



HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

AGENDA

**Thursday, August 28th 2025 at 5:00 p.m.
Council Chambers
Governmental Services Building**

- 1. ROLL CALL**
- 2. MINUTES** – Approval or correction
 - 2.1 July 24th, 2025 HEDA Minutes
- 3. MOTIONS**
 - 3.1 Election of officer - Secretary
- 4. PUBLIC HEARING**
- 5. RESOLUTIONS**
 - 5.1 2025-09H - RESOLUTION APPROVING AMENDMENTS TO THE HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY BY-LAWS
 - 5.2 2025-10H - RESOLUTION APPROVING AN AMENDMENT TO DEVELOPMENT AGREEMENT and AN AMENDMENT TO BUSINESS SUBSIDY AGREEMENT BETWEEN THE HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY, THE CITY OF HERMANTOWN, AND KTJ 360, LLC FOR THE PILLARS OF HERMANTOWN SENIOR LIVING PROJECT
- 6. WORK SESSION**
 - 6.1 Housing Trust Fund Policy
 - 6.2 Project Update: Hawkline Business Park
- 7. RECESS**

CITY OF HERMANTOWN
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

Thursday, July 24th, 2025 at 5:30 PM Central

Council Chambers, City Hall – Hermantown Governmental Services Building

Mayor Wayne Boucher: Present
Councilor John Geissler: Absent
Councilor Andy Hjelle: Present
Councilor Joe Peterson: Present
Councilor Brian LeBlanc: Present
Karen Pionk: Present
Rob Unzen: Absent

CITY STAFF: Chad Ronchetti, Economic Development Director; Mia Thibodeau, HEDA Attorney

1. **ROLL CALL**

2. **MINUTES**

A. Approve June 18th, 2025 HEDA Minutes

Motion to approve minutes as presented. This motion, made by Pionk and seconded by Hjelle, Carried.

Mayor Wayne Boucher: Yea
Councilor John Geissler: Absent
Councilor Andy Hjelle: Yea
Councilor Joe Peterson: Yea
Councilor Brian LeBlanc: Yea
Karen Pionk: Yea
Rob Unzen: Absent

Yea: 5, Nay: 0, Absent: 2

3. **MOTIONS**

a. Election of Officers.

Motion to elect Commissioner Geissler as Vice President and Commissioner LeBlanc as Secretary. This motion, made by Peterson and seconded by Pionk, Carried.

Mayor Wayne Boucher: Yea
Councilor John Geissler: Absent
Councilor Andy Hjelle: Yea

Councilor Joe Peterson: Yea
Councilor Brian LeBlanc: Yea
Karen Pionk: Yea
Rob Unzen: Absent

Yea: 5, Nay: 0, Absent: 2

b. Motion to establish the amount of bond at \$300,000 required to be provided by the Treasurer. This motion, made by Hjelle and seconded by Peterson, Caried

Mayor Wayne Boucher: Yea
Councilor John Geissler: Absent
Councilor Andy Hjelle: Yea
Councilor Joe Peterson: Yea
Councilor Brian LeBlanc: Yea
Karen Pionk: Yea
Rob Unzen: Absent

Yea: 5, Nay: 0, Absent: 2

c. Motion to approve Annual Report to the City. This motion made by LeBlanc and seconded by Hjelle, Carried.

Mayor Wayne Boucher: Yea
Councilor John Geissler: Absent
Councilor Andy Hjelle: Yea
Councilor Joe Peterson: Yea
Councilor Brian LeBlanc: Yea
Karen Pionk: Yea
Rob Unzen: Absent

Yea: 5, Nay: 0, Absent: 2

d. Motion to approve for submission to the City Council a budget for 2026. This motion made by Hjelle and seconded by LeBlanc, carried.

Mayor Wayne Boucher: Yea
Councilor John Geissler: Absent
Councilor Andy Hjelle: Yea
Councilor Joe Peterson: Yea
Councilor Brian LeBlanc: Yea
Karen Pionk: Yea
Rob Unzen: Absent

Yea: 5, Nay: 0, Absent: 2

- e. Motion to approve for submission to the City Council on the Enabling Resolution.
This motion, made by Hjelle and seconded by Leblanc, carried.

Mayor Wayne Boucher:	Yea
Councilor John Geissler:	Absent
Councilor Andy Hjelle:	Yea
Councilor Joe Peterson:	Yea
Councilor Brian LeBlanc:	Yea
Karen Pionk:	Yea
Rob Unzen:	Absent

Yea: 5, Nay: 0, Absent: 2

- f. Motion to appoint depositories. This motion made by Hjelle and seconded by Peterson, carried.

Mayor Wayne Boucher:	Yea
Councilor John Geissler:	Absent
Councilor Andy Hjelle:	Yea
Councilor Joe Peterson:	Yea
Councilor Brian LeBlanc:	Yea
Karen Pionk:	Yea
Rob Unzen:	Absent

Yea: 5, Nay: 0, Absent: 2

- g. Motion to approve an audit to submit to the City Council. This motion made by LeBlanc and seconded by Pionk, carried.

Mayor Wayne Boucher:	Yea
Councilor John Geissler:	Absent
Councilor Andy Hjelle:	Yea
Councilor Joe Peterson:	Yea
Councilor Brian LeBlanc:	Yea
Karen Pionk:	Yea
Rob Unzen:	Absent

Yea: 5, Nay: 0, Absent: 2

4. **RESOLUTIONS**

5. **WORK SESSION**

Presenters from the Damon Farber Landscape Architect team presented to the Board on the progress of the Uptown Hermantown Urban Design Master Plan project. The presentation described the community engagement, base data collection, and concept discussions to this point. The presentation also showed the anticipated schedule of activities remaining in the project.

6. **RECESS**

Motion to recess at 6:15 p.m. This motion, made by LeBlanc and seconded by Pionk, Carried.

Mayor Wayne Boucher:	Yea
Councilor John Geissler:	Absent
Councilor Andy Hjelle:	Yea
Councilor Joe Peterson:	Yea
Councilor Brian LeBlanc:	Yea
Karen Pionk:	Yea
Rob Unzen:	Absent

Yea: 5, Nay: 0, Absent: 2

Recorded by:



Chad Ronchetti, Economic Development Director

Hermantown Economic Development Authority
Resolution No. 2025-09H

HEDA Commissioner _____ introduced the following resolution and moved its adoption:

RESOLUTION APPROVING AMENDMENTS TO THE HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY BY-LAWS

WHEREAS, the Hermantown Economic Development Authority (HEDA) and its governing body called the Board of Commissioners (Board) have reviewed the By-Laws; and

WHEREAS, amendments were made to the following areas;

- Section 1. The Authority
- Section 2. The Organization
- Section 3. Procedures of the Board of Commissioners
- Section 4. Miscellaneous

WHEREAS, the foregoing amended and restated By-Laws attached hereto as Exhibit "A" were approved by the Commissioners of HEDA; and

NOW, THEREFORE, BE IT RESOLVED by the Hermantown Economic Development Authority approves the amended and restated HEDA By-Laws.

The motion for the adoption of the foregoing resolution was duly seconded by HEDA Commissioner _____ and, after full discussion thereof and upon a vote being taken thereon, the following HEDA Members voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this 28th day of August, 2025.

HEDA Executive Director

EXHIBIT A

**BYLAWS OF THE
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY**

1. The Authority

Section 1.1. Name of the Authority. The name of the Authority shall be the Hermantown Economic Development Authority (hereinafter, the “HEDA”), and its governing body shall be called the Board of ~~ecommissioners~~ Commissioners (hereinafter, the “Board”).

Section 1.2. Enabling Resolution. Whenever the term Enabling Resolution is used in these Bylaws it shall mean Hermantown City Council Resolution No. ~~2017-02~~, 2025-128 Amended and Restated Resolution Establishing the Hermantown Economic Development Authority.

Section 1.3. Office. The principal office of HEDA shall be at the Hermantown City Hall, 5105 Maple Grove Road, Hermantown, Minnesota 55811.

Section 1.4. Seal. HEDA shall have no official seal.

Section 1.5. Number of Commissioners. The number of Commissioners shall be as set forth in the Enabling Resolution.

Section 1.6. Appointment, Terms, Vacancies. The appointment, terms and vacancies in office shall be governed by the Enabling Resolution.

Section 1.7. Compensation. The compensation of Commissioners is set forth in the Enabling Resolution. All money paid for compensation or reimbursement must be paid out of HEDA’s budget.

Section 1.8. Removal. The Enabling Resolution and the provisions of Minnesota Statutes Section 469.095 subd. 5 shall govern the removal of a Commissioner.

2. Organization

Section 2.1. Officers. The officers of HEDA shall consist of a President, a Vice President, a Secretary, a Treasurer and an Assistant Treasurer and shall be elected annually at the January HEDA meeting. The President, the Vice President and the Treasurer shall be members of the Board. No Commissioner may serve as President and Vice President at the same time. The offices of Secretary and Assistant Treasurer need not be held by a Commissioner.

Section 2.2. President. ~~The Mayor of the City of Hermantown (“City”) shall be the President of HEDA.~~ The President shall preside at all meetings of the Board and shall have the usual duties and powers of a President. The President shall have and perform such other duties and powers as may be given to the President by the Board from time to time by resolution.

Section 2.3. Vice President. The Vice President shall preside at any meeting of the Board in the absence of the President and may exercise all powers and perform all responsibilities of the President if the President cannot exercise or perform the same due to absence or other inability. The Vice President shall have and perform such other duties and powers as shall be given to the Vice President by the Board from time to time by resolution.

Section 2.4. President Pro Tem. In the event of the absence or inability of the President and the Vice President at any meeting, the Board may appoint any remaining Commissioner as President Pro Tem to preside at such meeting.

Section 2.5. Treasurer. Subject to Section 8 of the Enabling Resolution, the Treasurer shall receive and be responsible for HEDA money, shall disburse HEDA money, shall keep an account of the source of all HEDA receipts, and the nature, purpose and authority of all disbursements; shall file HEDA's detailed financial statement with HEDA's Secretary at least once a year at times set by HEDA, and shall be responsible for the acts of the Assistant Treasurer. The Treasurer shall have and perform such other duties and powers as may be given to the Treasurer by the Board from time to time by resolution.

Section 2.6. Assistant Treasurer. The Assistant Treasurer shall have all the powers and duties of the Treasurer if the Treasurer is absent or disabled. The Assistant Treasurer shall have and perform such other duties and powers as may be given to the Assistant Treasurer by the Board from time to time by resolution.

Section 2.7. Secretary. The Secretary shall keep, or cause to be kept, minutes of all meetings of the Board and shall maintain, or cause to be maintained, all records of HEDA. The Secretary shall also have and perform such additional duties and powers as may be given to the Secretary by the Board from time to time by resolution.

Section 2.8. Executive Director. The ~~City Administrator~~Economic Development Director of the City of Hermantown ("City") shall be the Executive Director of the HEDA, shall be the chief appointed executive officer of HEDA, and shall have such additional duties and powers as may be given to the Executive Director by the Board from time to time by resolution. The Executive Director shall serve at the direction of the Board.

Section 2.9. Advisory Committees. ~~HEDA-The Board~~ may, by majority vote, establish and appoint members to one or more advisory committees. Any advisory committee established by ~~HEDA-the Board~~ will perform such duties and tasks as are described in the resolution establishing such advisory committee. Advisory committees established by ~~HEDA-the Board~~ under this Section 2.9 shall not have final decision making authority on any matter with such final decision making authority being retained by ~~HEDAthe Board~~. The members of any advisory committee shall be selected by HEDA and shall include at least one (1) member of ~~HEDAthe Board~~, who shall act as the chair of the advisory committee, and may include members who are not members of ~~HEDA-the Board~~ and who are not residents of the City.

3. Procedures of Board of Commissioners

Section 3.1. Annual Meeting. The annual meeting of the Board shall be held at 5:~~30~~ p.m. on the ~~second~~third Thursday of July in each year or at such other time and date as the Board shall designate as the annual meeting of the Board.

At the annual meeting, the Board shall:

Section 3.1.1. Establish the amount of bond required to be provided by the Treasurer required by Section 4.2.

Section 3.1.2. Consider and approve a report to the City as required by Section 4.6.

Section 3.1.3. Consider and approve for submission to the City Council a budget for the succeeding year of HEDA as required by Section 4.7.

Section 3.1.4. Consider and approve a report to the City Council on the Enabling Resolution as required by Section 4.15.

Section 3.1.5. Consider and appoint a depository when and as required by Section 4.16.

Section 3.1.6. Consider and approve an audit to submit to the City Council pursuant to Section 4.17.

Section 3.2. Regular Meetings. The Board shall hold regular meetings on the ~~second~~third Thursday of each month, commencing at 5:~~30~~30 p.m., or at such other time as the Board may determine by majority vote.

Section 3.3. Special Meetings/Emergency Meetings.

Section 3.3.1. Special Meetings. Special meetings of the Board may be called by the President or, in the event of the President's absence or inability, by the Vice President at any time, upon notice to all Commissioners and the Executive Director sent via electronic mail (email) or by mail if any Commissioner requests mailed notice instead of emailed notice at least three (3) days prior to the meeting to the last known email address or mailing address, as the case may be, of the Commissioners and Executive Director. Upon the same notice, special meetings of the Board may also be called by any two (2) Commissioners. The Executive Director shall post notice of any special meeting in the principal office of HEDA no less than three (3) days prior to such special meeting. Notices of meetings shall comply with the provisions of Minnesota Statutes, Chapter 13D ("Open Meeting Law").

Section 3.3.2. Emergency Meetings. Emergency meetings may be called by the President or by any two (2) Commissioners. The notice and other provisions of ~~Minnesota Statutes § 13D.04, Subd. 3~~the Open Meeting Law~~3~~ shall be applicable to any emergency meeting.

Section 3.4. Quorum. A quorum of the seven (7) member Board shall consist of four (4) Commissioners. In the absence of a quorum, no official action may be taken by, on behalf of, or in the name of the Board or HEDA.

Section 3.5. Adoption of Resolutions. Resolutions of the Board shall be deemed adopted if approved by not less than a simple majority of all Commissioners present. Resolutions may but need not be read aloud prior to vote taken thereon and may but need not be executed after passage.

Section 3.6. Rules of Order. The meetings of the Board shall be governed by the most recent edition of Robert's Rules of Order.

Section 3.7. Notice of Meetings. Notice of the annual meeting or regular meetings is required to be given to Commissioners and must comply with the Open Meeting Law.

Section 3.8. Place of Meetings. All meetings of the Board shall be at the Hermantown City Hall, 5105 Maple Grove Road, Hermantown, Minnesota, unless another place is designated by majority vote of the Board.

Section 3.9. Meetings; Open. All meetings of HEDA shall be open the public unless involving matters for which meetings may be closed to the public under the Minnesota Open Meeting Laws. HEDA shall make and keep minutes of its meetings and records of its hearings and other official actions.

4. Miscellaneous

Section 4.1. Fiscal Year. The fiscal year of HEDA shall be the same as the City's fiscal year.

