DEVELOPMENT ASSISTANCE AGREEMENT

BY AND BETWEEN

THE CITY OF GRAND RAPIDS, MINNESOTA,

THE GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY,

AND

KTJ 435, LLC

This document drafted by:

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DEVELOPMENT ASSISTANCE AGREEMENT

THIS DEVELOPMENT ASSISTANCE AGREEMENT (the "Agreement"), made as of _____, 2025, by and between the CITY OF GRAND RAPIDS, MINNESOTA, a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Minnesota (the "City"), the GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY, a body corporate and politic organized and existing under the laws of the State of Minnesota (the "Authority"), and KTJ 435, 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 within the City, and in connection therewith, created a development project known as Municipal Development District No. 1 (the "Development District") and developed a Development Program (the "Development Program") therefor pursuant to Minnesota Statutes, Sections 469.124 to 469.133, as amended; and

WHEREAS, the Authority was created pursuant to Minnesota Statutes, Sections 469.090 to 469.1081 (the "Act") and was authorized to transact business and exercise its powers by a resolution of the City Council of the City and has undertaken a program to promote economic development and job opportunities and to promote the development of land which is underutilized within the City, and in connection therewith, created a development project known as the EDA Development District (the "EDA Development District'); 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. 1-17: Oppidan Workforce Housing, qualified as an economic development 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 December 2, 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 costs of the Project (as hereinafter defined) to be constructed within the TIF District as more particularly set forth in this Agreement; and

WHEREAS, pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815, as amended (the "Tax Abatement Act"), the City has established a Tax Abatement Program (as defined herein); and

WHEREAS, the Developer has also requested tax abatement assistance from the City to finance certain other costs of the Project as more particularly set forth in this Agreement; and

WHEREAS, the Developer has also requested financial assistance in the form of the Land Write Down (as defined herein) from the Authority to finance the acquisition of the Development Property (as defined herein) from the Authority as more particularly set forth in this Agreement; and

WHEREAS, the City and the Authority believe that the development of the Project and fulfillment of this Agreement are vital and are in the best interests of the City and the Authority, 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 Project 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 others 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:

Abatement Payment Date means each February 1 and August 1, commencing on the earlier of (i) the February 1 or August 1, whichever is first, following the Final TIF Payment Date and the satisfaction of the conditions set forth in Section 3.3(1) to and including the Final Tax Abatement Payment Date; provided, that if any such Abatement Payment Date should not be a Business Day, the Abatement Payment Date shall be the next succeeding Business Day;

Administrative Costs has the meaning set forth in Section 3.7;

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

Authority means the Grand Rapids Economic Development Authority, a body corporate and politic organized and existing under the laws of the State;

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

Board means the Board of Commissioners of the Authority;

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 Act means Minnesota Statutes, Sections 116J.993 to 116J.995, as amended;

Certificate of Completion means a Certificate of Completion with respect to the Project 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;

City Financial Assistance means the financial assistance to be offered by the City to the Developer through the TIF Plan and the Tax Abatement Program as provided for in Article III of this Agreement in an aggregate principal amount not to exceed $4,183,506 subject to adjustment in accordance with Section 3.9 hereof;

Closing Date means individually or collectively as the context implies, the date or dates of the closing on the sale of the Development Property by the Authority to the Developer, pursuant to the Purchase Agreement;

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 Project conforms to applicable zoning, subdivision and building code laws and ordinances, including a copy of the building permit for the Project; (b) a copy of the executed standard form of agreement between owner and architect

for architectural services for the Project, if any; and (c) a copy of the executed General Contractor's contract for the Project, if any;

Construction Plans means the plans, specifications, drawings and related documents for the construction of the Project which shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the building inspector of the City;

County means Itasca County, Minnesota;

Deferred Loan has the meaning set forth in Section 3.11 hereof.

Developer means KTJ 435, LLC, a Minnesota limited liability company, and its authorized successors and assigns;

Development District means Municipal 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 B** attached to this Agreement;

Event of Default means any of the events described in Section 6.1 hereof;

Final Abatement Payment Date means the earliest of (i) the date on which the entire principal on the Tax Abatement Note has been paid in full; (ii) February 1, 2056; (iii) any earlier date this Agreement or the Tax Abatement Note is terminated or cancelled in accordance with the terms hereof or deemed paid in full; or (v) the date the City cancels the Tax Abatement Note upon a written request for termination from the Developer;

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, 2036; (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;

IRRR means the Minnesota Department of Iron Range Resources and Rehabilitation;

IRRR Predevelopment Grant means the grants described in Section 3.12 hereof;

IRRR Workforce Housing Grant means the grants described in Section 3.10 hereof;

Land Write Down means the reduction of the purchase price from fair market value provided to the Developer by the Authority pursuant to the terms of Section 3.4 hereof;

Minnesota Housing means the Minnesota Housing Finance Agency;

Net Tax Capacity has the meaning provided in Minnesota Statutes, Section 273.13, subdivision 21b, as it may be amended from time to time;

Pledged Tax Abatements mean 100% of the Tax Abatements for the tax-payable years during which payments of Tax Abatements shall be made to the Developer in accordance with Section 3.3 hereof (estimated to commence August 1, 2036 and ending no later than February 1, 2056);

Pledged Tax Increments means for any six-month period, 90% of the Tax Increments received by the City since the previous TIF Payment Date;

Project means the acquisition of the Development Property by the Developer from the Authority and the construction and equipping thereon of an approximately 132-unit market rate rental housing community to be owned by the Developer;

Public Development Costs means the public development costs of the Project incurred by the Developer, or its assigns listed in **Exhibit F** attached hereto which the City intends to reimburse partially through the TIF Note and partially through the Tax Abatement Note;

Purchase Agreement means collectively, the Purchase Agreement, dated January 4, 2025, between the Authority and the Developer relating to the Development Property, pursuant to which the Authority has agreed to sell the Development Property to the Developer and the Developer has agreed to purchase the Development Property from the Authority;

State means the State of Minnesota;

Tax Abatements mean a portion of the City's share of annual real estate taxes received by the City with respect to the Development Property in an amount calculated in each tax-payable year as follows: the City tax rate for such tax-payable year multiplied by the difference between the Net Tax Capacity of the Development Property as improved by the Project, as of January 2 in the prior year, less $735 (i.e. the Net Tax Capacity of the Development Property, as established by the County assessor on January 2, 2023 for taxes payable in 2024) and excluding the portion of the Net Tax Capacity attributable to the areawide tax under Minnesota Statutes, Chapter 276A, then abated in accordance with the Tax Abatement Program;

Tax Abatement Act means Minnesota Statutes, Sections 469.1812 through 469.1815, as amended;

Tax Abatement Note means the Taxable Abatement Revenue Note (Oppidan Workforce Housing Project), to be executed by the City and delivered to the Developer pursuant to Section 3.3 hereof, substantially in the form set forth in **Exhibit D** attached hereto;

Tax Abatement Program means the terms set forth in the abatement resolution adopted by the City on December 2, 2024;

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;

Termination Date means, with respect to this Agreement, the earliest of: (i) February 1, 2056; (ii) the date that both the TIF Note and the Tax Abatement Note are paid in full; (iii) the date the City cancels both the TIF Note and the Tax Abatement Note upon a written request for termination from the Developer; or (iv) the date the Agreement is cancelled in accordance with the terms hereof;

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

TIF District means Tax Increment Financing District No. 1-17: Oppidan Workforce Housing, located within the Development District in the City, consisting of the property legally described in **Exhibit A** attached hereto, which was established as an economic development district under the TIF Act;

TIF Note means the Taxable Tax Increment Revenue Note (Oppidan Workforce Housing 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

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;

Unavoidable Delays means delays, outside the control of the party claiming its occurrence, which include but are not limited to those which are the direct result of strikes, other labor troubles, unavailability of materials, hazardous materials, terrorism, unusually severe or prolonged bad weather, acts of God, fire or other casualty to the Project, litigation commenced by third parties which, by injunction or other similar judicial action or by the exercise of reasonable discretion, directly results in delays, or acts of any federal, state or local governmental unit (other than the City) which directly result in delays.

