terms of the Agreement or deemed paid in full; or (iv) the February 1 following the date the TIF District is terminated in accordance with the TIF Act (collectively, the "TIF Payment Dates") or, if the first should not be a Business Day (as defined in the Agreement) the next succeeding Business Day. On each TIF Payment Date, the City shall pay by check or draft mailed to the person that was the Registered Owner of this Note at the close of the last Business Day preceding such TIF Payment Date an amount equal to 75% of the Tax Increments as defined in the Agreement received by the City

during the 6-month period preceding such TIF Payment Date (the "Pledged Tax Increments").

Payments on this Note shall be payable solely from the Pledged Tax Increments. All payments made by the City under this Note shall first be applied to accrued interest and then to principal. If Pledged Tax Increments are insufficient to pay any accrued interest due, such unpaid interest shall be carried forward without interest.

This Note shall terminate and be of no further force and effect following the Final TIF Payment Date defined above, or any date upon which the City shall have terminated the Agreement under Section 5.2 thereof or on the date that all principal and interest payable hereunder shall have been or deemed paid in full, whichever occurs earliest. This Note may be prepaid in whole or in part at any time without penalty.

The City makes no representation or covenant, express or implied, that the Pledged Tax Increments will be sufficient to pay, in whole or in part, the amounts which are or may become due and payable hereunder. There are risk factors in the amount of Tax Increments that may actually be received by the City and some of those factors are listed on the attached Exhibit 1. The Registered Owner acknowledges these risk factors and understands and agrees that payments by the City under this Note are subject to these and other factors.

The City's payment obligations hereunder subject to Section 3.2(9) of the Agreement and the conditions that (i) no Event of Default under Section 5.1 of the Agreement shall have occurred and be continuing at the time payment is otherwise due hereunder, and (ii) the Agreement shall not have been terminated pursuant to Section 5.2 thereof, and (iii) all conditions set forth in Section 3.2(2) of the Agreement have been satisfied as of such date. Any such suspended and unpaid amounts shall become payable, without interest accruing thereon in the meantime, if this Note has not been terminated in accordance with Section 5.2 of the Agreement and said Event of Default shall thereafter have been cured in accordance with Section 5.2 of the Agreement. If pursuant to the occurrence of an Event of Default under the Agreement the City elects, in accordance with the Agreement to cancel and rescind the Agreement and/or this Note, the City 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 the City to pay the principal of this Note and the interest thereon, and said provisions are hereby incorporated into this Note as though set out in full herein.

THIS NOTE IS A SPECIAL, LIMITED REVENUE OBLIGATION OF THE CITY AND NOT A GENERAL OBLIGATION OF THE CITY AND IS PAYABLE BY THE CITY ONLY FROM THE SOURCES AND SUBJECT TO THE QUALIFICATIONS STATED OR REFERENCED HEREIN. THIS NOTE IS NOT A GENERAL OBLIGATION OF THE CITY, AND THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE CITY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS NOTE AND NO PROPERTY OR OTHER ASSET OF THE CITY, SAVE AND EXCEPT THE ABOVE-REFERENCED PLEDGED TAX INCREMENTS, IS OR SHALL BE A SOURCE OF PAYMENT OF THE CITY'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 the City or of any other public body, and neither the City nor any

person executing or registering this Note shall be liable personally hereon by reason of the issuance or registration thereof or otherwise.

This Note is issued by the City in aid of financing a project pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including the TIF Act.

This Note may be assigned only as provided in Section 4.8 of the Agreement and subject to the assignee executing and delivering to the City the Acknowledgment Regarding TIF Note in the form set forth in Exhibit 2 attached hereto. Additionally, in order to assign the Note, the assignee shall surrender the same to the City either in exchange for a new fully registered note or for transfer of this Note on the registration records maintained by the City for the Note. Each permitted assignee shall take this Note subject to the foregoing conditions and subject to all provisions stated or referenced herein.

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 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 Note, together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation thereon.

IN WITNESS WHEREOF, the City of Grand Rapids, Minnesota, by its City Council, has caused this Note to be executed by the manual signatures of its Mayor and City Administrator and has caused this Note to be dated as of _____.

By_____
Its Mayor

By_____
Its City Administrator

CERTIFICATION OF REGISTRATION

It is hereby certified that the foregoing Note was, as of the latest date listed below, registered in the name of the last Registered Owner noted below on the books kept by the undersigned for such purposes and any prior registrations are null and void as of such date.

NAME AND ADDRESS OF REGISTERED OWNER	DATE OF REGISTRATION	SIGNATURE OF FINANCE DIRECTOR
HWY35 Properties LLC 11575 E. Laketowne Drive Albertville, MN 55301-4348		

Exhibit 1
To Taxable TIF Note

RISK FACTORS

Risk factors on the amount of Tax Increments that may actually be received by the City include but are not limited to the following:

1. Value of Minimum Improvements. If the contemplated Minimum Improvements (as defined in the TIF Agreement) constructed in the tax increment financing district is completed at a lesser level of value than originally contemplated, it will generate fewer taxes and fewer tax increments than originally contemplated.