Section 4.2. Treasurer's Bond. The Treasurer shall give bond to the state conditioned for the faithful discharge of his/her duties. The bond must be approved as to form and surety by [HEDA the Board](#) and filed with the Secretary and must be for twice the amount of money likely to be on hand at any one time as determined at least annually by the [HEDA Board](#), provided, however, that said bond must not exceed \$300,000.00.

Section 4.3. Public Money. HEDA money is public money.

Section 4.4. Checks. A HEDA check must be signed by the Treasurer and one other officer named by [HEDA the Board](#) in a resolution. The check must state the name of the payee and the nature of the claim for which the check is issued.

Section 4.5. Financial Statement. HEDA's detailed financial statement must show all receipts and disbursements, their nature, the money on hand, the purposes to which the money on hand is to be applied, HEDA's credits and assets, and its outstanding liabilities in a form required for the City's financial statements. The finance director of the City shall keep and prepare, or cause to be kept and prepared, all of the finance records required to be maintained by HEDA on behalf of HEDA.

Section 4.6. Report to City. ~~HEDA~~The Board shall, at the annual meeting on a form determined by the City Council of City (“City Council”), approve a written report to the City Council giving a detailed account of its activities and of its receipts and expenditures during the preceding calendar year, together with such additional matters and recommendations it deems advisable for the economic development of the City.

Section 4.7. Budget to City. ~~HEDA~~The Board, at the annual meeting, approve a budget for the succeeding year and approve for submission to the City Council. The budget must include a detailed written estimate of the amount of money that ~~HEDA~~the Board expects to need from the City in order for HEDA to conduct HEDA business during the next fiscal year. The needed amount is what is needed in excess of any expected receipts from other sources.

Section 4.8. Employees. ~~HEDA~~The Board may hire employees as it may require and determine their duties, qualifications and compensation.

Section 4.9. Professional Services. ~~HEDA~~The Board may contract for the services of consultants or other professional services as needed to perform its duties and to exercise its powers. The City Attorney of the City shall be the chief legal advisor to HEDA unless ~~HEDA~~the Board hires a general counsel for its legal needs, in which event the general counsel shall be HEDA’s chief legal advisor.

Section 4.10. Supplies, Purchasing, Facilities and Services. ~~HEDA~~The Board may purchase the supplies and materials it needs to carry out its powers and duties. ~~HEDA~~The Board shall use the facilities of the City’s purchasing department/purchasing agent in connection with construction work and to purchase equipment, supplies or materials. ~~HEDA~~The Board shall utilize any offices, structures and space, stenographic, clerical, engineering and other assistance furnished by the City to HEDA. Pursuant to Section 6 of the Enabling Resolution, HEDA may contract with the City to obtain staff services, accounting, preparation of financial statements, check writing, the keeping of minutes, providing meeting notices and other services as are required by ~~HEDA~~the Board from time to time, ~~HEDA~~the Board may pay City reasonable fees for such services and reimburse City for the costs and expenses incurred by City in providing such services.

Section 4.11. Execution of Contracts. All contracts, notes, and other written agreements or instruments to which HEDA is a party or signatory or by which HEDA may be bound shall be executed by the President and ~~or~~ the Executive Director or by such other Commissioners or Officers of HEDA as the Board may by resolution determine.

Section 4.12. Amendment of Bylaws. These Bylaws may be amended by the Board by majority vote of all the Commissioners, provided that any such proposed amendment shall first have been delivered to each Commissioner at least five days prior to the meeting at which such amendment is considered.

Section 4.13. Conflict of Interest. Except as authorized in Section 471.88 of the Minnesota statutes, a Commissioner, officer or employee of HEDA must not acquire any financial interest,

direct or indirect, in any project or in any property included, or planned to be included, in any project, nor shall the person have any financial interest, direct or indirect, in any contract or proposed contract, for materials or service to be furnished or used in connection with any project.

Section 4.14. Delegation Power. ~~HEDA-The Board~~ may delegate to one or more of its agents or employee's powers or duties as it may deem proper.

Section 4.15. Report on Enabling Resolution. Without limiting the right of ~~HEDA-the Board~~ to request the City Council at any time, each year at the annual meeting ~~HEDA-the Board~~ shall consider and approve for submission to the City Council a report stating whether and how the Enabling Resolution should be modified. Within thirty (30) days of receipt of the recommendation, the City Council shall review the Enabling Resolution, consider the recommendations of HEDA, and make any modifications it considers appropriate. Modifications must be made in accordance with the procedures required by Minnesota Statutes Section 469.093.

Section 4.16. Depositories. At least every two (2) years at the annual meeting ~~HEDA-the Board~~ shall name a national or state bank within the state as depository. ~~HEDA-The Board~~ may deposit all its money in one bank account. Before acting as a depository, a named bank shall give ~~HEDA-the Board~~ a bond approved as to form and surety by ~~HEDAthe Board~~. The bond must be conditioned for the safekeeping and prompt repayment of deposits. The amount of the bond must be at least equal to the maximum sums expected to be deposited at any one time.

Section 4.17. Audits. The financial statements of HEDA must be prepared, audited, filed and published or posted in the manner required for the financial statements of the City. The financial statements must permit comparison and reconciliation with the City's accounts and financial reports. The audit shall be considered by the Board at the annual meeting and approve for submission to the City Council. The audit shall be filed with the State Auditor in accordance with applicable law.

Section 4.18. Indemnification of Commissioners and Officers. Any person (including any present or future Commissioner or officer, or the heirs or legal representatives of any such director or officer) made, or threatened to be made, a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he/she, his/her testator/testatrix or intestate, is or was a Commissioner or officer of HEDA, shall be indemnified by HEDA and HEDA may advance his/her related expenses, in the manner and to the full extent as provided and as otherwise permitted by applicable law.

Section 4.19. Salaries. The salaries of all officers, employees and agents of the corporation shall be determined by the Board ~~of Directors~~ from time to time by resolution.

**THE FOREGOING AMENDED AND RESTATED BYLAWS
WERE APPROVED BY THE COMMISSIONERS OF THE
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY
ON _____, ~~2017~~2025**

By _____
Its Secretary

Hermantown Economic Development Authority
Resolution No. 2025-010H

HEDA Commissioner _____ introduced the following resolution and moved its adoption:

**RESOLUTION APPROVING AN AMENDMENT TO DEVELOPMENT AGREEMENT
and AN AMENDMENT TO BUSINESS SUBSIDY AGREEMENT BETWEEN THE
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY, THE CITY OF
HERMANTOWN, AND KTJ 360, LLC FOR THE PILLARS OF HERMANTOWN
SENIOR LIVING PROJECT**

WHEREAS, the Board of Commissioners (the “Board”) of the Hermantown Economic Development Authority (“HEDA”) previously approved and entered into that certain Development Agreement, dated July 8, 2022, and recorded on July 11, 2022 with the St. Louis County, Minnesota Recorder’s Office as Document No.: 01447162 (the “Development Agreement”), with the original developer, KTC 360, LLC (the “Original Developer”) and the City of Hermantown (the “City”), which provided for, among other things, the terms and conditions for construction of a 105-unit senior citizen housing complex, related water improvements and the granting of a trail easement (the “Project”);

WHEREAS, the Board also previously approved and entered into that Business Subsidy Agreement dated June 8, 2022 (the “Business Subsidy Agreement”) related to the Project and the terms of provision of the Business Subsidy (as defined therein) to Developer;

WHEREAS, the Development Agreement and Business Subsidy Agreement were subsequently assigned by the Original Developer to Pillars of Hermantown LLC (the “Developer”);

WHEREAS, the Developer has now requested the removal of the requirement contained in the Development Agreement and Business Subsidy Agreement that Developer provide the Trail Easement (as defined in the Development Agreement, and defined as the “Easement” in the Business Subsidy Agreement, and hereinafter referred to as the “Easement”);

WHEREAS, the Board finds that primary goals resulting from the provision of the Business Subsidy to Developer were achieved and the removal of the requirement that Developer provide the Easement is not inconsistent with the Business Subsidy Policy of HEDA;

WHEREAS, the requested removal of the requirement contained in the Development Agreement and Business Subsidy Agreement that Developer provide the Easement requires the Board to consider approving a First Amendment to the Development Agreement and First Amendment to Business Subsidy Agreement, in substantially the form provided to the Board (the “Amendments”).

NOW, THEREFORE, BE IT RESOLVED, by the Board of HEDA, as follows:

Section 1. Amendment to Development Agreement and Amendment to Business Subsidy Agreement. The Board hereby approves the Amendments in substantially the form submitted, and the President and Secretary are hereby authorized and directed to execute the Amendments on behalf of HEDA. The approval hereby given to the Amendments includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by HEDA officials authorized by this resolution to execute the Amendments. The execution of the Amendments by the appropriate officer or officers of HEDA shall be conclusive evidence of the approval of the Amendments in accordance with the terms hereof.

Section 2. Effective Date. This Resolution is effective upon adoption.

Adopted August 28, 2025

President

ATTEST:

Secretary

**EXTRACT OF MINUTES OF A MEETING OF THE
BOARD OF COMMISSIONERS OF THE
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY
HELD: AUGUST 28TH, 2025**

Pursuant to due call and notice thereof, a meeting of the Board of Commissioners of the Hermantown Economic Development Authority, was duly held at Hermantown Government Services Building on August 28th, 2025, at 5:00 P.M.

The following members were present:

and the following were absent:

Member _____ introduced the following resolution and moved its adoption:

**RESOLUTION APPROVING AN AMENDMENT TO DEVELOPMENT AGREEMENT
and AN AMENDMENT TO BUSINESS SUBSIDY AGREEMENT BETWEEN THE
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY, THE CITY OF
HERMANTOWN, AND KTJ 360, LLC FOR THE PILLARS OF HERMANTOWN
SENIOR LIVING PROJECT**

The motion for the adoption of the foregoing resolution was duly seconded by Commissioner _____ and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Whereupon the resolution was declared duly passed and adopted.

**FIRST AMENDMENT
TO DEVELOPMENT AGREEMENT**

This FIRST AMENDMENT TO DEVELOPMENT AGREEMENT (this “Amendment”) is entered into as of _____, 2025, by and among the City of Hermantown (“City”), the Hermantown Economic Development Authority (“HEDA”), and Pillars of Hermantown LLC, a Minnesota limited liability company (“Developer”).

RECITALS

A. The City and HEDA entered into that certain Development Agreement, dated July 8, 2022, and recorded on July 11, 2022 with the St. Louis County, Minnesota Recorder’s Office as Document No.: 01447162 (the “Development Agreement”), with the original developer, KTC 360, LLC (the “Original Developer”), which provided for, among other things, the terms and conditions for construction of a 105-unit senior citizen housing complex, related water improvements and the granting of a trail easement, all on the Land described on Exhibit A.

B. The Development Agreement and related Business Subsidy Agreement dated June 8, 2022, were subsequently assigned by the Original Developer to the Developer, and pursuant to such assignment, the Developer assumed the rights and obligations under the Development Agreement and Business Subsidy Agreement (the “Assignment and Assumption”).

C. The City and HEDA consented to the assignment of the Development Agreement and Business Subsidy Agreement.

D. The Developer has now requested the removal of the requirement contained in the Development Agreement that Developer provide the Trail Easement (as defined in the Development Agreement).

NOW, THEREFORE, in consideration of the provisions and mutual obligations of the parties hereto, the parties agree as follows:

1. Capitalized Terms. All capitalized terms used in this Amendment but not defined herein shall have the same meanings assigned to them as in the Development Agreement.

2. Recitals. The above recitals of fact are incorporated and made part of this Amendment.

3. Assignment and Assumption. The Developer affirms the Assignment and Assumption.

4. Deletion of Certain Provisions. The following terms and provisions of the Development Agreement are deleted:

- i Recital D;
- ii Article I, Definition 1.24;
- iii Section 2.14;
- iv Section 10.7.8;
- v 13.2.6; and
- vi Exhibit 2.14.

5. Amendment to Recital E. Recital E of the Development Agreement is amended and completely replaced with the following:

E. Developer is willing to construct the Water Improvements as provided in this Agreement.

6. Amendment to Section 10.2. Section 10.2 of the Development Agreement is amended and completely replaced with the following:

10.2 Public Interest. City and HEDA believe that the construction of the Project will be in the public interest as it will result in increase the tax base of City and the Project will promote the development of a 105-unit senior citizen housing complex which will provide life cycle housing in the City which will also provide or incentivize other residential housing sales and development, provide an increase in the real estate tax base, and provide needed infrastructure improvements.

7. No Other Amendments. Except to the extent amended herein, all of the terms and conditions of the Development Agreement are ratified and confirmed and shall remain in full force and effect.

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

CITY OF HERMANTOWN, MINNESOTA

By _____
Its Mayor

By _____
Its City Clerk

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

The foregoing instrument was acknowledged before me this ____ day of _____, 2025, by _____ and _____, the Mayor and City Clerk, respectively, of the City of Hermantown on behalf of the City of Hermantown.

Notary Public

HERMANTOWN ECONOMIC
DEVELOPMENT AUTHORITY

By _____
Its President

And By _____
Its Secretary

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

The foregoing instrument was acknowledged before me this ____ day of _____, 2025, by _____ and _____, the President and Secretary, respectively, of Hermantown Economic Development Authority on behalf of Hermantown Economic Development Authority.

Notary Public

EXHIBT A

LEGAL DESCRIPTION

Real property in the City of Hermantown, County of St. Louis, State of Minnesota, described as follows:

Parcel 1:

The South Half of the West Half of the Southwest Quarter of the Southwest Quarter (S 1/2 of W 1/2 of SW 1/4 of SW 1/4), Section Fourteen (14), Township Fifty (50), Range Fifteen (15), St. Louis County, Minnesota.

(Abstract Property)

Parcel 2:

Non-exclusive access and utility easements as set forth in the Easement Agreement dated September 23, 2020, recorded October 09, 2020, as Document No. 01392559.

FIRST AMENDMENT
TO BUSINESS SUBSIDY AGREEMENT

This FIRST AMENDMENT TO BUSINESS SUBSIDY AGREEMENT (this “Amendment”) is entered into as of _____, 2025, by and among the City of Hermantown (“City”), the Hermantown Economic Development Authority (“HEDA”) (HEDA and City are collectively referred to herein as “Grantors”) and Pillars of Hermantown LLC, a Minnesota limited liability company (“Developer” or “Recipient”).

RECITALS

A. Grantors entered into that certain Development Agreement, dated July 8, 2022, and recorded on July 11, 2022 with the St. Louis County, Minnesota Recorder’s Office as Document No.: 01447162 (the “Development Agreement”), with the original developer, KTC 360, LLC (the “Original Developer”), which provided for, among other things, the terms and conditions for construction of a 105-unit senior citizen housing complex, related water improvements and the granting of a trail easement (the “Project”).

B. Grantors also entered into that Business Subsidy Agreement dated June 8, 2022 (the “Business Subsidy Agreement”) related to the Project pursuant to which the Business Subsidy (as defined therein) was provided to Developer.