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 an "economic development district" within the meaning of Minnesota Statutes, Section 469.174, Subdivision 12.

(3) The Tax Abatement Program was created, adopted and approved in accordance with the terms of the Tax Abatement Act and the City made the findings required by the Tax Abatement Act for the Tax Abatement Program.

(4) The Project contemplated by this Agreement is in conformance with the development objectives set forth in the Development Program and the TIF Plan.

(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 Authority. The Authority makes the following representations and warranties:

(1) The Authority is a public body corporate and politic 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 Authority 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 2.3 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 Project would not be undertaken by the Developer, and in the opinion of the Developer would not be economically feasible within the reasonably foreseeable future, without the assistance and benefit to the Developer provided for in this Agreement.

(3) If and when constructed, the Developer will cause the Project 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 Project 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 and the Authority may subsidize or encourage other developments in the City, including properties that compete with the Development Property and the Project, and that such subsidies may be more favorable than the terms of this Agreement, and that the City and the Authority have 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, no member of the Board or other officer of the Authority 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, any member of the Board or any other officer of the Authority benefit financially from this Agreement within the meaning of Minnesota Statutes, Sections 412.311 and 471.87.

(8) The Developer did not obtain a building permit for any portion of the Project 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.

(9) The total development costs of the Project are estimated to be approximately $_____, and the sources of revenue to pay such costs are approximately $_____, excluding the tax increment assistance, land write down, and tax abatement assistance, and the Developer has been unable to obtain additional private financing for the total development costs.

(10) The proposed development by the Developer hereunder would not occur but for the City Financial Assistance and the Land Write Down being provided by the City and the Authority hereunder.

(11) The Developer's equity contribution to the Project shall not be less than $8,355,074.

ARTICLE III

UNDERTAKINGS BY DEVELOPER AND CITY

Section 3.1 Project and Public Development Costs.

(1) The Developer will acquire the Development Property from the Authority in accordance with the terms of the Purchase Agreement and cause the Project 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, building code and public health laws and regulations. The City acknowledges that this Agreement is the "Development Assistance Agreement" referred to in, and required as a contingency to closing under, the Purchase Agreement.

(2) The Developer shall, in a timely manner, 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 Project.

(3) The costs of acquiring, constructing and improving the Project shall be paid by the Developer and the City shall reimburse the Developer for the Public Development Costs in the City Financial Assistance through the issuance of the TIF Note and the Tax Abatement Note as provided herein.

(4) The parties agree that the Public Development Costs to be incurred by the Developer are essential to the successful completion of the Project. The Developer anticipates that the Public Development Costs for the Project will be at least $4,183,506. The City Financial Assistance shall be made from the Pledged Tax Increments and, if necessary, the Pledged Tax Abatements, but in no event shall the aggregate amount of City Financial Assistance exceed $4,183,506.

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 lesser of (i) $4,183,506; or (ii) the amount of Public Development Costs actually incurred and shall be dated as of its date of issuance. The principal of the TIF Note 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** only when: (A) the Developer shall have submitted written proof and other documentation as may be reasonably satisfactory to the City of the exact nature and amount of the Public Development 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 Development 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 Project 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 3.7 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 Developer shall have submitted its Total Project Costs in order for the City to complete the lookback set forth in Section 3.9(8) and adjust the amount of the City Financial Assistance, if necessary; 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) The TIF Note shall not bear interest. Principal 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 applied to reduce the principal. All Tax Increments in excess of the Pledged Tax Increments necessary to pay the principal 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. The Parties anticipate that there will be insufficient Pledged Tax Increment to pay the TIF Note in full and that any unpaid amount will be paid through the issuance of the Tax Abatement Note to the extent such funds are available.

(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 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 Project 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 shall be conditioned upon the requirement (A) there shall not at that time be a material 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.

Section 3.3 Abatement Assistance.

(1) The City shall reimburse the Developer for Public Development Costs actually incurred and paid in connection with the Project in the principal amount equal to the unpaid balance of the City Financial Assistance after the Final TIF Payment Date as calculated by the City's municipal advisor in their sole discretion (the "Abatement Note Amount") by issuing the Tax Abatement Note to the Developer in the Abatement Note Amount, in substantially the form set forth in **Exhibit D** attached hereto, only when: (A) the Developer has paid all of the City's Administrative Costs required to have been paid as of such date in accordance with Section 3.7 hereof, (B) the TIF District has been decertified in accordance with the TIF Act, (C) the City, in its sole discretion, has determined the final Abatement Note Amount; and (D) the shall

have submitted written proof and other documentation as may be reasonably satisfactory to the City of the exact nature and amount of the Public Development Costs incurred by the Developer in an amount equal to the Abatement Note Amount (collectively, the "Issue Date"). The documentation provided in accordance with Section 3.3(1)(D) 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. The Tax Abatement Note shall be secured solely by Pledged Tax Abatements. The Tax Abatement Note shall not bear interest.

(2) On each Abatement Payment Date until the Final Abatement Payment Date, the City will pay the Pledged Tax Abatements to the Developer.

(3) Pledged Tax Abatements will be paid in semi-annual installments equal to the Pledged Tax Abatements actually received by the City in the 6-month period before each Abatement Payment Date. Notwithstanding anything to the contrary herein, the payments of Pledged Tax Abatements under this paragraph in each year may not exceed the Statutory Cap described in paragraph (5) of this Section and total payments of principal under the Tax Abatement Note over its term shall not exceed $3,000,000, which is the maximum amount of Tax Abatements set forth in the Tax Abatement Program. Payments on each Abatement Payment Date shall be subject to the qualification described in Section 3.6 in the case of a pending Tax Appeal (as defined in Section 3.6).

(4) The Developer acknowledges that:

(a) it has not relied on any representations of the City, or any of its officers, agents, or employees, and has not relied on any opinion of any attorney of the City, as to the federal or State income tax consequences relating to the payment of Tax Abatements under this Section.

(b) the City shall in no event be obligated to make any Tax Abatement payment under this Section to the Developer unless and until (i) all ad valorem property taxes due and payable with respect to the Development Property as of the applicable Abatement Payment Date have been paid in full and (ii) the City has received from the County or any other source as provided by law an ad valorem property tax distribution that includes all or any portion of the Pledged Tax Abatements.

(c) all estimates of Tax Abatements that have been prepared by or on behalf of the City have been done for the City's use only and neither the City nor its consultants shall have liability to the Developer if the actual Tax Abatements are less than the amounts estimated.

(5) The Developer further acknowledges that the total Pledged Tax Abatements attributable to any calendar year (i.e., the combined payments on Abatement Payment Dates of August 1 and the following February 1) may not exceed the greater of $200,000 or 10% of the City's Net Tax Capacity for that tax-payable year (the "Statutory Cap"), all pursuant to Section 469.1813, Subdivision 8 of the Tax Abatement Act. The City has previously utilized abatements under the Tax Abatement Act for other projects in the City. The City reasonably expects that the Statutory Cap will not cause the Pledged Tax Abatements under this Agreement to be reduced; however, the Developer acknowledges that, during the term of the tax abatement under this Section, if the total abatements payable by the City under the Tax Abatement Act in any year would exceed the Statutory Cap, the Statutory Cap is allocated first to the City's existing abatement obligations, second to the Pledged Tax Abatements payable under this Agreement, and third to any other tax abatements granted after the date of this Agreement.

Section 3.4 Land Write Down.

(1) Pursuant to the terms of the Purchase Agreement, the Authority has agreed to sell the Development Property to the Developer pursuant to the quit claim deed attached to the Purchase Agreement (the "Deed"). On the Closing Date, the Authority will forgo receipt of the full fair market value of the Development Property by accepting a reduced purchase price for the Development Property in accordance with the Purchase Agreement. The price that the EDA paid to acquire the Development Property is $585,000 and the Purchase Agreement provide that the Developer will pay $1.00 for the Development Property. As such, the financial assistance provided to the Developer by selling them the Development Property at the reduced purchase prices listed above is $584,499 (the "Land Write Down").