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

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

4. Depreciation. The Minimum 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.

5. 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.

6. 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).

7. 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.

8. 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 Hennepin County to the other taxing jurisdictions and such amount is not available to the City as tax increment.

9. 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.

10. No Liability of City. The City has made no representation or covenant, express or implied, that the revenues pledged to pay the TIF Note will be sufficient to pay, in whole or in part, the principal and interest due on the TIF Note. Any amounts which have not been paid on the TIF Note on or before the final maturity date of the TIF Note shall no longer be payable, as if the TIF Note had ceased to be an obligation of the City. The TIF 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 TIF Note.

Exhibit 2
To Taxable TIF Note

ACKNOWLEDGMENT REGARDING TIF NOTE

The undersigned, _____ a _____ ("Note Holder"), hereby certifies and acknowledges that:

A. On the date hereof the Note Holder has [acquired from]/[made a loan (the "Loan") [to/for the benefit] of] HWY35 Properties LLC, a Minnesota limited liability company (the "Developer"), [secured in part by] the Taxable Tax Increment Revenue Note (HWY35 Properties LLC Project), a pay-as-you-go tax increment revenue note in the original principal amount of $_____, dated _____, 20__ of the City of Grand Rapids, Minnesota (the "City"), a copy of which is attached hereto (the "Note").

B. The Note Holder has had the opportunity to ask questions of and receive all information and documents concerning the Note as it requested, and has had access to any additional information the Note Holder thought necessary to verify the accuracy of the information received. In determining to [acquire the Note]/[make the Loan], the Note Holder has made its own determinations and has not relied on the City or information provided by the City.

C. The Note Holder represents and warrants that:

1. The Note Holder is acquiring [the Note]/[an interest in the Note as collateral for the Loan] for its own account, and without any view to resale or other distribution.

2. The Note Holder is (i) the owner of the Development Property or (ii) a financial institution or an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of acquiring [and holding the Note] [an interest in the Note as collateral for the Loan].

3. The Note Holder understands that the Note is a security which has not been registered under the Securities Act of 1933, as amended, or any state securities law, and must be held until its sale is registered or an exemption from registration becomes available.

4. The Note Holder is aware of the limited payment source for the Note and interest thereon and risks associated with the sufficiency of that limited payment source.

D. The Note Holder understands that the Note is payable solely from certain tax increments derived from certain properties located in a tax increment financing district, if and as received by the City. The Note Holder 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 Note Holder 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.

E. The Note Holder 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:

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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).

7. 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.

8. 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.

9. 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.

10. No Liability of City. The City has made no representation or covenant, express or implied, that the revenues pledged to pay the TIF Note will be sufficient to pay, in whole or in part, the principal and interest due on the TIF Note. Any amounts which have not been paid on the TIF Note on or before the final maturity date of the TIF Note shall no longer be payable, as if the TIF Note had ceased to be an obligation of the City. The TIF 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 TIF Note.

F. The Note Holder acknowledges that the Note was issued pursuant to a Tax Increment Development Assistance Agreement between the City and the Developer, dated May 13, 2024 ("Development Agreement"), and that the City has the right to suspend payments under this Note and/or terminate the Note upon an Event of Default under the Development Agreement.

G. The Note Holder acknowledges that the City makes no representation about the tax treatment of, or tax consequences from, the Note Holder's acquisition of [the Note]/[an interest in the Note as collateral for the Loan].

WITNESS our hand this ___ day of _____, 20__.

Note Holder:

_____
By _____
Name: _____
Its _____

EXHIBIT D

CERTIFICATE OF COMPLETION

WHEREAS, the City of Grand Rapids, Minnesota (the "City"), and HWY35 Properties LLC, a Minnesota limited liability company (the "Developer"), have executed a Tax Increment Development Assistance Agreement, dated as of May 13, 2024 (the "Development Agreement"), with respect to the completion by the Developer of certain improvements (the "Minimum Improvements"), more specifically described in the Development Agreement; and

WHEREAS, the Developer has performed its obligations under the Development Agreement to substantially complete the Minimum Improvements in a manner deemed sufficient by the City to permit the execution of this certificate pursuant to Section 4.4 of the Development Agreement;

WHEREAS, the City has inspected the Minimum Improvements and concluded that a total of ___ square feet have been developed by the Developer within the Minimum Improvements.

NOW, THEREFORE, this is to certify that the Minimum Improvements has been completed in substantial conformance with the terms of the Development Agreement.

CITY OF GRAND RAPIDS, MINNESOTA

By _____
Its _____

Dated: _____, 20___

EXHIBIT E
PUBLIC REDEVELOPMENT COSTS

Demolition
Correction of blighting conditions of existing substandard building
Environmental Remediation
Underground and above ground utilities
Excavation
Grading
Filling
Curb and gutter
Site Preparation
Parking
Other TIF eligible costs as determined by the City in its sole discretion