C. The Development Agreement and related Business Subsidy Agreement were subsequently assigned by the Original Developer to the Developer, and pursuant to such assignment, the Developer assumed the rights and obligations under the Development Agreement and Business Subsidy Agreement (the “Assignment and Assumption”).

D. Grantors consented to the assignment of the Development Agreement and Business Subsidy Agreement.

E. The Developer has now requested the removal of the requirement contained in the Business Subsidy Agreement that Developer provide the Easement (as defined in the Business Subsidy Agreement).

F. Grantors have found that the primary goals resulting from the provision of the Business Subsidy to Developer were achieved and the removal of the requirement that Developer provide the Easement is not inconsistent with the Business Subsidy Policy of HEDA.

NOW, THEREFORE, in consideration of the provisions and mutual obligations of the parties hereto, the parties agree as follows:

1. Capitalized Terms. All capitalized terms used in this Amendment but not defined herein shall have the same meanings assigned to them as in the Business Subsidy Agreement.
2. Recitals. The above recitals of fact are incorporated and made part of this Amendment.

3. Assignment and Assumption. The Developer affirms the Assignment and Assumption.

4. Deletion of Certain Provisions. The following terms and provisions of the Business Subsidy Agreement are deleted:

i The definition of “Easement” in Section 1

5. Amendment to Recital J. Recital J of the Business Subsidy Agreement is amended and completely replaced with the following:

J. Grantor finds that the Project will promote the development of a 105-unit senior citizen housing complex which will provide life cycle housing in the City and which will also provide or incentivize other residential housing sales and development, provide an increase in the real estate tax base, and provide needed infrastructure improvements.

6. Amendment to Section 2.3. Section 2.3 of the Business Subsidy Agreement is amended and completely replaced with the following:

2.3 The public purposes of the Business Subsidy with respect to the Project is to promote the development of a 105-unit senior citizen complex which will provide housing for individuals and to provide an increase in the real estate tax base. Grantor finds the Project will promote the development of a 105-unit senior citizen housing complex which will provide life cycle housing in the City which will also provide or incentivize other residential housing sales and development, provide an increase in the real estate tax base, and provide needed infrastructure improvements.

7. Amendment to Section 2.4. Section 2.4 of the Business Subsidy Agreement is amended and completely replaced with the following:

2.4 The goal of the Business Subsidy is to cause the Project and Infrastructure Improvements to be constructed.

8. No Other Amendments. Except to the extent amended herein, all of the terms and conditions of the Business Subsidy Agreement are ratified and confirmed and shall remain in full force and effect.

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

CITY OF HERMANTOWN, MINNESOTA

By _____
Its Mayor

By _____
Its City Clerk

HERMANTOWN ECONOMIC
DEVELOPMENT AUTHORITY

By _____
Its President

And By _____
Its Secretary

PILLARS OF HERMANTOWN LLC

By _____
Its _____

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DEVELOPMENT CONTRACT

BY AND AMONG

KTJ 360, LLC

AND

CITY OF HERMANTOWN

AND

HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

Dated as of the 04 day of July, 2022

This document was drafted by:

Steven C. Overom
Overom Law, PLLC
802 Garfield Avenue, Suite 101
Duluth, Minnesota 55802
(218) 625-8460

DEVELOPMENT CONTRACT

THIS DEVELOPMENT CONTRACT ("Agreement"), made on or as of the 8th day of July, 2022, by and among the City of Hermantown ("City"), the Hermantown Economic Development Authority ("HEDA") and KTJ 360, LLC, a Minnesota limited liability company ("Developer"), is in response to the following situation:

A. Developer desires to construct a 105-unit senior citizen housing complex and related improvements which will provide housing for senior citizens ("Project").

B. City desires that a water extension ("Water Improvements") constructed as part of the Project be dedicated as party of the City's water system.

C. City desires that Developer construct the Water Improvements and Infrastructure Improvements and perform the Environmental Mitigation in connection with the construction of the Project.

D. City also desires that Developer provides City with an easement for a trail access on Developer's Property ("Trail Easement").

E. Developer is willing to construct the Water Improvements as provided in this Agreement and provide City with the Trail Easement.

F. HEDA is willing to reimburse Developer for a portion of the cost of the Water Improvements, Infrastructure Improvements and Environmental Mitigation Costs as provided for in this Agreement.

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

ARTICLE I DEFINITIONS

Unless the context requires otherwise, when used in this Agreement the terms and phrases listed in this Article shall have the following meanings:

1.1 "2020 Development Agreement" means the Development Agreement dated May 5, 2020 between Developer and the City that was recorded on June 8, 2020 with the St. Louis County Recorder as Document No. 01381803.

1.2 "Approval" or "Endorsed" shall, if City, mean the appropriate approval at the appropriate level of government which shall not be unreasonably withheld or, if by Developer, the approval by a representative of Developer, which shall not be unreasonably withheld.

1.3 “Approved City Plans and Specifications” means the plans and specifications for the Water Improvements that have been approved in writing by the City Engineer.

1.4 “Approved Drawings” means the drawings Developer submitted to City for the Project that were approved by the Planning Commission of the City in connection with the zoning approvals for the PUD for the Project.

1.5 “As-Built Plans” means the as-built plans (record drawings) on paper and electronically in auto-cad format for the work for which as-built plans are required.

1.6 “Assessment Agreement” means the agreement in the form of the one attached hereto as Exhibit 1.5.

1.7 “Available City Tax Abatement” means the tax abatement approved by the City that is payable to HEDA pursuant to the City Abatement Resolution. The Available City Tax Abatement includes all of the real estate taxes on the Land that are legally able to be abated by City pursuant to City Abatement Resolution.

1.8 “Business Subsidy Agreement” means that certain Business Subsidy Agreement between City, HEDA and Developer in the form of the one attached hereto as Exhibit 1.7.

1.9 “City” shall mean the City of Hermantown with its administrative offices being located at 5105 Maple Grove Road, Hermantown, Minnesota 55811.

1.10 “City Abatement Resolution” means the Resolution No. 2022-80 approved by the City Council on June 8, 2022 establishing and approving the abatement that is payable by HEDA to Developer under the HEDA PAYG Note.

1.11 “City Engineer” shall mean the person or firm from time to time designated by the City as its City Engineer. At this time, the City Engineer is David Bolf of Northland Consulting Engineers L.L.P.

1.12 “Community Development Director” shall mean the Community Development Director of the City of Hermantown, who at this time is Eric Johnson.

1.13 “Development Land” or “Land” means the real property described in Exhibit 1.12 attached hereto.

1.14 “Environmental Mitigation” means the work described on Exhibit 1.13 attached hereto.

1.15 “Environmental Mitigation Costs” means the items described in Exhibit 1.13 attached hereto. Exhibit 1.13 will be completed and attached to this Development Contract before the start of construction.

1.16 “HEDA PAYG Note” means the pay-as-you-go note to be provided by HEDA to Developer pursuant to and subject to the terms of this Agreement as more fully described in herein.

1.17 “Infrastructure Improvements” means the engineering and construction costs for the internal roads, parking areas, stormwater retention systems and internal utilities for the Project.

1.18 “Project Administrator” means the City Administrator of City of Hermantown.

1.19 “State” means the State of Minnesota.

1.20 “Stormwater Certificate” means the Stormwater Certificate to be issued to Developer by the Community Development Director.

1.21 “Stormwater System” means the entire stormwater control and disposal system for the Project.

1.22 “Term” means the duration of this Agreement as provided in Article XXIV of this Agreement.

1.23 “TAF Eligible Costs” means the engineering costs and construction costs for the Water Improvements, Infrastructure Improvements and Environmental Mitigation Costs.

1.24 “Trail Easement” means the easement for the City Trail described in Section 2.14.

1.25 “TAF Payments” means any payments made under the HEDA PAYG Note.

1.26 “Water Improvements” means the extensions to the City water system as shown on Exhibit 1.25 attached hereto.

1.27 “Zoning Approvals” means the planned unit development (“PUD”) that was approved by the City with respect to the Project.

1.28 “Water Improvements Easement” shall mean the easement required to be provided to City by Developer pursuant to Section 3.2 hereof.

ARTICLE II **REPRESENTATIONS AND WARRANTIES AND COVENANTS**

Developer represents and warrants, covenants and agrees that:

2.1 If a building permit is applied for and issued to Developer for the Project, Developer will construct at Developer’s cost in accordance with the terms of this Agreement the Approved Drawings and Approved City Plans and Specifications and all applicable local, state and federal laws and regulations.

2.2 Developer has received no notice or communication from any local, state or federal official that the activities of Developer pursuant to this Agreement may be or will be in violation of any environmental law or regulation regarding the Land. Developer is aware of no facts, the existence of which would cause it to be in violation of any local, state or federal environmental law, regulation or review procedure regarding the Land.

2.3 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 or any restriction or any evidences of indebtedness, agreement or instrument of whatever nature to which Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

2.4 Developer is a limited liability company, duly organized and in good standing under the laws of the State of Minnesota, is not in violation of any provisions of its articles of incorporation or bylaws, is duly qualified as a domestic corporation and authorized to transact business within the State, has power to enter into this Agreement and has duly authorized the execution, delivery, and performance of this Agreement by any required proper action of its members.

2.5 City, through any authorized representatives, shall have the right at all reasonable times after reasonable notice to inspect, audit, examine and copy any pertinent books and records of Developer and compliance with the specific requirements of this Agreement, the Business Subsidy Agreement or applicable State law.

2.6 Developer will promptly pay or cause to be paid all real estate taxes and assessments at any time levied upon or against it or the Project.

2.7 Developer agrees to comply with the terms of the Stormwater Certificate issued by the City for the Project.

2.8 Developer agrees that the terms and provisions of any National Pollutant Discharge Elimination System Permit issued by the Minnesota Pollution Control Agency for the Project are hereby incorporated into this Agreement and deemed to be terms and provisions and conditions running in favor of the City.

2.9 As a condition of the issuance of the building permit for the Project, Developer shall provide the City and HEDA with security in the amount of Two Hundred Seventy-five Thousand and No/100 Dollars (\$275,000.00) ("Security") to guarantee that the Project will be constructed pursuant to the Stormwater Certificate and this Agreement. The Security shall be in form and substance reasonably acceptable to the HEDA Attorney, City and HEDA. The Security shall be maintained until released by the City and HEDA as provided upon satisfaction of the requirements of the Stormwater Certificate.

2.10 Prior to the issuance of a building permit for the Project, Developer will provide the Community Development Director and the Project Administrator or his/her designee with an

operation and maintenance plan for the Stormwater System that includes regular sweeping and cleaning of the parking lot, flushing of storm drains, etc. and perform the activities under such plan.

2.11 Developer and its successors and assigns must at its cost and expense, maintain and repair the Stormwater System so that it continues to perform its designed storm water functions. Developer and its successors and assigns shall keep records for up to six years, or as required under applicable law, of inspection, maintenance and monitoring of the Stormwater System and provide such records to the City within thirty (30) days after receipt of written notice. In the event that Developer or its successors and assigns fails to repair and/or maintain the Stormwater System in accordance with applicable codes, regulations, laws, and statutes, then in that event, the City may, following sixty (60) days prior written notice to all of the then owners of the Land, perform the required repairs or maintenance work on the Stormwater System and charge the reasonable costs of such work to the Land in accordance with the provisions of Minnesota Statutes Section 429.021, subd. 1(2) and the special assessment procedures of Chapter 429 of Minnesota Statutes. In the event of an uncured default for which the City elects to perform the required repairs and maintenance work on the Stormwater System, the City shall do so strictly in accordance with all laws, rules and regulations applicable to Developer, the Project, and the Land, including without limitation, all applicable stormwater regulations.

2.12 Developer shall retain the ownership of the entire Stormwater System and shall be responsible for the repair and maintenance of the entire Stormwater System. City shall not be responsible for the maintenance and repair of any part of the Stormwater System, including without limitation any ponds or outlet structures located on the Land. Developer hereby grants a permanent license to City for access to any portion of Stormwater System for the purposes of City performing testing and monitoring of the Stormwater System and performing maintenance and repairs permitted to be made by City under Section 2.11 hereof.

2.13 After completion of the Water Improvements, Developer shall provide the City, HEDA and City Engineer As-Built Plans for the Water Improvements, the Stormwater System and all utility service lines on the Land. City will not release the Security provided to it under Section 2.9 hereof until the As-Built Plans have been provided to City as required by this Section 2.13.

2.14 Developer shall execute and deliver an easement for a trail over the part of the Land as shown on Exhibit 2.14 attached hereto. ("Trail Easement") City will prepare the legal description for the Trail Easement.

2.15 Developer shall complete the construction of the Project by January 2, 2024. The construction of the Project shall be deemed completed upon the issuance of a Certificate of Occupancy for the Project pursuant to Section 13.2 hereof.

ARTICLE III
CONSTRUCTION PLANS

3.1 Approved Drawings. Developer has submitted plans for the construction of the Project as part of an application to City's Planning and Zoning Commission for the Zoning Approvals. The plans for the Project, as approved by the City shall constitute the Approved Drawings for purposes of this Agreement and any requirements relating to City's approval. If Developer desires to make any material change in the Approved Drawings, Developer shall submit the proposed change to City officials through the regular process and approval by them will constitute City approval.

3.2 Construction of Water Improvements.

3.2.1 Developer shall prepare plans and specifications for the Water Improvements and shall submit them to the City for approval, which approval shall not be unreasonably withheld and shall be deemed granted if the City fails to respond in writing with specific revisions within ten (10) days after receipt of the plans and specifications. The plans and specifications shall include a survey drawing and legal description showing a twenty foot (20') easement for the Water Improvements ("Water Improvements Easement"). Developer will execute and deliver the Water Improvements Easement in recordable form to City. Developer shall construct the Water Improvements at Developers cost and expense.

3.2.2 The Public Works Director or City Engineer may inspect the installation of the Water Improvements at any time the Public Works Director or City Engineer deems reasonably necessary. The Public Works Director or City Engineer will review all the Developer's material testing results. In addition, the Public Works Director or City Engineer will oversee the bacteria test, hydrostatic test and continuity test of the Water Improvements. Upon completion of the Water Improvements in accordance with the Approved City Plans and Specifications, the Public Works Director or City Engineer will direct the City in writing to take ownership of the Water Improvements. If the Water Improvements have not been constructed in conformance with the Approved City Plans and Specifications, the Public Works Director or City Engineer will provide formal written notice to the Developer of the need for repair or replacement before the City assumes ownership of the Water Improvements.

ARTICLE IV
TAXES

City does not make any representation whatsoever with respect to the amount of real estate taxes payable by Developer from and after the date hereof or with respect to the classification of the Project for real estate tax purposes.

ARTICLE V
ASSIGNMENT AND TRANSFER

5.1. Representation as to Development. Developer represents and agrees that its undertakings pursuant to the Agreement, are, and will be, for the purpose of development of the Project on the Land and not for speculation in land holding. Developer further recognizes that, in view of (i) the importance of the development of the Project to the general welfare of the community; and (ii) the fact that any act or transaction involving or resulting in a change in the identity of the parties in control of Developer is of particular concern to the community and City (iii) that City is entering into the Agreement with Developer, and, in so doing, is willing to accept and rely on Developer for the faithful performance of all undertakings and covenants hereby by Developer to be performed, that the provisions of this Article V are being included in this Agreement.