(2) In the event that the Certificate of Completion is not issued pursuant to Section 4.4 hereof by May 31, 2027, as a direct result of Developer's material default of its obligations hereunder, the Developer shall pay to the Authority the full amount of the Land Write Down within 30 days of written request of the Authority.

Section 3.5 Business Subsidy Act. The parties agree and understand that the purpose of the City's and EDA's financial assistance to the Developer is to facilitate development of rental housing, and is not a "business subsidy" within the meaning of Minnesota Statutes, Sections 116J.993 to 116J.995, as amended.

Section 3.6 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 Project 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 any TIF Payment Date or Abatement Payment Date, any Tax Appeal is pending, the City will continue to make payments on the TIF Note or the Tax Abatement Note but only to the extent that the Tax Increments or Tax Abatements, as applicable, relate 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 and Tax Abatements 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 or Tax Abatements, as applicable, attributable to the disputed tax payments is finalized, the City will apply any withheld amount to the payment of the TIF Note or the Abatement Note,

as applicable, to the extent not reduced as a result of the Tax Appeal promptly, but in no event later than 30 days after the final resolution of the Tax Appeal.

Section 3.7 Developer to Pay City and Authority's Fees and Expenses. The Developer will pay all of the reasonable Administrative Costs (as defined below) of the City and the Authority and must pay such costs to the City and the Authority within 30 days after receipt of a written invoice from the City or the Authority 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 or the Authority together with staff and consultant (including reasonable legal, financial advisor, etc.) costs of the City or the Authority, all attributable to or incurred in connection with the establishment of the Tax Abatement Program and 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 Project, including but not limited to the Purchase Agreement. 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 and the Authority acknowledge 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 or the Authority, 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 or the Authority's, as applicable, written request. Any unused amount of such deposit shall be returned to the Developer. In addition, on the Closing Date, the Developer shall reimburse the City for the $7,000 Deferred Loan fee it paid to Minnesota Housing.

Section 3.8 Restrictions on Use.

(1) The Developer agrees to operate the Project as rental housing until the Termination Date. The Developer understands and acknowledges that a violation of the above limitations on use constitutes an Event of Default under this Agreement.

(2) The limitation on the allowable uses specified in subsection (1) above is based solely on compliance with the requirements of the TIF Act. In addition, the City's zoning ordinance and other land use regulations restrict the uses permissible in the TIF District and include other limitations on development. The Developer acknowledges and agrees to comply with all such regulations.

Section 3.9 Lookback.

(1) *Generally*. The financial assistance to the Developer under this Agreement is based on certain assumptions regarding likely performance of the Project including operating revenues, expenses and development costs of constructing the Project. The City, the EDA and the Developer agree that the actual financial performance of Project will be reviewed at the times described in this Section, and that the City Financial Assistance will be adjusted accordingly. The Developer shall provide the City and its municipal advisor (the "Consultant") with the Pro Forma Financial Statements showing a targeted average annual Yield on Cost Return of 8.00%.

(2) *Definitions*. For the purposes of this Section, the following terms have the following meanings:

"Calculation Date" means the date that is 90 days after the earlier of (i) the date of Stabilization of the Project; or (ii) 3 years after the date of completion of the Project, as evidenced by the City's issuance of the Certificate of Completion.

"Yield on Cost Return" means average, over the period starting with the 12-month period preceding the Calculation Date and continuing for each subsequent 12-month period over the remaining term of the TIF Note and Abatement Note, of the ratios of NOI in each such 12-month period divided by actual Total Project Costs, calculated by the Consultant in the manner it determines is consistent with the sample lookback calculation attached as **Exhibit G**.

"Net Operating Income ("NOI")" means total annual income and other project-derived annual revenue, including payments under the TIF Note and the Abatement Note, less Operating Expenses, and less debt service on Project Financing, all determined in accordance with generally accepted accrual accounting principles (but giving effect to the assumptions set forth in the next sentence). For purposes of the Yield on Cost Return calculation on the Calculation Date, (i) revenue shall be based upon 95% occupancy regardless of whether the average occupancy for the measured period is higher or lower than 95% (consistent with the revenues for the units that are actually leased), (ii) revenue for periods after the Calculation Date shall be determined using revenue from the 12-month period preceding the Calculation Date, inflated by 2.5% annually other than payments under the Abatement Note and TIF Note which shall be inflated by 0% annually, and (iii) Operating Expenses for periods after the Calculation Date, shall be determined using Operating Expenses from the 12-month period preceding the Calculation Date, inflated by 2.5% annually other than real estate taxes which shall be inflated by 0% annually.

"Operating Expenses" means reasonable and customary expenses actually incurred in operating the Project and any other expenses actually incurred by the Developer pursuant to its obligations under this Agreement, determined in the same manner as shown in the Pro Forma Financial Statement, which excludes expenses after debt service, and includes administrative, payroll, marketing, insurance, property management fees, utilities, maintenance, deposits to commercially reasonable capital replacement reserves and payment of real estate taxes, but subject to final review and acceptance by the Consultant.

"Pro Forma Financial Statement" means the Developer's cash flow pro forma model financial statement for the Project projecting future returns, a summary of which is attached to this Agreement as **Exhibit G.**

"Project Financing" means one or more loans for financing the acquisition, construction and equipping of the Project secured by a first lien mortgage on the Project.

"Stabilization" means the calendar month-end date on which the Project has first achieved an average occupancy of the housing units in the Project of 90% during the preceding 12 calendar months, or such earlier date as may be requested by the Developer but, for purposes of the Yield on Cost Return calculation, assuming 95% occupancy notwithstanding actual occupancy rate as of such date.

"Total Project Cost" means the total expenditures incurred to complete development of the Project inclusive of land acquisition, hard construction costs, soft costs and financing costs.

(3) On the Calculation Dates, the Developer shall deliver to the City and Consultant, at a minimum, (i) the Developer's actual financial statement, for the trailing 12-month period preceding the Calculation Date, in the same form as the Pro Forma Financial Statement submitted to the City pursuant to clause (1) above and showing NOI, and such other financial information as the Consultant shall require, and (ii) evidence, satisfactory to the City, of its Total Project Cost.

(4) The average annual Yield on Cost Return over the period starting with the 12-month period preceding the Calculation Date and continuing for each subsequent 12-month period over the remaining term of the TIF Note and the Abatement Note shall be calculated by the Consultant based on the Project financial statement submitted to the City pursuant to clause (3) above, (in the manner the Consultant determines is consistent with the sample lookback calculation attached as **Exhibit G** as determined in the sole discretion of the Consultant and approved by the City).

(5) If the Consultant determines that the average annual Yield on Cost Return over the term of the Abatement Note and TIF Note does not exceed 8.00% over the term of the Abatement Note and the TIF Note, the total of the TIF Note and Abatement Note combined will remain set at the amount of the City Financial Assistance.

(6) If the Consultant determines that the average annual Yield on Cost Return over the term of the Abatement Note and TIF Note exceeds 8.00% (to be calculated in a manner comparable to the sample attached as **Exhibit G**), then the principal balance of the TIF Note and the Abatement Note will be reduced by an amount calculated in the manner the Consultant determines is consistent with clause (7) below. The City will first reduce the amount of the Abatement Note and will then reduce the amount of the TIF Note, if necessary.

(7) The Consultant will determine the amount of the reduction of the principal amount of the Abatement Note and the TIF Note, calculated in the manner the Consultant determines is consistent with the sample lookback calculation attached as **Exhibit G**, by:

(a) First, determining the period over which the Abatement Note and TIF Note needs to be outstanding to achieve a 8.00% average annual Yield on Cost Return over the term of the Abatement Note and the TIF Note based on the Consultant's calculation of the average annual Yield on Cost Return.

(b) Second, by determining the present value of actual or projected (with respect to future payments) TIF Note and Abatement Note payments over the life of the Abatement Note and the TIF Note through the year determined in clause (a) using the interest rate on the Abatement Note and TIF Note as the present value discount rate.

(c) Third, by determining the amount equal to 50% of the difference between the original principal amount of the Abatement Note and the TIF Note and the present value number calculated in clause (b).

(d) Finally, the new principal amount of the City Financial Assistance will then be determined by adding the amounts in clauses (b) and (c) and rounding to the nearest $1,000 (the "Revised City Financial Assistance Amount").

(e) Such Revised City Financial Assistance Amount will be effective upon delivery to the Developer of a written notice stating the Revised City Financial Assistance Amount as determined by the Consultant in accordance with this Section, accompanied by the Consultant's report. The Developer shall, thereupon, deliver the Abatement Note and the TIF Note in exchange for a new Abatement Note and a new TIF Note which combined total the Revised City Financial Assistance Amount. The City shall first reduce the principal amount of the Abatement Note to reflect the Revised City Financial Assistance Amount and then shall reduce the amount of the TIF Note, if necessary.

(8) In addition to the lookback set forth above, at the time of completion of construction of the Project, if the amount of the Total Project Costs actually incurred in connection with the Project is less than the amount of estimated Total Project Costs projected in **Exhibit G**, the financial assistance will be reduced on a dollar for dollar basis in the amount of such deficiency and the principal amount of the Revised City Financial Assistance Amount will be adjusted accordingly which will be reflected in the delivery of a new Abatement Note and/or TIF Note, respectively provided that such reduction is subject to approval and further adjustment by Minnesota Housing in their sole discretion. Likewise, any reduction in the actual amount of Total Project Costs submitted to Minnesota Housing in connection with the Deferred Loan may result in a reduction of the Deferred Loan by Minnesota Housing as determined in their sole discretion.

Section 3.10. IRRR Workforce Grant.

(1) To finance a portion of the construction costs (the "IRRR Workforce Grant-Eligible Costs") of the Project (the "IRRR Workforce Grant-Eligible Activities") as described in the State of Minnesota Grant Contract Agreement, dated April 24, 2024, between the City and the State of Minnesota acting through its Commissioner of the IRRR ("IRRR Workforce Grant Agreement") as set forth in **Exhibit H**, the City has applied for and received a grant from the IRRR in the maximum amount of $600,000 (the "IRRR Workforce Grant").

(2) The City will pay or reimburse the Developer for IRRR Workforce Grant-Eligible Costs from and to the extent of proceeds of the IRRR Workforce Grant, in accordance with the terms of the approved and executed Workforce Grant Agreement and the terms of this Section. **Notwithstanding anything to the contrary herein, if Workforce Grant-Eligible Costs exceed the amount to be reimbursed under this Section, such excess shall be the sole responsibility of the Developer (except to the extent reimbursable from the City Financial Assistance).**

(3) When selecting a contractor to perform the IRRR Workforce Grant-Eligible Activities, the Developer shall comply with all requirements of Minnesota Statutes, Section 471.345 (the "Public Bidding Act"), Minnesota Statutes, Section 177.41-44 (the "Prevailing Wage Act") and Section 4.3 of the Workforce Grant Agreement, as directed by the City. The Developer's compliance with the Public Bidding Act and Prevailing Wage Act shall be determined by the City and the IRRR in their sole discretion. The Developer shall comply in all respects with the requirements of the Workforce Grant Agreement as if it were the "Grantee" thereunder.

(4) All disbursements from the proceeds of the IRRR Workforce Grant will be made by the City to the Developer subject to the following conditions precedent that on the date of such disbursement:

(a) The City has received a written statement from the Developer's authorized representative certifying with respect to each payment: (a) that none of the items for which the payment is proposed to be made has formed the basis for any payment previously made under this Section or under Sections 3.2 or 3.3 (or before the date of this Agreement); (b) that each item for which the payment is proposed is a IRRR Workforce Grant-Eligible Cost; and (c) that the Developer reasonably anticipates completion of the IRRR Workforce Grant-Eligible Activities in accordance with the terms of this Agreement and the Workforce Grant Agreement.

(b) No material Event of Default under this Agreement or event which would constitute such an Event of Default but for the requirement that notice be given or that a period of grace or time elapse, shall have occurred and be continuing.

(c) No license or permit necessary for undertaking the IRRR Workforce Grant-Eligible Activities shall have been revoked or the issuance thereof subjected to challenge before any court or other governmental authority having or asserting jurisdiction thereover.

(d) Developer has submitted, and the City has approved, Construction Plans for the Project in accordance with Section 3.5 hereof.

(e) Developer has submitted paid invoices or other comparable evidence satisfactory to the City to demonstrate that the IRRR Workforce Grant-Eligible Cost has been incurred and paid or is payable by the Developer.

(f) All requirements of the Workforce Grant Agreement that are to be performed or complied with by the Developer prior to the date of such disbursement have been materially met or satisfied.

(5) Whenever the Developer desires a disbursement to be made hereunder, which shall be no more often than monthly, the Developer shall submit to the City a draw request in the form approved by the IRRR to the City accompanied by paid invoices or other comparable evidence that the cost has been incurred and paid or is payable by Developer. Each draw request shall constitute a representation and warranty by the Developer that all representations and warranties set forth in this Agreement are true and correct as of the date of such draw request. After submission of the draw request, if the Developer has performed all of its agreements and complied with all requirements to be performed or complied with under the Workforce Grant Agreement and hereunder, including satisfaction of all applicable conditions precedent contained in Article III hereof, the City shall submit such request to the IRRR and make a disbursement to the Developer in the amount of the requested disbursement or such lesser amount as shall be approved, within thirty (30) Business Days after the date of the City's receipt of the draw request, or, if later, upon receipt of grant proceeds from the IRRR. Each disbursement shall be paid solely from the proceeds of the IRRR Workforce Grant, subject to the City's and the IRRR's determination that the relevant IRRR Workforce Grant-Eligible Cost is payable from the IRRR Workforce Grant under the Workforce Grant Agreement. The City has no obligation to provide proceeds of the IRRR Workforce Grant unless and until such funds are disbursed by the IRRR.

(6) The making of the final disbursement by the City under this Section shall be subject to the condition precedent that the Developer shall be in material compliance with all conditions set forth in this Section and further, that the City shall have received a lien waiver from each contractor for all work done and for all materials furnished by it for the IRRR Workforce Grant-Eligible Costs.

(7) The Developer will comply with all requirements and conditions of the Workforce Grant Agreement applicable to the Project that, by their nature, must be performed by the Developer rather than the City and that are conditions of award of funds under the Workforce Grant Agreement. Nothing in this Agreement shall be deemed an exception from, or alteration of, the requirements of the Workforce Grant Agreement. The Developer will provide invoices to the City for reimbursement in accordance with the requirements of the Workforce Grant Agreement and of this Agreement. The Developer will take all other actions as are needed to ensure compliance with the Workforce Grant Agreement and provide such information and assistance to the City as may be needed to ensure the City can comply with the requirements of the Workforce Grant Agreement that, by their nature, must be performed by the City rather than the Developer. In the event that the IRRR enforces penalties, damages, or other punitive requirements against the City for non-compliance with the grant terms and conditions, the Subgrantee agrees to hold the City and its respective officers, employees, and agents harmless from any claims resulting from the Developer's non-compliance with the terms and conditions required in this Agreement and the Workforce Grant Agreement. The Developer also assumes any financial responsibilities that arise from grant non-compliance. Neither Developer nor subgrantee shall be liable to the City in the event the IRRR enforces penalties, damages, or

other punitive requirements against the City for non-compliance with the grant terms and conditions as a result of the City's noncompliance of Sections 9 and 10 of the Workforce Grant Agreement as they relate to the City's records, and the City shall hold the Developer and its respective officers, employees, and agents harmless from any claims resulting from the City's non-compliance with such provisions in the Workforce Grant Agreement. The Developer must also comply with Sections 9 and 10 of the Workforce Grant Agreement.