5.2 Prohibition Against Transfer of Property and Assignment of Agreement. For the foregoing reasons, Developer represents and agrees that, prior to the completion of the construction of the Project:

5.2.1 Except for the granting of easements necessary for the Project and except as permitted by this Section 5.2.1 or 5.2.2, and except only by way of security for, and only for, the purpose of obtaining financing necessary to enable Developer, to perform the obligations with respect to constructing the Project or any other purpose authorized by the Agreement, Developer (except as so authorized) has not made or created, and that it will not make or create, or suffer to be made or created, any total or partial sale, assignment, conveyance or lease, or any trust or power, or transfer in any other mode or form of, or with respect to, the Agreement or the Land or any part thereof or any interest therein, or any contract or agreement to do any of the same without the prior written approval of City, which approval will not be unreasonably withheld. Notwithstanding anything to the contrary set forth in this Agreement, a transfer to (a) a related entity under control of Developer or an affiliate of Developer or (b) an entity that acquires all or substantially all of the assets of Developer, shall not be in violation hereof or require the consent of the City or compliance with Section 5.2.2, but such a transfer shall be noticed to City in advance of its occurrence.

5.2.2 City shall be entitled to require, except as otherwise provided in the Agreement, as conditions to any approval for a transfer that requires the City's consent, the following:

5.2.2.1 Any proposed transferee shall have the qualifications and financial capability, as reasonably determined by City, necessary and adequate to fulfill the obligations undertaken in the Agreement by Developer (or, in the event the transfer is of or relates to part of the Land, such obligations to the extent that they relate to such part).

5.2.2.2 Any proposed transferee, by instrument in writing reasonably satisfactory to City and in form recordable in the land records, shall, for itself and its successors and assigns, and expressly for the benefit of City expressly assume all of the obligations of Developer under the Agreement and agree to be subject to all the conditions and restrictions to which

Developer is subject (or, in the event the transfer is of or relates to part of the Land, such obligations, conditions and restrictions to the extent that they relate to such part).

ARTICLE VI
CITY COVENANTS AND OBLIGATIONS

6.1 Within thirty (30) days after the completion of the construction of the Project, and Developer satisfies the requirements of Section 10.7 hereof, the City shall provide Developer with the HEDA PAYG Note. The principal amount of the HEDA PAYG Note shall be equal to the lesser of (i) Six Hundred Thousand and No/100 Dollars (\$600,000.00) or (ii) the TAF Eligible Costs.

6.2 Notwithstanding anything to the contrary contained herein, the duration limit for the Available City Tax Abatement will be seven (7) years for taxes payable in 2024 through 2030.

ARTICLE VII
NO CLAIMS

Developer represents and warrants to City that neither Developer nor any agent, subcontractor or any other party affiliated with Developer has any existing claims or causes of action against City in connection with this Agreement or the construction of the Project.

ARTICLE VIII
FEES

Developer shall, prior to the delivery of a building permit for the Project, pay the following fees to the City:

8.1 Park dedication fees in the amount of Fifty-seven Thousand Seven Hundred Fifty and No/100 Dollars (\$57,750.00).

8.2 WLSSD Capacity Availability Fee ("CAF") in the amount of Sixty-two Thousand Nine Hundred Eighty and No/100 Dollars (\$62,980.00), which amount City acknowledges has been paid. The CAF is determined by and payable to the Western Lake Superior Sanitary District but the check is delivered to City.

8.3 Building Permit – Eighty-six Thousand Two Hundred Thirty-five and 39/100 Dollars (\$86,235.39), which amount City acknowledges has been paid.

8.4 Water Extension – Forty-eight Thousand Five Hundred Forty-one and 58/100 Dollars (\$48,541.58) for crossing Maple Grove Road to the Site.

8.5 The Security required by Section 2.9 related to the Stormwater Improvements.

8.6 Water Connection Fee, Commercial Building – One Thousand Five Hundred Seventeen and 25/100 Dollars (\$1,517.25), plus a Fifty and No/100 Dollars (\$50.00) permit fee, which amount City acknowledges has been paid.

8.7 Sanitary Sewer Connection Fee, Commercial Building – Two Thousand Two Hundred and No/100 Dollars (\$2,200.00), plus Fifty and No/100 Dollars (\$50.00) per toilet/urinal, plus Fifty and No/100 Dollars (\$50.00) permit fee, which amount City acknowledges has been paid.

8.8 Water Connection Fee for additional meters (i.e. sprinkler system).

8.9 Storm Water Certificate Application Fees.

8.10 Sign Permit Fees.

8.11 Sanitary Sewer Trunkline Connection fee in the amount of 50% of the WLSSD CAF fee.

8.12 All fees, including HEDA Costs, incurred in connection with that certain Inducement Agreement entered into by Developer dated March 23, 2022.

ARTICLE IX **NO APPROVAL OR ISSUANCE OF OTHER PERMITS**

Except for the approvals provided herein, nothing herein shall be construed as a permit or approval by City or an agreement by City to issue or provide any permit or approval to Developer with respect to the construction of the Project. Without limiting the generality of the foregoing, Developer acknowledges and agrees that even if it satisfies all of the requirements imposed on it under this Agreement that the retail store that is part of the Project may not be opened unless and until all other required permits are obtained by Developer from all relevant governmental agencies.

ARTICLES X **TAX ABATEMENT PAYMENTS**

10.1 **Background.** Developer did not request any financial assistance from HEDA for the Project until Developer withdrew its building permit application and determined to not pursue the development of the Project. At that time, City and HEDA made inquiry if HEDA or City could assist the Developer to allow the Project to proceed.

10.2 **Public Interest.** City and HEDA believe that the construction of the Project will be in the public interest as it will result in increase the tax base of City and the Project will promote the development of a 105-unit senior citizen housing complex which will provide life cycle housing in the City which will also provide or incentivize other residential housing sales

and development, provide an increase in the real estate tax base, provide needed infrastructure improvements, construction of the Water Improvements and the grant of an easement for the City trail system.

10.3 Tax Abatement. HEDA has agreed to provide tax abatement to Developer to reimburse Developer for TAF Eligible Costs. HEDA has agreed to provide tax abatement financing assistance within the limits and subject to the provisions of this Agreement. The HEDA tax abatement financing assistance shall be considered partial assistance or partial reimbursement for the TAF Eligible Costs.

10.4 Sufficient Fund Financing. Developer represents that the tax abatement financial assistance provided by HEDA hereunder, together with the funds to be contributed to the Project by Developer and bank financing, will be sufficient to pay the cost of constructing and operating the Project.

10.5 No Representative of City or HEDA is Interested in this Agreement. Neither Developer, HEDA nor the City has any knowledge that a Council person, Council member or other member, official, or employee of City or HEDA is directly or indirectly financially interested in this Agreement or in any transactions concluded in connection with this Agreement or in any transactions concluded in connection with this Agreement. No member, official or employee of City or HEDA shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by City or HEDA or for any amount which may become due to Developer or its successor, or on any obligations under the terms of this Agreement.

10.6 Developer to File Correct and Complete Information. Developer shall reasonably cooperate with the City and HEDA to cause any information, document, certificate, statement in writing, or report required under this Agreement and/or otherwise delivered to City or HEDA, or to third parties, under this Agreement, to be true, correct and complete in all material respects.

10.7 Condition to First Payment by HEDA. HEDA's obligation to Developer to execute and deliver the HEDA PAYG Note in the principal amount of Six Hundred Thousand and No/100 Dollars (\$600,000.00) to Developer shall be subject to the delivery to HEDA of the following:

10.7.1 A certificate of Developer's Engineer to the effect that the construction of the Water Improvements have been completed in material conformance with the Approved City Plans and Specifications;

10.7.2 The Water Improvements Easement in recordable form has been provided to the City; and

10.7.3 The City Engineer has directed City to take ownership of the Water Improvements pursuant to Section 3.2.2.

10.7.4 A certificate from Developer as to the actual costs, including, without limitation, construction costs, engineering costs, incurred by Developer to construct the Water

Improvements, Infrastructure Improvements and Environmental Mitigation Costs and a certificate from Developer's Engineer that such costs are directly related to performing the construction of the Water Improvements, Infrastructure Costs and Environmental Mitigation Costs ("TAF Eligible Costs").

10.7.5 Developer has entered into the Business Subsidy Agreement.

10.7.6 A temporary or final Certificate of Occupancy has been issued for Project.

10.7.7 City confirms that current real estate taxes on the Land have been paid.

10.7.8 The Trail Easement in recordable form has been provided to the City.

10.7.9 The operations and maintenance plan for the Stormwater Improvements have been provided pursuant to Section 2.10.

10.7.10 Developer has entered into the Assessment Agreement.

10.8 Requirements for Subsequent Payments by HEDA. HEDA's obligation to pay any subsequent installment of Payments under the HEDA PAYG Note is subject to the terms of the HEDA PAYG Note.

10.9 Restoration of Improvements. In the events the Project or any portion thereof is destroyed by fire or other casualty, Developer shall forthwith repair, reconstruct and restore to substantially the same condition as existed prior to the event causing damage or destruction. Developer shall apply the proceeds of any insurance received by Developer to the payment or reimbursement of the costs thereof. Developer shall, however, complete such repair, reconstruction and restoration of the Project whether or not the proceeds, if any, of any insurance received by Developer are sufficient to pay for such repair, restoration or reconstruction.

10.10 Representations and Obligations of City.

10.10.1 City Tax Abatement. City adopted the City Abatement Resolution to allow the Available City Tax Abatement to be paid to HEDA so HEDA may make payments on the HEDA PAYG Note.

10.10.2 HEDA PAYG Note. Upon receipt by the City of all documents listed in Section 10.7 of this Agreement, Developer shall be entitled to receive the payments under the HEDA PAYG Note, subject to the terms thereof. The HEDA PAYG Note shall be pay-as-you-go and the payments due for any given year shall be payable only to the extent of the Available City Tax Abatement for such year; said payments not paid when due on the HEDA PAYG Note will be deferred and paid to Developer to the extent of the Available City Tax Abatement for subsequent years. No payment shall be made after the taxes payable in 2030.

Subject to the terms of Section 10.7 and this Section 10.10.2, HEDA shall pay on or before August 1 and February 1 of each year beginning in the first year that abatement is

available, all of the then Available City Tax Abatement as the payments on the HEDA PAYG Note. The obligations of HEDA to make such payments shall be set forth in the HEDA PAYG Note in the form attached hereto as Exhibit 10.10.2. No interest shall accrue or be payable on the HEDA PAYG Note.

No asset or revenue of City or HEDA shall be available to make payments on the HEDA PAYG Note other than the Available City Tax Abatement. Developer hereby acknowledges, declares and covenants that payments on the HEDA PAYG Note are revenue obligations solely payable from Available City Tax Abatement, if any and are not a general obligation of the State or City or HEDA and neither the full faith and credit, assets, or taxing power of the State or City or HEDA is pledged for the payments on the HEDA PAYG Note. Developer acknowledges, understands and agrees that the Available City Tax Abatement may not be sufficient to allow the HEDA PAYG Note to be paid in full to Developer. Developer understands that any unpaid amount of the HEDA PAYG Note at the end of the Term will never be paid to Developer by HEDA.

Developer understands and acknowledges that neither City nor HEDA makes any representations or warranties regarding the amount of Available City Tax Abatement that will be generated by the Project or it will be sufficient to pay all or any of the amounts due to Developer under this Agreement. City and HEDA and their officers, agents and employees make no representation or warranty as to the amount or sufficiency of the Available City Tax Abatement.

10.11 Right to Collect Delinquent Taxes. Developer understands that the payments on the HEDA PAYG Note are derived from real estate taxes on the Land, which taxes must be promptly and timely paid. To that end, Developer agrees, for itself, its successors and assigns, in addition to the obligation pursuant to statute to pay real estate taxes, that it is also obligated by reason of this Agreement to pay before delinquency all real estate taxes assessed against the Land and the Project. Developer acknowledges that this obligation creates a contractual right on behalf of City and/or HEDA to sue 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, City and/or HEDA shall also be entitled to recover its costs, expenses and reasonable attorney fees.

10.12 Review of Taxes. Developer agrees that prior to the end of the Term it will not cause a reduction in the real property taxes paid in respect of the Land, Project through willful destruction of the Project or any part thereof. Developer also agrees that it will not, prior to the end of the Term, seek exemption from property tax for the Land, Project or any portion thereof or transfer or permit the transfer of the Land, Project to any entity that is exempt from real property taxes and state law, or apply for a deferral of property tax on the Land pursuant to any law. Notwithstanding anything contained herein, Developer shall retain, subject to the provisions of the Assessment Agreement, the Constitutional and statutory right to contest property tax valuation with respect to the Land and Project, pursuant to Chapter 278 of the Minnesota Statutes or its succeeding replacement statutes. Developer must commit, however, in advance of commencing such proceedings, to keep all taxes current while the proceedings are pending. The provisions of this Section 10.12 are to be read as supplementary to and not in replacement of the provisions of the Assessment Agreement.

ARTICLE XI
LIMITATION OF PUBLIC UNDERTAKING

It is hereby understood and agreed that the public undertakings and the public expenditures are limited to those undertakings and expressly set forth in this Agreement.

ARTICLE XII
CONNECTION FEES

Developer shall make application to City for connections to the water system and sewer system on the standard forms for water and sewer connections and shall pay the then connection fees and permit fees to City, subject to the terms of this Agreement. The City hereby acknowledges that Developer has paid all such connection and permit fees.

ARTICLE XIII
**COMMENCEMENT OF CONSTRUCTION AND
CERTIFICATE OF OCCUPANCY CONDITIONS**

13.1 Commencement of Construction. Prior to the commencement of construction of the Project, the following conditions must be satisfied:

13.1.1 This Agreement must be executed and delivered to the City and HEDA by Developer.

13.1.2 The Security required by Section 2.9 has been provided to the City.

13.1.3 The provisions of Article VIII are satisfied.

13.1.4 All requirements for the issuance of a building permit under the City Building Code are satisfied.

13.1.5 No uncured event of default exists with respect to the terms of this Agreement which materially relates to the health and safety of the occupants or users of the Project.

13.1.6 Developer has entered into the Business Subsidy Agreement.

13.1.7 Developer has entered into the Assessment Agreement.

13.1.8 This Agreement and the Zoning Approval have been recorded with the appropriate land title recording office.

13.2 Prior to the issuance of a Temporary or Final Certificate of Occupancy for the Project, the following must be satisfied:

13.2.1 The conditions of the Zoning Approvals have been satisfied.

13.2.2 Developer is not on default under this Agreement past the expiration of all applicable cure periods.

13.2.3 Developer has satisfied all other obligations of Developer under this Agreement to be satisfied by Developer on or before such date.

13.2.4 The Water Improvements have been completed in accordance with this Agreement and As-Built Plans for the Water Improvements and other Improvements and have been provided to City as required herein.