(8) The Developer shall comply in all respects with the Workforce Grant Agreement which is incorporated herein by reference. The Developer acknowledges and agrees that all terms, conditions and obligations contained in the Workforce Grant Agreement are incorporated herein, and made a part of this Agreement. In addition to the terms, conditions and obligations described herein, the Developer further acknowledges, accepts and assumes all of the City's obligations described in the Workforce Grant Agreement, including but not limited to, the obligation to repay the IRRR Workforce Grant if required by the IRRR within 30 days of request from the City.

Section 3.11. Deferred Loan.

(1) To finance a portion of the Qualified Expenditures of a Market Rate Residential Rental Property (the "Deferred Loan-Eligible Costs") both as defined in the Minnesota Housing Finance Agency Deferred Loan Agreement, dated _____, 2024, between the City and Minnesota Housing (the "Deferred Loan Agreement") as set forth in **Exhibit I**, the City has applied for and received a deferred loan from Minnesota Housing in the maximum amount of $7,964,000 (the "Deferred Loan") for the Project.

(2) The City will pay or reimburse the Developer for Deferred Loan-Eligible Costs from and to the extent of proceeds of the Deferred Loan, in accordance with the terms of the approved and executed Deferred Loan Agreement, the Minnesota Housing Workforce Housing Development Program Guide, as amended (the "Program Guide") and the terms of this Section. **Notwithstanding anything to the contrary herein, if Deferred Loan-Eligible Costs exceed the amount to be reimbursed under this Section, such excess shall be the sole responsibility of the Developer (except to the extent reimbursable from the City Financial Assistance).**

(3) When selecting a contractor, the Developer shall comply with all requirements of the Prevailing Wage Act, the Program Guide, and the Deferred Loan Agreement. The Developer's compliance with the Prevailing Wage Act shall be determined by the City and Minnesota Housing in their sole discretion. The Developer shall comply in all respects with the requirements of the Deferred Loan Agreement and the Program Guide as if it were the "Grantee" thereunder.

(4) All disbursements from the proceeds of the Deferred Loan will be made by the City to the Developer subject to the following conditions precedent that on the date of such disbursement:

(a) The City has received a written statement from the Developer's authorized representative certifying with respect to each payment: (a) that none of the items for which the payment is proposed to be made has formed the basis for any payment previously made under this Section or under Sections 3.2 or 3.3 (or before the date of this Agreement); (b) that each item for which the payment is proposed is a Deferred Loan Eligible-Cost; and (c) that the Developer reasonably anticipates completion of the Project in accordance with the terms of this Agreement and the Deferred Loan Agreement.

(b) No material Event of Default under this Agreement or event which would constitute such a material Event of Default but for the requirement that notice be given or that a period of grace or time elapse, shall have occurred and be continuing.

(c) No license or permit necessary for undertaking the Project shall have been revoked or the issuance thereof subjected to challenge before any court or other governmental authority having or asserting jurisdiction thereover.

(d) Developer has submitted, and the City has approved, Construction Plans for the Project in accordance with Section 3.5 hereof.

(e) Developer has submitted paid invoices or other comparable evidence satisfactory to the City to demonstrate that the Deferred Loan-Eligible Cost has been incurred and paid or is payable by the Developer.

(f) All requirements of the Deferred Loan Agreement and the Program Guide that are to be performed or complied with by the Developer prior to the date of such disbursement have been met or satisfied.

(5) Whenever the Developer desires a disbursement to be made hereunder, which shall be at the times set forth in the Deferred Loan Agreement, the Developer shall submit to the City a draw request in the form approved by Minnesota Housing to the City accompanied by all material to supporting such draw request as required by Minnesota Housing. Each draw request shall constitute a representation and warranty by the Developer that all representations and warranties set forth in this Agreement are true and correct as of the date of such draw request. After submission of the draw request, if the Developer has performed all of its agreements and complied with all requirements to be performed or complied with under the Deferred Loan Agreement, the Program Guide, and hereunder, the City shall submit such request to Minnesota Housing and make a disbursement to the Developer in the amount of the requested disbursement or such lesser amount as shall be approved, upon receipt of loan proceeds from Minnesota Housing. Each disbursement shall be paid solely from the proceeds of the Deferred Loan, subject to the City's and Minnesota Housing's determination that the relevant Deferred Loan-Eligible Cost is payable from the Deferred Loan under the Deferred Loan Agreement and the Program Guide. The City has no obligation to provide proceeds of the Deferred Loan unless and until such funds are disbursed by the Minnesota Housing. The Developer understands that the amount of the Deferred Loan may be reduced by Minnesota Housing in its sole discretion.

(6) The making of the final disbursement by the City under this Section shall be subject to the condition precedent that the Developer shall be in compliance with all conditions set forth in this Section and further, that the City shall have received a lien waiver from each contractor for all work done and for all materials furnished by it for the Deferred Loan-Eligible Costs.

(7) The provisions in the Deferred Loan Agreement regarding Accounting and Records, Audits, Acknowledgements and Signage and Liability will survive termination or cancellation of this Agreement or of the Deferred Loan.

(8) The Developer will materially comply with all requirements and conditions of the Deferred Loan Agreement applicable to the Project that, by their nature, must be performed by the Developer rather than the City and that are conditions of award of funds under the Deferred Loan Agreement. Nothing in this Agreement shall be deemed an exception from, or alteration of, the requirements of the Deferred Loan Agreement. The Developer will provide invoices to the City for reimbursement in accordance with the requirements of the Deferred Loan Agreement and of this Agreement. The Developer will take all other actions as are needed to ensure compliance with the Deferred Loan Agreement and provide such information and assistance to the City as may be needed to ensure the City can comply with the requirements of the Deferred Loan Agreement that, by their nature, must be performed by the City rather than the Developer. In the event that Minnesota Housing enforces penalties, damages, or other punitive requirements against the City for non-compliance with the deferred loan terms and conditions, the Developer agrees to hold the City and its

respective officers, employees, and agents harmless from any claims resulting from the Developer's non-compliance with the terms and conditions required in this Agreement and the Deferred Loan Agreement. The Developer also assumes any financial responsibilities that arise from deferred loan non-compliance. Neither Developer nor subgrantee shall be liable to the City in the event Minnesota Housing enforces penalties, damages, or other punitive requirements against the City for non-compliance with the grant terms and conditions as a result of the City's noncompliance of Section 9 of the Deferred Loan Agreement as they relate to the City's records, and the City shall hold the Developer and its respective officers, employees, and agents harmless from any claims resulting from the City's non-compliance with such provisions in the Deferred Loan Agreement. The Developer must also comply with Section 9 of the Deferred Loan Agreement.

(9) The Developer shall materially comply in all respects with the Deferred Loan Agreement which is incorporated herein by reference. The Developer acknowledges and agrees that all terms, conditions and obligations contained in the Deferred Loan Agreement are incorporated herein, and made a part of this Agreement. In addition to the terms, conditions and obligations described herein, the Developer further acknowledges, accepts and assumes all of the City's obligations described in the Deferred Loan Agreement, including but not limited to, the obligation to repay the Deferred Loan if required by Minnesota Housing within 30 days of request from the City.

Section 3.12. IRRR Predevelopment Grant.

(1) To finance a portion of the site ready predevelopment work including soil borings, phase 1 environmental reports, market study, pre-design, preconstruction, and other work necessary to better understand the site development costs and prepare the site for housing development construction (the "IRRR Predevelopment Grant-Eligible Costs") of the Project (the "IRRR Predevelopment Grant-Eligible Activities") as described in the State of Minnesota Grant Contract Agreement, dated October 16, 2023, between the City and the State of Minnesota acting through its Commissioner of the IRRR ("IRRR Predevelopment Grant Agreement") as set forth in **Exhibit J**, the City has applied for and received a grant from the IRRR in the maximum amount of $200,000 (the "IRRR Predevelopment Grant").