13.2.5 The provisions of Section 2.10 (operation and maintenance plan) for the Stormwater System are satisfied.

13.2.6 The Trail Easement has been executed and delivered to City by Developer.

13.2.7 The Water Improvements Easement has been executed by Developer and delivered to City by Developer.

ARTICLE XIV **COMPLIANCE WITH ROAD REQUIREMENTS**

Developer agrees to comply at its sole cost and expense with all requirements imposed on the Project by any government entity for signage, dust control and/or cleaning of Stebner Road and Maple Grove Road prior to the City's acceptance of the Water Improvements.

ARTICLE XV **NOTICES**

All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed sent by U.S. Certified Mail to the following name and address:

Developer:	KTJ 360, LLC 400 Water Street Suite 200 Excelsior, MN 55331 Attn: David Scott Ph: (952) 294-1255 Email: dave@oppidan.com
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With an additional copy to: Kathleen Ritter
400 Water Street
Suite 200
Excelsior, MN 55331
Ph: (952) 294-0353
Email: kathleen@oppidan.com

City: City of Hermantown
5105 Maple Grove Road
Hermantown, MN 55811
Attn: John Mulder, City Administrator
Ph: (218) 729-3600
Email: jmulder@hermantownmn.com

HEDA: Hermantown Economic Development Authority
5105 Maple Grove Road
Hermantown, MN 55811
Attn: John Mulder, Executive Director
Ph: (218) 729-3600
Email: jmulder@hermantownmn.com

ARTICLE XVI
BINDING EFFECT

This Agreement shall inure to the benefit of and shall be binding upon City, HEDA and Developer and their respective successors and assigns. It is intended and agreed that such agreements and covenants shall be covenants running with the Land and that they shall, in any event, and without regard to technical classification or designation, legal or otherwise, and except only as otherwise specifically provided in the Agreement itself, be, to the fullest extent permitted by law and equity, binding for the benefit of City and HEDA and enforceable by City and HEDA against Developer and successors and assigns. City and/or HEDA will record this Agreement with the appropriate land title recording office.

ARTICLE XVII
AMENDMENTS, CHANGES AND MODIFICATIONS

Neither this Agreement nor any other document to which Developer is a party, or which is made for the benefit of City and HEDA, relating to the transactions contemplated hereunder may be effectively amended, changed, modified, altered or terminated, nor may any provision be waived hereunder, except upon the written approval of City and HEDA or except as otherwise expressly set forth herein.

ARTICLE XVIII
SEVERABILITY

In the event any provisions of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

ARTICLE XIX
LIMITATION ON CITY LIABILITY

No agreements or provisions contained in this Agreement nor any agreement, covenant or undertaking by City or HEDA contained in any document executed by City or HEDA in connection with this Agreement and the transactions contemplated herein or therein, shall give rise to any charge against its general credit or taxing powers.

ARTICLE XX
LAWS GOVERNING

This Agreement shall be interpreted in accordance with and governed by the laws of the State.

ARTICLE XXI
HEADINGS

The titles of articles and sections herein are for convenience only and are not a part of this Agreement.

ARTICLE XXII
DEFAULT

If Developer fails to perform its obligations hereunder and such failure continues after sixty (60) days written notice of such default is given to Developer by City or HEDA, then, in that event, City and/or HEDA may take any one or more of the following actions:

22.1 Suspend its performance under this Agreement until it receives adequate assurances from Developer that Developer will cure the default and continue its performance under this Agreement.

22.2 Take whatever action, at law or in equity, which may appear necessary or desirable to City and/or HEDA to collect any payments due it hereunder including reasonable attorney's fees incurred in connection with such actions or under this Agreement, or to enforce performance and observance of any obligation, agreement or covenant of Developer under this Agreement.

Notwithstanding the foregoing, if Developer's failure to perform its obligations hereunder reasonably requires more than sixty (60) days to cure, such failure shall not constitute a default provided that the curing of such failure is promptly commenced upon receipt by Developer of the notice of the failure, and with due diligence is thereafter continuously prosecuted to completion and is completed within a reasonable period of time, and provided that Developer keeps City informed of its progress in curing the failure.

ARTICLE XXIII **COUNTERPARTS**

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

ARTICLE XXIV **TERM**

This Agreement shall terminate on the earlier of (i) February 1, 2031; (ii) the latest date on which the Available City Tax Abatement may be received by City under the City Abatement Resolution; or (iii) the date that the Available City Tax Abatement may not be provided under the City Abatement Resolution under the laws of the Minnesota as currently enacted or as such laws are amended from time to time (future law changes may not grandfather the ability of HEDA to make Payments to Developer and may limit HEDA's ability to make Payments to Developer) and any remaining Payments will be deemed forgiven and waived and shall not be accrued or otherwise due in the future.

ARTICLE XXV **FORCE MAJEURE**

All obligations of Developer hereunder shall be extended by events of "Force Majeure." The term "Force Majeure" means any delays that are the direct result of strikes, other labor troubles, war, terrorist acts, natural disasters, adverse weather conditions, fire or other casualty, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, or acts of any federal, state or local governmental unit that results in delays and delays described in any force majeure provision that is contained in Developer's construction contract for any such work, the effect of such provision which is to extend the time allowed the contractor under such construction contract to complete the work, or any other event not within the reasonable control of Developer.

ARTICLE XXVI
PRIOR DEVELOPMENT AGREEMENT

The terms and provisions of this Development Contract are to be read as supplementary to the terms of the 2020 Development Agreement , provided that if there are any inconsistent provisions between the 2020 Development Agreement and this Development Contract, the terms and provisions of this Development Contract shall govern. Without limiting the foregoing, the provisions of Section 4.1.8, 4.1.10, 6.1.8, 6.1.9, 6.3, 6.4.4. and 6.4.5 and Article VII of the 2020 Development Agreement remain applicable; the blank in Section 13.1.9 of the 2020 Development Agreement is filled in with Ninety-six Thousand Nine Hundred Ninety-seven and No/100 Dollars (\$96,997.00) and the second blank is filled in with January 2, 2024; and the first blank in Section 13.1.11 of the 2020 Development Agreement is filled in with Two Hundred Seventy-five Thousand and No/100 Dollars (\$275,000.00) and the second blank is filled in with January 2, 2024.

[SIGNATURES APPEAR ON NEXT PAGE]

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

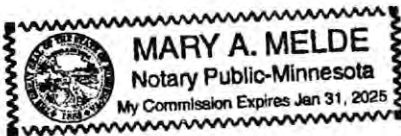
Hermantown Economic Development Authority

By Wayne Boucher
Its President

And By Glenn Nelson
Its Secretary

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

The foregoing instrument was acknowledged before me this 24th day of June 202, by Wayne Boucher and Jackie Dolentz, the President and Secretary, respectively, of Hermantown Economic Development Authority on behalf of Hermantown Economic Development Authority.



Mary A. Melde
Notary Public

[SIGNATURES CONTINUE ON NEXT PAGE]

EXHIBIT OUTLINE

<u>Exhibit 1.5</u>	Assessment Agreement
<u>Exhibit 1.7</u>	Business Subsidy Agreement
<u>Exhibit 1.12</u>	“Development Land” or “Land”
<u>Exhibit 1.13</u>	Environmental Mitigation Costs
<u>Exhibit 1.25</u>	Water Improvements
<u>Exhibit 2.14</u>	Trail Easement
<u>Exhibit 10.10.2</u>	HEDA PAYG Note

EXHIBIT 1.5
Assessment Agreement

ASSESSMENT AGREEMENT

BY AND BETWEEN

KTJ 360, LLC

AND

CITY OF HERMANTOWN

Dated as of the ____ day of _____, 2022

This document was drafted by:

Steven C. Overom
Overom Law, PLLC
802 Garfield Avenue, Suite 101
Duluth, Minnesota 55802
(218) 625-8460

ASSESSMENT AGREEMENT

THIS ASSESSMENT AGREEMENT, dated as of the ____ day of _____, 2022 by and between the **City of Hermantown** ("City") and **KTJ 360, LLC**, a Minnesota limited liability company (the "Developer"), and certified by the County Assessor for St. Louis County, Minnesota (the "Assessor") is in response to the following situation:

A. City, Hermantown Economic Development Authority ("HEDA") and Developer have entered into a certain Development Contract, dated as of _____, 2022 (the "Development Contract"), regarding certain real property located in the City of Hermantown, St. Louis County, Minnesota (the "Property"), which property is legally described on the Exhibit A attached to and made a part of this Assessment Agreement. Defined terms not otherwise defined herein shall be defined as set forth in the Development Contract.

B. The Development Contract provides that Developer will construct a 105-unit senior citizen housing complex and improvements (the "Project") on the Property.

C. City and Developer desire to establish certain minimum market values for the Property upon completion of the Project pursuant to Minnesota Statutes, Section 469.177, Subdivision 8.

D. Developer, City, and the Assessor have reviewed the plans for the Project.

NOW, THEREFORE, the parties to this Assessment Agreement, in consideration of the promises, covenants and agreements herein, do hereby agree as follows:

1. Effective as of January 2 of the year following the year that the Project is completed and continuing on each January 2 through the term of this Assessment Agreement, the minimum market value which shall be assigned to and assessed for the Project for purposes of real estate property taxation shall be not less than \$14,800,000.00 (the "Minimum Market Value").

2. The term of this Assessment Agreement shall expire and the Minimum Market Value herein established shall be of no further force and effect shall terminate upon the earlier of (i) the termination of the Development Contract or (ii) the date that the HEDA PAYG Note is paid in full (the "Termination Date").

3. This Assessment Agreement is contingent upon the continuing payment to Developer of the amounts payable under the HEDA PAYG Note unless the non-payment to Developer was due to Developer not paying taxes when due.

4. This Assessment Agreement shall be promptly recorded by City, with the County Recorder and/or the Registrar of Titles (as applicable) of St. Louis County, Minnesota, and shall be filed against the Property. The parties shall execute and record a termination of this Assessment Agreement upon the Termination Date.

5. Neither any preamble nor any provision of this Assessment Agreement is intended to modify the terms of this Assessment Agreement.

6. This Assessment Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties, shall be governed by and interpreted pursuant to Minnesota law, and may be executed in counterparts, each of which shall constitute an original hereof and all of which shall constitute one and the same instrument.

7. Nothing herein shall be deemed to waive Developer's right to contest that portion of any actual value assignment made by the Assessor in excess of the Minimum Actual Value established herein. In no event, however, shall Developer seek to reduce the actual value assigned below the Minimum Market Value established herein during the term of this Assessment Agreement.

8. This Assessment Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

9. Each of the parties has authority to enter into this Assessment Agreement and to take all actions required of it, and has taken all actions necessary to authorize the execution and delivery of this Assessment Agreement.

10. In the event any provision of this Assessment Agreement shall be held invalid and unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

11. The parties hereto agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements, amendments and modifications hereto, and such further instruments as may reasonably be required for correcting any inadequate, or incorrect, or amended description of the Property or the Project or for carrying out the expressed intention of this Assessment Agreement, including, without limitation, any further instruments required to delete from the description of the Property such part or parts as may be included within a separate assessment agreement.

12. This Assessment Agreement may not be amended nor any of its terms modified except by a writing authorized and executed by all parties hereto.

13. This Assessment Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the City has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

City of Hermantown

By _____
Its _____

And By _____
Its _____

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

The foregoing instrument was acknowledged before me this ____ day of _____
2022, by _____ and _____, the Mayor and City Clerk,
respectively, of the City of Hermantown on behalf of the City of Hermantown.

Notary Public

[SIGNATURES CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, Developer has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

KTJ 360, LLC

By _____
Its _____

STATE OF MINNESOTA)
) ss.
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2022, by _____, the _____ of KTJ 360, LLC, a Minnesota limited liability company, on behalf of said company.

Notary Public

[END OF SIGNATURES]

CERTIFICATION BY COUNTY ASSESSOR

The undersigned, having reviewed certain plans for the Project to be constructed and the market value assigned to the land upon which the Project to be constructed, as described in this Assessment Agreement, hereby states as follows: The undersigned Assessor, being legally responsible for the assessment of the above-described property, hereby certifies that the \$14,800,000.00 market value hereinabove assigned to the Project is reasonable.

County Assessor for St. Louis County

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

This instrument was acknowledged before me on _____, 2022, by _____, the County Assessor of St. Louis County.

Notary Public

EXHIBIT A

Legal Description

South Half of the West Half of Southwest Quarter of Southwest Quarter (S 1/2 of W 1/2 of SW 1/4 of SW 1/4) Section 14, Township 50 North Range 15.

This is Abstract property.

EXHIBIT 1.7
Business Subsidy Agreement

BUSINESS SUBSIDY AGREEMENT

BY AND AMONG

HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

AND

CITY OF HERMANTOWN

(COLLECTIVELY "GRANTOR")

AND

KTJ 360, LLC

("RECIPIENT")

Approved: _____, 2022

This document was drafted by:

Steven C. Overom
Overom Law, PLLC
802 Garfield Avenue, Suite 101
Duluth, Minnesota 55802
(218) 625-8460

BUSINESS SUBSIDY AGREEMENT

THIS BUSINESS SUBSIDY AGREEMENT made effective this ____ day of _____, 2022 by and among **Hermantown Economic Development Authority**, an economic development authority created under Chapter 469 of the Minnesota Statutes (“HEDA”) and the **City of Hermantown** (the “City”), a Minnesota statutory city (HEDA and City which are also hereinafter collectively referred to as the “Grantor”) with both having addresses at 5105 Maple Grove Road, Hermantown, Minnesota 55811 and **KTJ 360, LLC**, a Minnesota limited liability company, (“Recipient”) having its principal offices at 400 Water Street, Suite 200, Excelsior, MN 55331 is in response to the following situation:

A. HEDA, as Grantor, has the authority pursuant to Minnesota Statutes, sections 469.124 through 469.133, inclusive, as amended to carry out development projects that provide a public benefit to the City.

B. City, as Grantor, has the authority, pursuant to Minnesota Statutes §§412.211 and 412.221, Subd. 6, Subd. 7 and Subd. 11 and §412.321 to carry out projects that provide a public benefit to the City.

C. Grantor, when providing financial assistance to projects that provide a public benefit to the City and to the State, is subject to the requirements of Minnesota Statutes, Sections 116J.993 to 116J.995, inclusive, as amended, (“Business Subsidy Act”) and is defined therein as a Grantor.

D. Even though the assistance for housing that is provided to Recipient pursuant to this Business Subsidy Agreement is exempt from the Business Subsidy Act is Grantor desires to utilize the criteria in its Business Subsidy Policy (“Grantor’s Business Subsidy Policy”) to guide it in providing Business Subsidy to Recipient.

E. Grantor is required under Grantor’s Business Subsidy Policy to hold a hearing regarding the subsidy proposed to be provided by this Agreement and then enter into this subsidy agreement to set forth the terms and conditions of the Business Subsidy (the “Business Subsidy Agreement”).

F. The City Council of City (“City Council”) and the Commissioners of HEDA (“Commissioners”) held a joint public hearing on June 8, 2022 to consider this Agreement.

G. The City Council approved this Agreement on June 8, 2022 and the Commissioners approved this Agreement on June 8, 2022.

H. Recipient proposes to construct a 105-unit senior citizen housing complex (the “Project”) on property located in the City.

I. Recipient is required by Grantor’s Business Subsidy Policy to set forth in this Business Subsidy Agreement its goals that will result from receipt of the Business Subsidy.

J. Grantor finds the Project will promote the development of a 105-unit senior citizen housing complex which will provide life cycle housing in the City which will also provide or

incentivize other residential housing sales and development, provide an increase in the real estate tax base, provide needed infrastructure improvements and the grant of an easement for the City trail system.

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

THE AGREEMENT

Section 1. Definitions.

“Agreement” or “Subsidy Agreement” means this Business Subsidy Agreement.

“Benefit Date” means the date the Recipient receives the Business Subsidy. For improvements to property, the benefit date refers to the earliest date of either (i) when the improvements are finished for the entire project, or (ii) when a business occupies the property. For purchase or lease of equipment, the benefit date refers to when the Recipient puts the equipment into service.

“Business Subsidy” means the tax abatement financing assistance provided by Grantor to the Recipient.

“Business Subsidy Act” means Minnesota Statutes, sections 116J.993 to 116J.995, inclusive, as hereinafter amended.

“City”, referred to under the Business Subsidy Act means the City of Hermantown.

“Development Contract” means that certain Development Contract between Recipient and Grantor with respect to the development of the Project and the payment of Grantor of amounts advanced by Recipient to pay for the Infrastructure Improvements. Any terms defined in the Development Contract shall have the meanings set forth in the Development Contract unless the context clearly requires otherwise.

“Easement” means an easement on the Property for the City trail system.

“Grantor” means HEDA and the City.

“HEDA PAYG Note” means the HEDA PAYG Note means the Note by Grantor to Recipient to pay for costs incurred by the Recipient under the terms of the Development Contract.

“Infrastructure Improvements” means the improvements to the City water system and the installation of sidewalks, road and utilities serving the Project, environmental mitigation and stormwater control.

“Property” means the real estate legally described on Exhibit A attached hereto.

“Project” means a 105-unit senior citizen housing complex.

“Recipient” means KTJ 360, LLC, a Minnesota limited liability company.

“State” means the State of Minnesota.

Section 2. Subsidy Agreement Requirements.

2.1 Grantor and Recipient recognize and agree that the financial benefit of the HEDA PAYG Note is defined as a Business Subsidy under Grantor’s Business Subsidy Policy and is subject to the provisions thereof.

2.2 The Business Subsidy will be generated from tax abatement approved by the City with respect to the Project. Tax abatement for the Project will continue for up to seven (7) years for taxes payable in 2024 through 2030 or until the HEDA PAYG Note is satisfied, whichever is sooner. The Business Subsidy may not exceed Six Hundred Thousand and No/100 Dollars (600,000.00).

2.3 The public purposes of the Business Subsidy with respect to the Project is to promote the development of a 105-unit senior citizen complex which will provide housing for individuals and to provide an increase in the real estate tax basis. Grantor finds the Project will promote the development of a 105-unit senior citizen housing complex which will provide life cycle housing in the City which will also provide or incentivize other residential housing sales and development, provide an increase in the real estate tax base, and provide needed infrastructure improvements and the include the grant of an easement for the City trail system.

2.4 The goal of the Business Subsidy is to the cause the Project and Infrastructure Improvements to be constructed and the Easement granted.

2.5 If the goals described in Section 2.4 are not met, the Recipient must make the payment described in Section 3 hereof.

2.6 Recipient has demonstrated to the satisfaction of HEDA and City that it is adequately financed and the Project and Infrastructure Improvements will be completed in a timely fashion.

2.7 The Recipient agrees that it will continue operations at the Project in the City of Hermantown for at least five (5) years after the Benefit Date.

2.8 The Recipient has not previously received a Business Subsidy from Grantor and it has not failed to meet the terms of any business subsidy agreement as defined in the Business Subsidy Act and Recipient is eligible to receive a Business Subsidy under Grantor’s Business Subsidy Policy.

Section 3. Remedies.

If Recipient fails to meet the goals described in Section 2.4, then upon written notice delivered by Grantor to Recipient, Recipient must pay Grantor: (a) its “pro rata share” of the amount of any Business Subsidy; plus (b) interest on such principal amount of the Business Subsidy at the implicit price deflator rate for government consumption expenditures and gross investment for local and state governments prepared by the Bureau of Economic Analysis of the United States

Department of Commerce for the 12-month period ending March 31 of the previous year, accrued from the Benefit Date to the date of payment. The term "pro rata share" means if the failure relates to maintenance of the business in accordance with Section 2.7, 60 less the number of months of operation (where any month in which the business is in operation for at least 15 days constitutes a month of operation), commencing on the Benefit Date and ending on the date the business ceases operation as determined by the HEDA, divided by 60.

In addition to the remedies described in this Section and any other remedy available to the Grantor for failure to meet the goals stated in Section 2.4, Recipient agrees and understands that it may not receive a Business Subsidy from the Grantor or any other grantor for a period of five years from the date of the failure or until Recipient satisfies its repayment obligation under this Section, whichever occurs first.

Section 4. Reports.

Recipient must submit to HEDA and City a written report with respect to the Business Subsidy goals and results on the form attached hereto, by March 1 of each year, commencing March 1, 2024 and continuing until the later of (i) the date the goals stated Section 2.4 are met; or (ii) March 1, 2031; or (iii) if the goals are not met, the date the Business Subsidy is repaid in accordance with Section 3.

HEDA and City will provide information to Recipient regarding the required forms. If Recipient fails to timely file any report required under this Section, HEDA and City will mail the Recipient a warning within one week after the required filing date. If, after fourteen (14) days of the postmarked date of the warning, the Recipient fails to provide a report, the Recipient must pay to the Grantor a penalty of One Hundred and No/100 Dollars (\$100.00) per month for each month that the report is delinquent.

A failure by HEDA and/or City to provide such reports or warnings hereunder shall not affect HEDA's and City's rights under this Business Subsidy Agreement, the Agreement or any applicable law, rule or regulation.

Section 5. Attorney Fees.

If Grantor employs attorneys or incurs other expenses for the collection of payments due or for the enforcement or observance of any obligation or agreement on the part of Recipient under this Agreement or the Agreement, the Recipient agrees that it will, within 10 days of written demand by the HEDA or City, pay the reasonable fees of such attorneys and any other expenses so incurred by Grantor.

Section 6. Project Compliance Information. Recipient shall provide to Grantor any information reasonably requested or needed by Grantor to monitor Project implementation for compliance with Minnesota law and its guidelines.

Section 7. Nondiscrimination. The provisions of Minnesota Statutes, Section 181.59, which relate to civil rights and discrimination, shall be considered a part of this Agreement as though wholly set forth herein and the Recipient shall comply with each such provision throughout the term

of this Agreement.

Section 8. Miscellaneous.

8.1 Choice of Law and Venue. This Agreement is made and shall be governed in all respects by the laws of the State. Any disputes, controversies, or claims arising out of this Agreement shall be heard in the state or federal courts of the State, venued in St. Louis County, Minnesota if in State Court and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

8.2 Severability. Wherever possible, each provision of this Agreement and each related document shall be interpreted so that it is valid under applicable law. If any provision of this Agreement or any related document is to any extent found invalid by a court or other governmental entity of competent jurisdiction, that provision shall be ineffective only to the extent of such invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or any other related document.

8.3 Notice. All notices required hereunder shall be given by depositing in the U.S. mail, postage prepaid, certified mail, return receipt requested, to the following addresses (or such other addresses as either party may notify the other):

To HEDA: Hermantown Economic Development Authority
5105 Maple Grove Road
Hermantown, MN 55811
Attn: John Mulder, Executive Director

To City: City of Hermantown
5105 Maple Grove Road
Hermantown, MN 55811
Attn: John Mulder, City Administrator
Ph: (218) 729-3600
Email: jmulder@hermantownmn.com

To Recipient: KTJ 360, LLC
400 Water Street
Suite 200
Excelsior, MN 55331
Attn: Ryan Grover
Ph: (612) 810-9481
Email: ryan@oppidan.com

8.4 Entire Agreement. This Agreement, is made pursuant to and as part of the Agreement. The Agreement, this Agreement and all other documents and agreements executed pursuant to the Agreement constitute the complete and exclusive statement of all mutual understandings between the parties with respect to the Project, superseding all prior or contemporaneous proposals, communications, and understandings, whether oral or written, pertaining to the subject matter of this Agreement.

8.5 Headings. The headings appearing at the beginning of the several sections contained in this Agreement have been inserted for identification and reference purposes only and shall not be used in the construction and interpretation of this Agreement.

8.6 Conflict of Interests; Representatives Not Individually Liable. No officer, employee or contractor of Grantor may acquire any financial interest, direct or indirect, in this Agreement, or in any contract related to the Project. No officer, agent, or employee of the Grantor shall be personally liable to the Recipient or any successor in interest in the event of any default or breach by Grantor or for any amount that may become due to Recipient or on any obligation or term of this Agreement.

8.7 Effect on Other Agreements. Nothing in this Agreement shall be construed to modify any term of any other agreement to which Grantor and Recipient are parties.

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

8.9 Agreement. Grantor shall have no obligations to provide a Business Subsidy to Recipient unless and until the Agreement has been entered into by the parties.

8.10 No Waiver. No remedy conferred upon or reserved to Grantor is intended to be inclusive 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 Business Subsidy Agreement, the Agreement or now or hereafter existing at law or in equity or by statute. Further no decision by Grantor to exercise any remedy or give it hereunder, under the Agreement or by statute shall constitute a waiver of any rights afforded Grantor upon any subsequent or continuing default, action or non-action by Recipient.

8.11 No Parent Corporation. There is no parent corporation of the Recipient.

8.12 Job Goals. The creation of jobs was not determined to be a goal of the Business Subsidy so there are no job goals within this Agreement.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the City has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

City of Hermantown

By _____
Its Mayor

And By _____
Its City Clerk

[SIGNATURES CONTINUE ON NEXT PAGE]

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

Hermantown Economic Development Authority

By _____
Its President

And By _____
Its Secretary

[SIGNATURES CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, Recipient has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

KTJ 360, LLC

By _____
Its _____

[END OF SIGNATURES]

City of Hermantown

5105 Maple Grove Road
 Hermantown, MN 55811
 Phone: 218-729-3600
 Fax: 218-729-3620

City of Hermantown Business Assistance Recipient Report

Section 1: Recipient Information

1.1. Name of business or organization receiving subsidy or financial assistance: _____	1.2. Address where business subsidy or financial assistance will be used Street address: _____ City, State, Zip Code: _____
1.3. Does the recipient have a parent corporation? <i>(Mark one.)</i>	
<input type="checkbox"/> Yes <i>(Indicate name and address of parent corporation below. If more than one, indicate ultimate owner.)</i> <input type="checkbox"/> No	
Name of parent corporation: _____ Street address: _____ City, State, Zip Code: _____	
1.4. Industry of recipient's facility <i>(Mark one.)</i> :	
<input type="checkbox"/> Manufacturing <input type="checkbox"/> Services <input type="checkbox"/> Finance, Insurance, Real Estate <input type="checkbox"/> Retail Trade <input type="checkbox"/> Wholesale Trade <input type="checkbox"/> Construction <input type="checkbox"/> Other <i>(please specify):</i>	
1.5. Did the recipient relocate as a result of signing this agreement? <i>(Mark one.)</i>	
<input type="checkbox"/> Yes <i>(Indicate city and state of previous address and reason recipient did not complete this project at that address.)</i>	
<ul style="list-style-type: none"> • City/State of previous address: • Reason project not completed at previous address: • Indicate total number of employees who ceased to be employed by recipient when the recipient relocated to become eligible for the business subsidy. # 	
<input type="checkbox"/> No <i>(Go to Question 1.6.)</i>	
1.6. What would recipient have done without business subsidy or financial assistance? <i>(Mark one):</i>	
<input type="checkbox"/> Remain at previous location, but not expand <input type="checkbox"/> Remain at previous location but expand at the location <input type="checkbox"/> Relocate to different Minnesota location <input type="checkbox"/> Relocated outside Minnesota <input type="checkbox"/> Other:	
1.6.1. Was the project a result of eminent domain? <input type="checkbox"/> Yes <input type="checkbox"/> No	

Section 2: Goals and Public Purpose Identified in the Agreement

2.1. Minn. Stat. §116J.994 requires that business subsidy and financial assistance agreements state a public purpose. Which of the following public purposes were stated in the agreement? <i>(Mark all that apply.)</i>	
<input type="checkbox"/> Enhancing economic diversity <input type="checkbox"/> Creating high-quality job growth <input type="checkbox"/> Job retention <input type="checkbox"/> Stabilizing the community	<input type="checkbox"/> Increasing tax base (cannot be only purpose) <input type="checkbox"/> Other <i>(please specify):</i> _____

2.2. Indicate whether the agreement included the following types of goals, and whether the recipient had attained those goals at the time of this report. (Fill in the boxes and attainment date(s) for each goal.)

	Goals established?	Target attainment dates (month & year)	All goals attained?
A) Specific wage and job goals to be attained within 2 years	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No
B) Other job-creation and/or retention goals	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No
C) Other wage goals	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No
D) Goals other than wage and job goals	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No

2.5. Has the recipient achieved all goals (see Question 2.1 and 2.2) and fulfilled all obligations stipulated in the agreement (Mark one.)