(2) The City will pay or reimburse the Developer for IRRR Predevelopment Grant-Eligible Costs from and to the extent of proceeds of the IRRR Predevelopment Grant, in accordance with the terms of the approved and executed Predevelopment Grant Agreement and the terms of this Section. **Notwithstanding anything to the contrary herein, if IRRR Predevelopment Grant-Eligible Costs exceed the amount to be reimbursed under this Section, such excess shall be the sole responsibility of the Developer (except to the extent reimbursable from the City Financial Assistance).**

(3) When selecting a contractor to perform the IRRR Predevelopment Grant-Eligible Activities, the Developer shall comply with all requirements of the Public Bidding Act, the Prevailing Wage Act, and Section 4.3 of the Predevelopment Grant Agreement, as directed by the City. The Developer's compliance with the Public Bidding Act and Prevailing Wage Act shall be determined by the City and the IRRR in their sole discretion. The Developer shall comply in all respects with the requirements of the Predevelopment Grant Agreement as if it were the "Grantee" thereunder.

(4) All disbursements from the proceeds of the IRRR Predevelopment Grant will be made by the City to the Developer subject to the following conditions precedent that on the date of such disbursement:

(a) The City has received a written statement from the Developer's authorized representative certifying with respect to each payment: (a) that none of the items for which the payment is proposed to be made has formed the basis for any payment previously made under this Section or under Sections 3.2 or 3.3 (or before the date of this Agreement); (b) that each item for which the

payment is proposed is a IRRR Predevelopment Grant-Eligible Cost; and (c) that the Developer reasonably anticipates completion of the IRRR Predevelopment Grant-Eligible Activities in accordance with the terms of this Agreement and the Predevelopment Grant Agreement.

(b) No material Event of Default under this Agreement or event which would constitute such an Event of Default but for the requirement that notice be given or that a period of grace or time elapse, shall have occurred and be continuing.

(c) No license or permit necessary for undertaking the IRRR Predevelopment Grant-Eligible Activities shall have been revoked or the issuance thereof subjected to challenge before any court or other governmental authority having or asserting jurisdiction thereover.

(d) Developer has submitted, and the City has approved, Construction Plans for the Project in accordance with Section 3.5 hereof.

(e) Developer has submitted paid invoices or other comparable evidence satisfactory to the City to demonstrate that the IRRR Predevelopment Grant-Eligible Cost has been incurred and paid or is payable by the Developer.

(f) All requirements of the Predevelopment Grant Agreement that are to be performed or complied with by the Developer prior to the date of such disbursement have been met or satisfied.

(5) Whenever the Developer desires a disbursement to be made hereunder, which shall be no more often than monthly, the Developer shall submit to the City a draw request in the form approved by the IRRR to the City accompanied by paid invoices or other comparable evidence that the cost has been incurred and paid or is payable by Developer. Each draw request shall constitute a representation and warranty by the Developer that all representations and warranties set forth in this Agreement are true and correct as of the date of such draw request. After submission of the draw request, if the Developer has performed all of its agreements and complied with all requirements to be performed or complied with under the Predevelopment Grant Agreement and hereunder, including satisfaction of all applicable conditions precedent contained in Article III hereof, the City shall submit such request to the IRRR and make a disbursement to the Developer in the amount of the requested disbursement or such lesser amount as shall be approved, within thirty (30) Business Days after the date of the City's receipt of the draw request, or, if later, upon receipt of grant proceeds from the IRRR. Each disbursement shall be paid solely from the proceeds of the IRRR Predevelopment Grant, subject to the City's and the IRRR's determination that the relevant IRRR Predevelopment Grant-Eligible Cost is payable from the IRRR Predevelopment Grant under the Predevelopment Grant Agreement. The City has no obligation to provide proceeds of the IRRR Predevelopment Grant unless and until such funds are disbursed by the IRRR.

(6) The making of the final disbursement by the City under this Section shall be subject to the condition precedent that the Developer shall be in compliance with all conditions set forth in this Section and further, that the City shall have received a lien waiver from each contractor for all work done and for all materials furnished by it for the IRRR Predevelopment Grant-Eligible Costs.

(7) The Developer will materially comply with all requirements and conditions of the Predevelopment Grant Agreement applicable to the Project that, by their nature, must be performed by the Developer rather than the City and that are conditions of award of funds under the Predevelopment Grant Agreement. Nothing in this Agreement shall be deemed an exception from, or alteration of, the requirements of the Predevelopment Grant Agreement. The Developer will provide invoices to the City for reimbursement in accordance with the requirements of the Predevelopment Grant Agreement and of this Agreement. The Developer will take all other actions as are needed to ensure compliance with the Predevelopment Grant Agreement and provide such information and assistance to the City as may be needed to ensure the City can

comply with the requirements of the Predevelopment Grant Agreement that, by their nature, must be performed by the City rather than the Developer. In the event that the IRRR enforces penalties, damages, or other punitive requirements against the City for non-compliance with the grant terms and conditions, the Subgrantee agrees to hold the City and its respective officers, employees, and agents harmless from any claims resulting from the Developer's non-compliance with the terms and conditions required in this Agreement and the Predevelopment Grant Agreement. The Developer also assumes any financial responsibilities that arise from grant non-compliance. Neither Developer nor subgrantee shall be liabile to the City in the event the IRRR enforces penalties, damages, or other punitive requirements against the City for non-compliance with the grant terms and conditions as a result of the City's noncompliance of Sections 9 and 10 of the Predevelopment Grant Agreement as they relate to the City's records, and the City shall hold the Developer and its respective officers, employees, and agents harmless from any claims resulting from the City's non-compliance with such provisions in the Predevelopment Grant Agreement. The Developer must also comply with Sections 9 and 10 of the Predevelopment Grant Agreement.

(8) The Developer shall materially comply in all respects with the Predevelopment Grant Agreement which is incorporated herein by reference. The Developer acknowledges and agrees that all terms, conditions and obligations contained in the Predevelopment Grant Agreement are incorporated herein, and made a part of this Agreement. In addition to the terms, conditions and obligations described herein, the Developer further acknowledges, accepts and assumes all of the City's obligations described in the Predevelopment Grant Agreement, including but not limited to, the obligation to repay the IRRR Predevelopment Grant if required by the IRRR within 30 days of request from the City.

ARTICLE IV

ADDITIONAL PROJECT COVENANTS

Section 4.1 Construction Plans.

(1) Prior to the commencement of construction of the Project, 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 Project 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, the TIF Plan and the Tax Abatement Program; (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. Said approval.

(2) No changes shall be made to the Construction Plans for the Project without the City's prior written approval, unless the aggregate of such changes does not increase or decrease the total costs of the Project by more than 10%. No changes which materially alter (a) the Project's 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 Project comply with any applicable building code, health or safety regulation, zoning regulation, environmental law or other law or regulation, or that the Project will meet the qualifications for issuance of a certificate of occupancy, or that the Project will meet the requirements of the Developer or any other users of the Project. 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 Project 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 Project by August 1, 2025 or and shall substantially complete construction of the Project by April 30, 2027. Notwithstanding the foregoing, failure of the Developer to commence construction or substantially complete the Project shall not be an Event of Default hereunder unless the Developer fails to commence construction of the Project by September 1, 2025 or fails to obtain a certificate of occupancy for the Project by May 31, 2027. The Project 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 prior written 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 Project, 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 Project has been substantially completed. The City shall, within 30 days after such notification, inspect the Project in order to determine whether the Project has been constructed in substantial conformity with the approved Construction Plans. If the City determines that the Project has not been constructed in substantial conformity with the approved Construction Plans, the City shall deliver a written statement to the Developer indicating in adequate detail the specific respects in which the Project has 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 Project within a reasonable period of time after receiving notice that such deficiencies have been remedied in order to determine whether the Project has been constructed in substantial conformity with the approved Construction Plans and this Agreement. Within a reasonable period of time after determining that the Project 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 E** attached hereto certifying the completion of the Project:

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

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

(3) The City Administrator, or designee, on behalf of the City shall have reasonably determined that the Project 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 Project and the development of the Development Property, including without limitation, payments to all contractors, subcontractors, and project laborers, have been paid prior to the date of the request to the City.