Yes No

Section 3: Agreement Information

3.1. Total dollar value of business subsidy or financial assistance Please separate value by type in Questions 3.5 and 3.6.): _____	3.2. Date agreement signed (In addition to the agreement date, indicate any dates the agreement was amended.): _____
3.3. Benefit date (Indicate the date the recipient receives the business subsidy. If the subsidy involves physical equipment, then the benefit date is the date the equipment is placed into service. If the business subsidy involves property improvements, the benefit date is when the improvements are finished or when the business occupies the property): _____	
3.4. Does the agreement provide a business subsidy or one of the four types of financial assistance (see Question 3.6) required to be reported? (Mark one.)	
<input type="checkbox"/> business subsidy <input type="checkbox"/> financial assistance	
3.5. If the agreement provided a business subsidy, please indicate the type(s) and total dollar value for each type.	3.6. If the assistance was one of the four types of financial assistance, please indicate the type(s).
<input type="checkbox"/> not applicable, agreement provided financial assistance <input type="checkbox"/> loan (only principal) \$ _____ <input type="checkbox"/> grant (i.e., forgivable loan) \$ _____ <input type="checkbox"/> tax abatement \$ _____ <input type="checkbox"/> TIF or other tax reduction or deferral* \$ _____ <input type="checkbox"/> guarantee or payment \$ _____ <input type="checkbox"/> contribution of property or infrastructure \$ _____ <input type="checkbox"/> preferential use of governmental facilities \$ _____ <input type="checkbox"/> land contribution \$ _____ <input type="checkbox"/> other (Specify subsidy type.): _____ \$ _____	<input type="checkbox"/> not applicable, agreement provided a business subsidy <input type="checkbox"/> assistance for property by contaminants \$ _____ <input type="checkbox"/> assistance for renovating building stock or bringing it up to code, and assistance provided for designated historic preservation districts, when 50 percent or less of total cost \$ _____ <input type="checkbox"/> assistance for pollution control or abatement \$ _____ <input type="checkbox"/> assistance for a TIF soils condition district \$ _____

<p>3.7. If the assistance included tax increment financing, please indicate the type of TIF district. <i>(Mark one.)</i></p> <p><input type="checkbox"/> not applicable, assistance was not in the form of TIF</p> <p><input type="checkbox"/> redevelopment</p> <p><input type="checkbox"/> renewal and renovation</p> <p><input type="checkbox"/> soils condition</p> <p><input type="checkbox"/> economic development</p> <p><input type="checkbox"/> mined underground space</p> <p><input type="checkbox"/> hazardous substance subdistrict</p> <p>3.7A. If assistance included JOBZ benefits, please indicate type of assistance. <i>(Mark all that apply and please also submit the JOBZ MBAF form.)</i></p> <p><input type="checkbox"/> JOBZ <input type="checkbox"/> JOBZ AgZone <input type="checkbox"/> Biozone</p>	<p>3.8. Are any other grantors providing a business subsidy or financial assistance to the same project? <i>(Mark one.)</i></p> <p><input type="checkbox"/> Yes <i>(Specify each grantor and the value of their assistance below; attach an additional sheet if necessary.)</i></p> <p>Grantor: _____ Value (\$): _____</p> <p>Grantor: _____ Value (\$): _____</p> <p><input type="checkbox"/> No</p>

Recipient Name:

Authorized Officer

EXHIBIT 1.25
Water Improvements

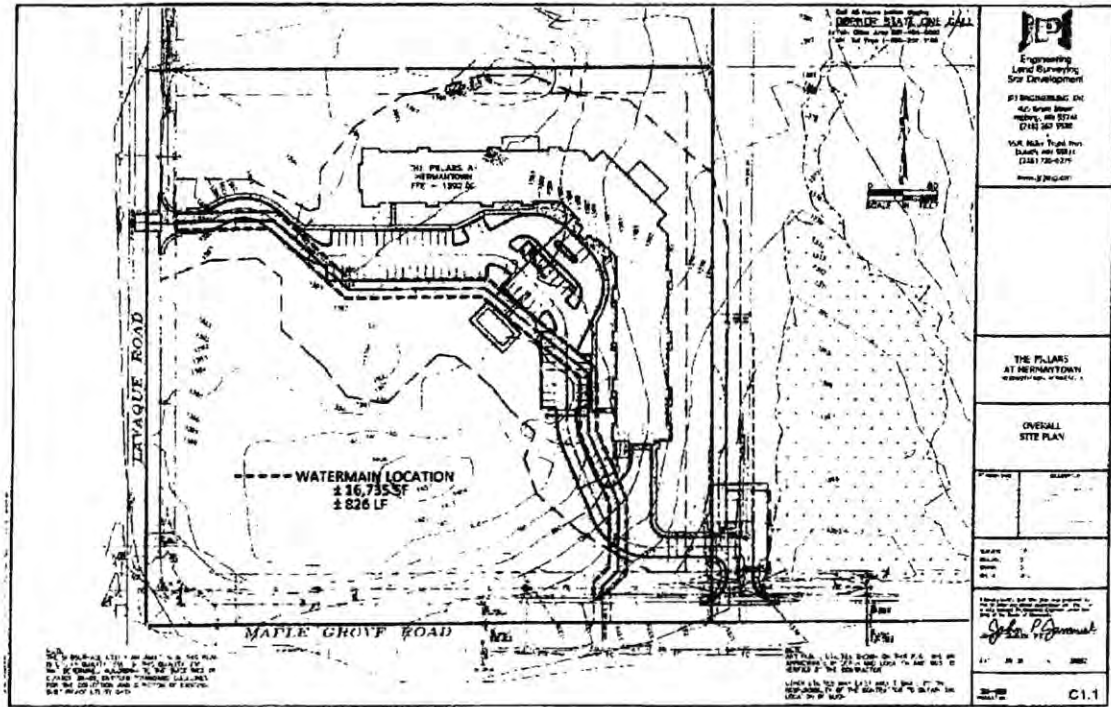


EXHIBIT 2.14 Trail Easement

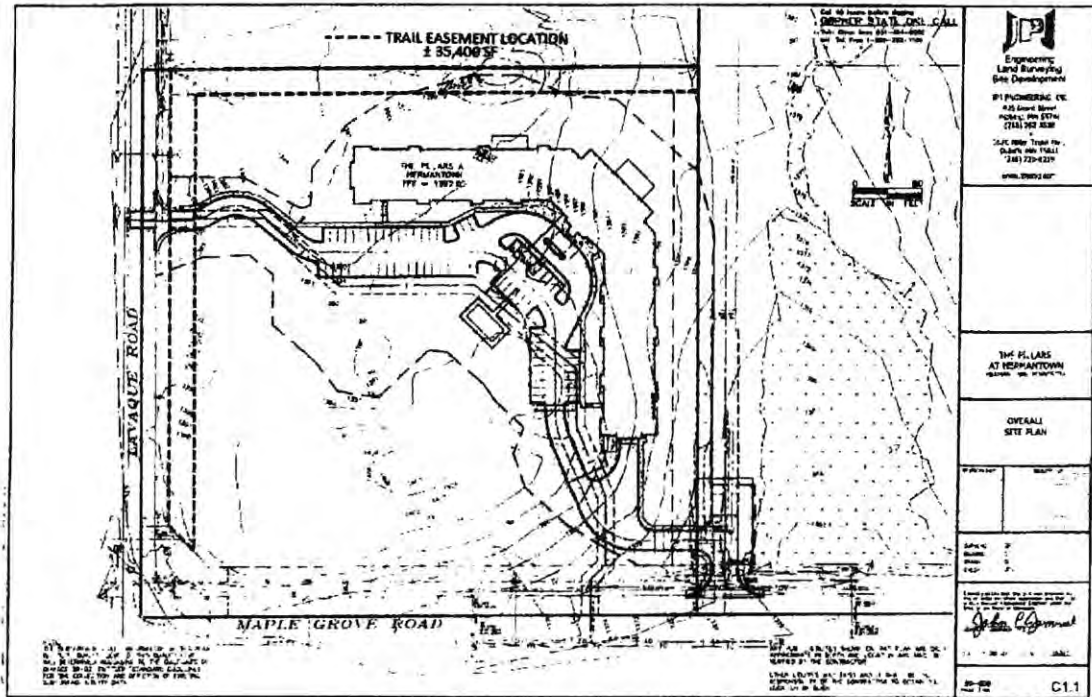


EXHIBIT 1.12
Development Land

South Half of the West Half of Southwest Quarter of Southwest Quarter (S 1/2 of W 1/2 of SW 1/4 of SW 1/4) Section 14, Township 50 North Range 15.

This is Abstract property.

EXHIBIT 1.13
Environmental Mitigation Costs

Environmental Costs (Not currently in GC scope)

Braun - Phase II Report + Testing: \$35,000

Braun - MPCA CCP/RAP Submittal + Vapor Mit. Design + Associated Testing and Closeout:
\$57,760

Projected Cost for Vapor Mitigation System Installed: \$150,000

Total: \$242,760

EXHIBIT 10.10.2
HEDA PAYG Note

UNITED STATE OF AMERICA
STATE OF MINNESOTA
ST. LOUIS COUNTY
CITY OF HERMANTOWN

No. HEDA 2022-1

\$600,000.00

TAX ABATEMENT PAY-AS-YOU-GO REVENUE NOTE
SERIES 2022
(HEDA PAYG NOTE)

Interest RateDate of Original Issue

0.00%

_____, 2022

The **Hermantown Economic Development Authority** (“HEDA”), for value received, certifies that it is indebted and hereby promises to pay to **KTJ 360, LLC**, or registered assigns (the “Owner”), the principal sum of Six Hundred Thousand and No/100 Dollars (\$600,000.00) without interest.

1. **Payments.** Principal payments will be paid on August 1, 2024, and each February 1 and August 1 thereafter to and including February 1, 2031 (“Payment Dates”), in the amounts and solely from the sources set forth in Section 3 herein. Payments will be applied solely to principal because there is no interest payable on this HEDA PAYG Note. The Payments will be equal to all Available City Tax Abatement on any Payment Date. Payments are payable by mail to the address of the Owner or any other address as the Owner may designate upon thirty (30) days written notice to HEDA. Payments on this HEDA PAYG Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.

2. **Interest.** There is no interest due or payable on this HEDA PAYG Note.

3. **Available City Tax Abatement.** Payments on this HEDA PAYG Note are payable on each Payment Date in the amount of and solely payable from the Available City Tax Abatement as defined in that certain Development Contract between Owner, HEDA and City dated _____, 2022 (the “Development Contract”). HEDA will have no obligation to make payments on this HEDA PAYG Note on any Payment Date from any source other than Available City Tax Abatement, and the failure of HEDA to pay the entire amount on this HEDA PAYG Note on any Payment Date will not constitute a default hereunder as long as HEDA makes payment hereon to the extent of the Available City Tax Abatement as set forth herein.

4. **Optional Prepayment.** The amount payable under this HEDA PAYG Note is prepayable in whole or in part at any time by HEDA without premium or penalty. No partial

prepayment will affect the amount or timing of any other regular payment otherwise required to be made under this HEDA PAYG Note.

5. Nature of Obligation. This HEDA PAYG Note is in the total principal amount of \$600,000.00 and is issued in reliance on the City Abatement Resolution No. 2022-80 and approved by the Hermantown City Council on June 8, 2022 pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.1812 through 469.1815 inclusive. This HEDA PAYG Note is a limited obligation of HEDA which is payable solely from Available City Tax Abatement. This HEDA PAYG Note will not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the City or HEDA. Neither the State of Minnesota, nor any political subdivision thereof will be obligated to make payments on this HEDA PAYG Note except out of the Available City Tax Abatement, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to make payments on this HEDA PAYG Note or other costs incident hereto.

6. Estimated Available City Tax Abatement. Any estimates of the Available City Tax Abatement prepared by HEDA or City or its financial advisors in connection with the Development Contract are for the benefit of HEDA or City, and are not intended as representations on which the Owner may rely. HEDA MAKES NO REPRESENTATION OR WARRANTY THAT THE AVAILABLE CITY TAX ABATEMENT WILL BE SUFFICIENT TO PAY THE PRINCIPAL AMOUNT OF THIS HEDA PAYG NOTE. HEDA HAS NO OBLIGATION TO PAY ANY PRINCIPAL HEREON THAT IS NOT PAID FROM AVAILABLE CITY TAX ABATEMENT.

7. Registration and Transfer. This HEDA PAYG Note is issued only as a fully registered note without coupons. This HEDA PAYG Note is transferable upon the books of HEDA kept for that purpose at the principal office of the Finance Director of the City, by the Owner hereof in person or by the Owner's attorney duly authorized in writing, upon surrender of this PAYG Note together with a written instrument of transfer reasonably satisfactory to HEDA, duly executed by the Owner. Upon the transfer or exchange and the payment by the Owner of any tax, fee, or governmental charge required to be paid by HEDA, including Minnesota Statutes, Sections 469.1812 through 469.1815 inclusive, with respect to the transfer or exchange, there will be issued in the name of the transferee a new HEDA PAYG Note of the same aggregate principal amount, bearing no interest and maturing on the same dates. This HEDA PAYG Note will not be transferred to any person other than an affiliate, or other related entity, of the Owner unless HEDA has been provided with an investment letter or a certificate of the transferor, in a form reasonably satisfactory to HEDA, that the transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws.

8. Subject to Terms of Agreement. This HEDA PAYG Note is subject to the terms and provisions of the Development Contract. If there is any inconsistency between the terms and provisions of this HEDA PAYG Note and the terms and provisions of the Development Contract, the terms and provisions of the Development Contract shall govern. All capitalized terms when used herein shall have the meaning given them in the Development Contract, unless the context clearly requires otherwise.

9. Revenue Nature Payments. The Payments shall be pay-as-you-go and the Payments shall be payable only to the extent of the Available City Tax Abatement. Any Payments not paid

when due will be deemed deferred and paid when there is sufficient Available City Tax Abatement to make such Payments. No Payment shall be made after the earlier of (i) February 1, 2031; (ii) the latest date on which the Available City Tax Abatement may be received by City under the City Abatement Resolution; or (iii) the date that the Available City Tax Abatement may not be provided under the City Abatement Resolution under the laws of the Minnesota as currently enacted or as such laws are amended from time to time (future law changes may not grandfather the ability of HEDA to make Payments to Owner and may limit HEDA's ability to make Payments to Owner) and any remaining Payments will be deemed forgiven and waived and shall not be accrued or otherwise due in the future.

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 exist, to happen, and to be performed in order to make this HEDA PAYG Note a valid and binding limited obligation of HEDA according to its terms, have been done, do exist, have happened, and have been performed in due form, time and manner as so required.

IN WITNESS WHEREOF, the Commissioners of the HEDA have caused this HEDA PAYG Note to be executed with the manual signatures of its President and Secretary, all as of the Date of Original Issue specified above.

HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

By _____
Its President

And by _____
Its Secretary

Office of the County Recorder
St. Louis County, Minnesota
Recorded on 07/11/2022
At 12:59PM

Document No. 01447162

Wendy Levitt
County Recorder

By A Johnson Deputy
AFR 10148946

Auditor

Recording Fee: \$46.00
Well Certificate Fee: \$0.00

This page has been added by the St. Louis County Recorder/Registrar of Titles to add the recording information to the attached document.

Notes:

EXHIBIT B

BUSINESS SUBSIDY AGREEMENT

BY AND AMONG

HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

AND

CITY OF HERMANTOWN

(COLLECTIVELY “GRANTOR”)

AND

KTJ 360, LLC

(“RECIPIENT”)

Approved: June 8th, 2022

This document was drafted by:

Steven C. Overom
Overom Law, PLLC
802 Garfield Avenue, Suite 101
Duluth, Minnesota 55802
(218) 625-8460

BUSINESS SUBSIDY AGREEMENT

THIS BUSINESS SUBSIDY AGREEMENT made effective this 8th day of June, 2022 by and among **Hermantown Economic Development Authority**, an economic development authority created under Chapter 469 of the Minnesota Statutes (“HEDA”) and the **City of Hermantown** (the “City”), a Minnesota statutory city (HEDA and City which are also hereinafter collectively referred to as the “Grantor”) with both having addresses at 5105 Maple Grove Road, Hermantown, Minnesota 55811 and **KTJ 360, LLC**, a Minnesota limited liability company, (“Recipient”) having its principal offices at 400 Water Street, Suite 200, Excelsior, MN 55331 is in response to the following situation:

A. HEDA, as Grantor, has the authority pursuant to Minnesota Statutes, sections 469.124 through 469.133, inclusive, as amended to carry out development projects that provide a public benefit to the City.