(5) The Certificate of Completion issued for the Project shall conclusively satisfy and terminate the agreements and covenants of the Developer in this Agreement solely with respect to construction of the Project. 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 Project 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 or the Authority, furnish the City or the Authority, as applicable, with proof of payment of premiums on insurance of amounts and coverages normally held by owners of property similar to the Project.

(2) The Developer will construct, operate and maintain, or cause to be operated and maintained, the Project 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 Project 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 Project, 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 Project or cause the Project 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 Project during the term of this Agreement, the Developer shall repair or rebuild the Project or cause the Project to be repaired or rebuilt.

Section 4.6 Right to Collect Delinquent Taxes. The Developer acknowledges that the City and the Authority are providing substantial aid and assistance in furtherance of the Project through reimbursement of the Public Development Costs with Pledged Tax Increments, Pledged Tax Abatements and the Land Write Down. The Developer understands that the Pledged Tax Increments and the Pledged Tax Abatements 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 Project. 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 Tax Abatement Note, the Development Property or the Project or any part thereof or any interest therein, without written notice to the City and the Authority and without the prior written approval of both the City and the Authority. Notwithstanding the foregoing, in no event shall the Developer transfer the Project prior to 4 years from the date hereof. The City and the Authority 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 and the Authority, necessary and adequate to fulfill the obligations undertaken in this Agreement by the Developer.

(2) Any proposed transferee, by instrument in writing satisfactory to the City and the Authority shall, for itself and its successors and assigns, and expressly for the benefit of the City and the Authority, have expressly assumed all of the obligations of the Developer under this Agreement and agreed to be subject to all the conditions and restrictions to which the Developer is subject.

(3) There shall be submitted to the City and the Authority 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 Project.

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

(5) 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.

(6) 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.

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

Section 4.9 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 Project. Such records shall be kept and maintained by Developer through the Termination Date

Section 4.10. Encumbrance of the Development Property. Until the issuance of a Certificate of Completion, without the prior written consent of the City and the County, 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 Project (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 Project, and an allowance for contingencies) including without limitation land use restriction agreements in connection with such financings.

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 Project or the Development Property.

(2) Subject to Unavoidable Delays, failure by the Developer to commence construction of the Project by September 1, 2025, and to proceed with due diligence to substantially complete the construction of the Project pursuant to the terms, conditions and limitations of this Agreement and obtain a certificate of occupancy from the City by May 31, 2027.

(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 Project, or any portion thereof, by the Developer in violation and without written permission by the City except pursuant to Section 4.8 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 Project, 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 and the Authority 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 and the Authority may suspend its performance under this Agreement until they receive written assurances from the Developer, deemed adequate by the City and the Authority, 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 and the Tax Abatement Note until it receives written assurances from the Developer, deemed adequate by the City, that the Developer will cure its default, for the benefit of the Developer while performance is suspended in accordance with this Section 5.2.

(3) The City and the Authority may terminate this Agreement.

(4) The City may terminate the TIF Note, and/or the Tax Abatement Note.

(5) The Authority may demand the Land Write Down be repaid in part or in full.

(6) If the Event of Default constitutes a breach of the condition subsequent as set forth in Exhibit A attached to the Deed transferring the Development Property to the Developer, the Authority may exercise its Right of Re-entry (as defined in the Purchase Agreement).

(7) The City and the Authority 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 and the Authority 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 and the Authority.

(1) The Developer releases from and covenants and agrees that the City, the Authority and their 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 Project 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 Project.

(3) All covenants, stipulations, promises, agreements and obligations of the City and the Authority contained herein shall be deemed to be the covenants, stipulations, promises, agreements and

obligations of the City and the Authority, as applicable, and not of any governing body member, officer, agent, servant or employee of the City or the Authority, as the case may be.

Section 5.6 Reimbursement of Attorneys' Fees. If the Developer shall materially default under any of the provisions of this Agreement, and the City or the Authority 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 and the Authority, as applicable, for the reasonable fees of such attorneys and such other reasonable expenses actually incurred by the City and/or the Authority.

ARTICLE VI

ADDITIONAL PROVISIONS

Section 6.1 Insurance.

(1) The Developer will provide and maintain at all times during the process of constructing the Project 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 aggregate principal amount of the Tax Abatement Notes, and with coverage available in nonreporting form on the so-called "all risk" form of policy. The interests of the City shall be protected in accordance with a clause in form and content satisfactory to the City;

(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 Project 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 Project 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 Project.

(e) The Developer agrees to notify the City immediately in the case of damage exceeding $100,000 in amount to, or destruction of, the Project or any portion thereof resulting from fire or other casualty. In such event the Developer will forthwith repair, reconstruct, and restore the Project 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 Project 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 Project 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 Tax Abatement Note or the 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 or the Authority shall have any financial interest, direct or indirect, in this Agreement, the Development Property or the Project, 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 or the Authority shall be personally liable to the City or the Authority 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:

_____

_____

_____

(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

(c) in the case of the Authority is addressed to or delivered personally to the Authority at:

Grand Rapids Economic Development Authority
420 North Pokegama Avenue
Grand Rapids, MN 55744
Attn: Executive Director

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 and the Authority's sole discretion. After the Termination Date, if requested by the Developer, the City and the Authority 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 5.6 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, the Authority 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 and the Authority contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and the Authority, as applicable, and not of any governing body member, officer, agent, servant or employee of the City or the Authority.

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, the City, or the Authority 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, the Authority or their consultants in connection with applying for financial assistance in constructing the Project. 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 and Abatement Program to ensure compliance with this Agreement, the Abatement Act, and the TIF Act. All data provided to the City, the Authority 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, the Authority or their consultants may be nonpublic data as defined by the MGDPA. The parties acknowledge that the City and the Authority are 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, the Authority 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 _____, 2025, by _____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 _____, 2025, by _____, 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

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

By_____
Its President

By_____
Its Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF ITASCA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2025, by S_____, the President of the Grand Rapids Economic Development Authority Minnesota (the "Authority"), a body corporate and politic, on behalf of the Authority.

_____
Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF ITASCA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2025, by _____, the Executive Director of the Grand Rapids Economic Development Authority Minnesota (the "Authority"), a body corporate and politic, on behalf of the Authority.

_____
Notary Public

KTJ 435, LLC

By_____
Its_____

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2025, by _____, the _____ of KTJ 435, LLC, a Minnesota limited liability company, on behalf of the corporation.

_____
Notary Public

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:

Lot 1, Block 1, Great River Acres, Itasca County, Minnesota.

EXHIBIT B

Description of Development Property

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

Lot 1, Block 1, Great River Acres, Itasca County, Minnesota.

EXHIBIT C

Form of TIF Note

No. R-1

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

TAXABLE TAX INCREMENT REVENUE NOTE
(OPPIDAN WORKFORCE HOUSING PROJECT)

Rate	**Date of Issuance**	**Principal Amount**
None	_____, 20__	$_____

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") subject to adjustment in accordance with Section 3.9 of the Agreement (as hereinafter defined) to KTJ 435, LLC, a Minnesota limited liability company (the "Developer"), or its registered assigns (the "Registered Owner"), 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 Development Assistance Agreement, dated as of _____, 2025, as the same may be amended from time to time (the "Agreement"), by and between the City, the Grand Rapids Economic Development Authority, and the Developer. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

No interest shall accrue on the TIF Note.

The amounts due under this Note shall be payable on each February 1 and August 1 commencing August 1, 2027 and thereafter to and including the Final TIF Payment Date (as defined in the Agreement) (collectively, the "TIF Payment Dates"). 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 90% 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.

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 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 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 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 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
KTJ 435, LLC P.O. Box 280 Grand Rapids, MN 55744		

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 Project. If the contemplated Project (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 Project 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 Project may not occur, may occur after only a substantial time delay, or may involve property with a lower value than the Project, all of which would reduce taxes and tax increments.

3. Change in Use to Tax-Exempt. The Project 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 Project 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.

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] KTJ 435, LLC, a Minnesota limited liability company (the "Developer"), [secured in part by] the Taxable Tax Increment Revenue Note (Oppidan Predevelopment Housing 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 as further described in **Exhibit 1A** hereto 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 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 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.

F. The Note Holder acknowledges that the Note was issued pursuant to a Development Assistance Agreement between the City, the Grand Rapids Economic Development Authority, and the Developer, dated _____, 2025 ("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

FORM OF TAX ABATEMENT NOTE

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

No. R-1 $_____

TAXABLE ABATEMENT REVENUE NOTE
(OPPIDAN WORKFORCE HOUSING PROJECT)

Interest Rate:	Date of Original Issue
None	_____

The City of Grand Rapids, Minnesota (the "City"), hereby acknowledges itself to be indebted and, for value received, promises to pay to the order of KTJ 435, LLC, or registered assigns (the "Owner"), solely from the source, to the extent and in the manner hereinafter provided, the principal sum in an amount not to exceed $_____ subject to adjustment in accordance with Section 3.9 of the Agreement. No interest shall accrue on this Note. This Taxable Abatement Revenue Note (Oppidan Predevelopment Housing Project) (this "Note") is given in accordance with that certain Development Assistance Agreement between the City, the Grand Rapids Economic Development Authority, and the Owner, dated as of _____, 2025 (the "Agreement"). Capitalized terms used and not otherwise defined herein shall have the meaning provided for such terms in the Agreement unless the context clearly requires otherwise.

Payments of principal on this Note (each a "Payment") shall be payable in semi-annual installments payable on each February 1 and August 1 (the "Abatement Payment Dates") provided that if any such Abatement Payment Date is not a Business Day the Abatement Payment Date shall be the next succeeding Business Day, commencing on August 1, 2036 and continuing until the Final Abatement Payment Date as defined in the Agreement ("Final Maturity Date").

Each Payment shall be in an amount equal to the amount of Pledged Tax Abatements (as defined in the Agreement) actually received by the City in the 6-month period before each Abatement Payment Date. Notwithstanding anything to the contrary herein, the payments of Tax Abatements under this paragraph in each year may not exceed the Statutory Cap and the payment on each Abatement Payment Date shall be subject to the qualification described in Section 3.6 of the Agreement in the case of a pending Tax Appeal. Payments are subject to prepayment at the option of the City in whole or in part on any date after the Date of Original Issue stated above. All payments shall be applied to principal. Notwithstanding anything herein to the contrary, total payments of principal and interest under the Tax Abatement Note shall not exceed $3,000,000 which is the maximum amount of Tax Abatements set forth in the Tax Abatement Program.

Each payment on this Note is payable in any coin or currency of the United States of America which on the date of such payment is legal tender for public and private debts and shall be made by check or draft made payable to the Owner and mailed to the Owner at its postal address within the United States which shall be designated from time to time by the Owner.

Payments on this Note are payable solely from Pledged Tax Abatements. The pledge of Pledged Tax Abatements is subject to all the terms and conditions of the Agreement.

The City's payment obligations hereunder subject to 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 3.3 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 said provisions are hereby incorporated into this Note as though set out in full herein.

This Note shall terminate and be of no further force and effect as of, and the City shall have no obligation to pay any portion of the Payments that remains unpaid after, the Final Maturity Date. Any estimates of Tax Abatements prepared by the City or its municipal advisor in connection with the Pledged Tax Abatements and the Agreement are for the benefit of the City only and are not intended as representations on which the Developer may rely. THE CITY MAKES NO REPRESENTATION OR COVENANT, EXPRESS OR IMPLIED, THAT THE PLEDGED TAX ABATEMENTS WILL BE SUFFICIENT TO PAY, IN WHOLE OR IN PART, THE AMOUNTS WHICH ARE OR MAY BECOME DUE AND PAYABLE HEREUNDER.

This Note is issued pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815, as amended, and pursuant to the resolution duly adopted by the City Council of the City on December 2, 2024 (the "Resolution"), and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota.

THIS NOTE IS A LIMITED OBLIGATION OF THE CITY, PAYABLE SOLELY FROM MONEYS PLEDGED TO THE PAYMENT OF THIS NOTE UNDER THE RESOLUTION. THIS NOTE SHALL NOT BE DEEMED TO CONSTITUTE A GENERAL OBLIGATION OF THE STATE OF MINNESOTA, OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE CITY. NEITHER THE STATE OF MINNESOTA, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF ON THIS NOTE OR OTHER COSTS INCIDENT HERETO EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED THEREFOR, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF MINNESOTA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE CITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL ON THIS NOTE OR OTHER COSTS INCIDENT HERETO.

This Note is issuable only as a fully registered note without coupons. This Note is transferable upon the books of the City kept for that purpose at the principal office of the Registrar, by the Owner hereof in person or by such owner's attorney duly authorized in writing, upon surrender of this Note together with

a written instrument of transfer satisfactory to the City, duly executed by the Owner. Upon such transfer or exchange and the payment by the Owner of any tax, fee, or governmental charge required to be paid by the City with respect to such transfer or exchange, there will be issued in the name of the transferee a new Note of the same aggregate principal amount, bearing interest at the same rate, and maturing on the same dates.

This Note shall not be transferred to any person or entity except in accordance with Section 4.8 of the Agreement and unless the City has been provided an investor letter and a certificate of the transferor, in a form satisfactory to the City, that such transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. Transfer of the ownership of this Note to a person other than one permitted by this paragraph without the written consent of the City shall relieve the City of all of its obligations under this Note.

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 Council of the City of Grand Rapids, Minnesota has caused this Note to be executed by the manual signatures of the Mayor and City Administrator of the City and has caused this Note to be dated as of the Date of Original Issue specified above.

CITY OF GRAND RAPIDS, MINNESOTA

By: _____
Its: Mayor

By: _____
Its: City Administrator

REGISTRATION PROVISIONS

The ownership of the unpaid balance of the within Note is registered in the bond register of the City Administrator in the name of the person last listed below.

Date of Registration	Registered Owner	Signature of City Administrator
	KTJ 435, LLC Federal ID # 41-0856419	

EXHIBIT E

CERTIFICATE OF COMPLETION

WHEREAS, the City of Grand Rapids, Minnesota (the "City"), the Grand Rapids Economic Development Authority, and KTJ 435, LLC, a Minnesota limited liability company (the "Developer"), have executed a Development Assistance Agreement, dated as of _____, 2025 (the "Development Agreement"), with respect to the completion by the Developer of certain improvements (the "Project"), more specifically described in the Development Agreement; and

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

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

CITY OF GRAND RAPIDS, MINNESOTA

By _____
Its _____

Dated: _____, 20___

STATE OF MINNESOTA)
)
COUNTY OF ITASCA)

The foregoing instrument was acknowledged before me this ____ day of _____, 2025 by _____, 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

EXHIBIT A
Legal Description of the Property

EXHIBIT F

PUBLIC DEVELOPMENT COSTS

Costs of Improvements
Other TIF eligible costs as determined by the City in its sole discretion

EXHIBIT G

TOTAL PROJECT COSTS;

USES	Total	Percent	Per Unit
Construction Costs	$ 28,624,401	86%	$ 216,852
Land	$ 585,000	0%	$ 4,432
Site Improvements/Infrastructure	$ 412,000	1%	$ 3,121
Soft Costs/Professional Fees	$ 1,286,288	4%	$ 9,745
Financing Costs	$ 1,281,464	4%	$ 9,708
Developer Fee	$ 1,000,000	3%	$ 7,576
TOTAL USES	**$ 33,189,153**	**100%**	**$ 251,433**

DEVELOPER'S PROJECT PROFORMA; SAMPLE LOOKBACK CALCULATION

EXHIBIT H

IRRR WORKFORCE GRANT AGREEMENT

EXHIBIT I

DEFERRED LOAN AGREEMENT

EXHIBIT J

IRRR PREDEVELOPMENT GRANT AGREEMENT