B. City, as Grantor, has the authority, pursuant to Minnesota Statutes §§412.211 and 412.221, Subd. 6, Subd. 7 and Subd. 11 and §412.321 to carry out projects that provide a public benefit to the City.

C. Grantor, when providing financial assistance to projects that provide a public benefit to the City and to the State, is subject to the requirements of Minnesota Statutes, Sections 116J.993 to 116J.995, inclusive, as amended, (“Business Subsidy Act”) and is defined therein as a Grantor.

D. Even though the assistance for housing that is provided to Recipient pursuant to this Business Subsidy Agreement is exempt from the Business Subsidy Act is Grantor desires to utilize the criteria in its Business Subsidy Policy (“Grantor’s Business Subsidy Policy”) to guide it in providing Business Subsidy to Recipient.

E. Grantor is required under Grantor’s Business Subsidy Policy to hold a hearing regarding the subsidy proposed to be provided by this Agreement and then enter into this subsidy agreement to set forth the terms and conditions of the Business Subsidy (the “Business Subsidy Agreement”).

F. The City Council of City (“City Council”) and the Commissioners of HEDA (“Commissioners”) held a joint public hearing on June 8, 2022 to consider this Agreement.

G. The City Council approved this Agreement on June 8, 2022 and the Commissioners approved this Agreement on June 8, 2022.

H. Recipient proposes to construct a 105-unit senior citizen housing complex (the “Project”) on property located in the City.

I. Recipient is required by Grantor’s Business Subsidy Policy to set forth in this Business Subsidy Agreement its goals that will result from receipt of the Business Subsidy.

J. Grantor finds the Project will promote the development of a 105-unit senior citizen housing complex which will provide life cycle housing in the City which will also provide or incentivize other residential housing sales and development, provide an increase in the real estate tax

base, provide needed infrastructure improvements and the grant of an easement for the City trail system.

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

THE AGREEMENT

Section 1. Definitions.

“Agreement” or “Subsidy Agreement” means this Business Subsidy Agreement.

“Benefit Date” means the date the Recipient receives the Business Subsidy. For improvements to property, the benefit date refers to the earliest date of either (i) when the improvements are finished for the entire project, or (ii) when a business occupies the property. For purchase or lease of equipment, the benefit date refers to when the Recipient puts the equipment into service.

“Business Subsidy” means the tax abatement financing assistance provided by Grantor to the Recipient.

“Business Subsidy Act” means Minnesota Statutes, sections 116J.993 to 116J.995, inclusive, as hereinafter amended.

“City”, referred to under the Business Subsidy Act means the City of Hermantown.

“Development Contract” means that certain Development Contract between Recipient and Grantor with respect to the development of the Project and the payment of Grantor of amounts advanced by Recipient to pay for the Infrastructure Improvements. Any terms defined in the Development Contract shall have the meanings set forth in the Development Contract unless the context clearly requires otherwise.

“Easement” means an easement on the Property for the City trail system.

“Grantor” means HEDA and the City.

“HEDA PAYG Note” means the HEDA PAYG Note means the Note by Grantor to Recipient to pay for costs incurred by the Recipient under the terms of the Development Contract.

“Infrastructure Improvements” means the improvements to the City water system and the installation of sidewalks, road and utilities serving the Project, environmental mitigation and stormwater control.

“Property” means the real estate legally described on Exhibit A attached hereto.

“Project” means a 105-unit senior citizen housing complex.

“Recipient” means KTJ 360, LLC, a Minnesota limited liability company.

“State” means the State of Minnesota.

Section 2. Subsidy Agreement Requirements.

2.1 Grantor and Recipient recognize and agree that the financial benefit of the HEDA PAYG Note is defined as a Business Subsidy under Grantor’s Business Subsidy Policy and is subject to the provisions thereof.

2.2 The Business Subsidy will be generated from tax abatement approved by the City with respect to the Project. Tax abatement for the Project will continue for up to seven (7) years for taxes payable in 2024 through 2030 or until the HEDA PAYG Note is satisfied, whichever is sooner. The Business Subsidy may not exceed Six Hundred Thousand and No/100 Dollars (600,000.00).

2.3 The public purposes of the Business Subsidy with respect to the Project is to promote the development of a 105-unit senior citizen complex which will provide housing for individuals and to provide an increase in the real estate tax basis. Grantor finds the Project will promote the development of a 105-unit senior citizen housing complex which will provide life cycle housing in the City which will also provide or incentivize other residential housing sales and development, provide an increase in the real estate tax base, and provide needed infrastructure improvements and the include the grant of an easement for the City trail system.

2.4 The goal of the Business Subsidy is to the cause the Project and Infrastructure Improvements to be constructed and the Easement granted.

2.5 If the goals described in Section 2.4 are not met, the Recipient must make the payment described in Section 3 hereof.

2.6 Recipient has demonstrated to the satisfaction of HEDA and City that it is adequately financed and the Project and Infrastructure Improvements will be completed in a timely fashion.

2.7 The Recipient agrees that it will continue operations at the Project in the City of Hermantown for at least five (5) years after the Benefit Date.

2.8 The Recipient has not previously received a Business Subsidy from Grantor and it has not failed to meet the terms of any business subsidy agreement as defined in the Business Subsidy Act and Recipient is eligible to receive a Business Subsidy under Grantor’s Business Subsidy Policy.

Section 3. Remedies.

If Recipient fails to meet the goals described in Section 2.4, then upon written notice delivered by Grantor to Recipient, Recipient must pay Grantor: (a) its “pro rata share” of the amount of any Business Subsidy; plus (b) interest on such principal amount of the Business Subsidy at the implicit price deflator rate for government consumption expenditures and gross investment for local and state governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year, accrued from the Benefit Date to the date of payment. The term “pro rata share” means if the failure relates to maintenance of the business in accordance with Section 2.7, 60 less the number of months of

operation (where any month in which the business is in operation for at least 15 days constitutes a month of operation), commencing on the Benefit Date and ending on the date the business ceases operation as determined by the HEDA, divided by 60.

In addition to the remedies described in this Section and any other remedy available to the Grantor for failure to meet the goals stated in Section 2.4, Recipient agrees and understands that it may not receive a Business Subsidy from the Grantor or any other grantor for a period of five years from the date of the failure or until Recipient satisfies its repayment obligation under this Section, whichever occurs first.

Section 4. Reports.

Recipient must submit to HEDA and City a written report with respect to the Business Subsidy goals and results on the form attached hereto, by March 1 of each year, commencing March 1, 2024 and continuing until the later of (i) the date the goals stated Section 2.4 are met; or (ii) March 1, 2031; or (iii) if the goals are not met, the date the Business Subsidy is repaid in accordance with Section 3.

HEDA and City will provide information to Recipient regarding the required forms. If Recipient fails to timely file any report required under this Section, HEDA and City will mail the Recipient a warning within one week after the required filing date. If, after fourteen (14) days of the postmarked date of the warning, the Recipient fails to provide a report, the Recipient must pay to the Grantor a penalty of One Hundred and No/100 Dollars (\$100.00) per month for each month that the report is delinquent.

A failure by HEDA and/or City to provide such reports or warnings hereunder shall not affect HEDA's and City's rights under this Business Subsidy Agreement, the Agreement or any applicable law, rule or regulation.

Section 5. Attorney Fees.

If Grantor employs attorneys or incurs other expenses for the collection of payments due or for the enforcement or observance of any obligation or agreement on the part of Recipient under this Agreement or the Agreement, the Recipient agrees that it will, within 10 days of written demand by the HEDA or City, pay the reasonable fees of such attorneys and any other expenses so incurred by Grantor.

Section 6. Project Compliance Information. Recipient shall provide to Grantor any information reasonably requested or needed by Grantor to monitor Project implementation for compliance with Minnesota law and its guidelines.

Section 7. Nondiscrimination. The provisions of Minnesota Statutes, Section 181.59, which relate to civil rights and discrimination, shall be considered a part of this Agreement as though wholly set forth herein and the Recipient shall comply with each such provision throughout the term of this Agreement.

Section 8. Miscellaneous.

8.1 Choice of Law and Venue. This Agreement is made and shall be governed in all respects by the laws of the State. Any disputes, controversies, or claims arising out of this Agreement shall be heard in the state or federal courts of the State, venued in St. Louis County, Minnesota if in State Court and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

8.2 Severability. Wherever possible, each provision of this Agreement and each related document shall be interpreted so that it is valid under applicable law. If any provision of this Agreement or any related document is to any extent found invalid by a court or other governmental entity of competent jurisdiction, that provision shall be ineffective only to the extent of such invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or any other related document.

8.3 Notice. All notices required hereunder shall be given by depositing in the U.S. mail, postage prepaid, certified mail, return receipt requested, to the following addresses (or such other addresses as either party may notify the other):

To HEDA: Hermantown Economic Development Authority
5105 Maple Grove Road
Hermantown, MN 55811
Attn: John Mulder, Executive Director

To City: City of Hermantown
5105 Maple Grove Road
Hermantown, MN 55811
Attn: John Mulder, City Administrator
Ph: (218) 729-3600
Email: jmulder@hermantownmn.com

To Recipient: KTJ 360, LLC
400 Water Street
Suite 200
Excelsior, MN 55331
Attn: Ryan Grover
Ph: (612) 810-9481
Email: ryan@oppidan.com

8.4 Entire Agreement. This Agreement, is made pursuant to and as part of the Agreement. The Agreement, this Agreement and all other documents and agreements executed pursuant to the Agreement constitute the complete and exclusive statement of all mutual understandings between the parties with respect to the Project, superseding all prior or contemporaneous proposals, communications, and understandings, whether oral or written, pertaining to the subject matter of this Agreement.

8.5 Headings. The headings appearing at the beginning of the several sections contained in this Agreement have been inserted for identification and reference purposes only and shall not be used in the construction and interpretation of this Agreement.

8.6 Conflict of Interests: Representatives Not Individually Liable. No officer, employee or contractor of Grantor may acquire any financial interest, direct or indirect, in this Agreement, or in any contract related to the Project. No officer, agent, or employee of the Grantor shall be personally liable to the Recipient or any successor in interest in the event of any default or breach by Grantor or for any amount that may become due to Recipient or on any obligation or term of this Agreement.

8.7 Effect on Other Agreements. Nothing in this Agreement shall be construed to modify any term of any other agreement to which Grantor and Recipient are parties.

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

8.9 Agreement. Grantor shall have no obligations to provide a Business Subsidy to Recipient unless and until the Agreement has been entered into by the parties.

8.10 No Waiver. No remedy conferred upon or reserved to Grantor is intended to be inclusive 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 Business Subsidy Agreement, the Agreement or now or hereafter existing at law or in equity or by statute. Further no decision by Grantor to exercise any remedy or give it hereunder, under the Agreement or by statute shall constitute a waiver of any rights afforded Grantor upon any subsequent or continuing default, action or non-action by Recipient.

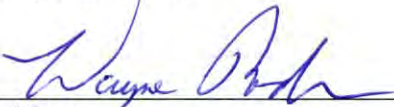
8.11 No Parent Corporation. There is no parent corporation of the Recipient.

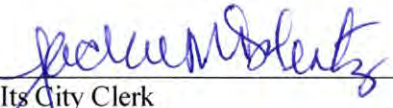
8.12 Job Goals. The creation of jobs was not determined to be a goal of the Business Subsidy so there are no job goals within this Agreement.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the City has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

City of Hermantown

By 
Its Mayor


And By 
Its City Clerk

[SIGNATURES CONTINUE ON NEXT PAGE]

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

Hermantown Economic Development Authority


By 
Its President

And By 
Its Secretary

[SIGNATURES CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, Recipient has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

KTJ 360, LLC

By 
Its Vice President

[END OF SIGNATURES]

City of Hermantown
 5105 Maple Grove Road
 Hermantown, MN 55811
 Phone: 218-729-3600
 Fax: 218-729-3620

City of Hermantown Business Assistance Recipient Report

Section 1: Recipient Information

1.1. Name of business or organization receiving subsidy or financial assistance: _____	1.2. Address where business subsidy or financial assistance will be used Street address: _____ City, State, Zip Code: _____
1.3. Does the recipient have a parent corporation? <i>(Mark one.)</i> <input type="checkbox"/> Yes <i>(Indicate name and address of parent corporation below. If more than one, indicate ultimate owner.)</i> <input type="checkbox"/> No Name of parent corporation: _____ Street address: _____ City, State, Zip Code: _____	
1.4. Industry of recipient's facility (Mark one.): <input type="checkbox"/> Manufacturing <input type="checkbox"/> Services <input type="checkbox"/> Finance, Insurance, Real Estate <input type="checkbox"/> Retail Trade <input type="checkbox"/> Wholesale Trade <input type="checkbox"/> Construction <input type="checkbox"/> Other (please specify):	
1.5. Did the recipient relocate as a result of signing this agreement? (Mark one.) <input type="checkbox"/> Yes (Indicate city and state of previous address and reason recipient did not complete this project at that address.) <ul style="list-style-type: none"> • City/State of previous address: • Reason project not completed at previous address: • Indicate total number of employees who ceased to be employed by recipient when the recipient relocated to become eligible for the business subsidy. # <input type="checkbox"/> No (Go to Question 1.6.)	
1.6. What would recipient have done without business subsidy or financial assistance? (Mark one): <input type="checkbox"/> Remain at previous location, but not expand <input type="checkbox"/> Remain at previous location but expand at the location <input type="checkbox"/> Relocate to different Minnesota location <input type="checkbox"/> Relocated outside Minnesota <input type="checkbox"/> Other:	
1.6.1. Was the project a result of eminent domain? <input type="checkbox"/> Yes <input type="checkbox"/> No	

Section 2: Goals and Public Purpose Identified in the Agreement

2.1. Minn. Stat. §116J.994 requires that business subsidy and financial assistance agreements state a public purpose. Which of the following public purposes were stated in the agreement? <i>(Mark all that apply.)</i> <input type="checkbox"/> Enhancing economic diversity <input type="checkbox"/> Increasing tax base (cannot be only purpose) <input type="checkbox"/> Creating high-quality job growth <input type="checkbox"/> Job retention <input type="checkbox"/> Other <i>(please specify):</i> _____ <input type="checkbox"/> Stabilizing the community
--

2.2. Indicate whether the agreement included the following types of goals, and whether the recipient had attained those goals at the time of this report. (Fill in the boxes and attainment date(s) for each goal.)

	Goals established?	Target attainment dates (month & year)	All goals attained?
A) Specific wage and job goals to be attained within 2 years	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No
B) Other job-creation and/or retention goals	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No
C) Other wage goals	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No
D) Goals other than wage and job goals	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No

2.5. Has the recipient achieved all goals (see Question 2.1 and 2.2) and fulfilled all obligations stipulated in the agreement (Mark one.)

Yes No

Section 3: Agreement Information

3.1. Total dollar value of business subsidy or financial assistance
Please separate value by type in Questions 3.5 and 3.6.):

3.2. Date agreement signed (In addition to the agreement date, indicate any dates the agreement was amended.): _____

3.3. Benefit date (Indicate the date the recipient receives the business subsidy. If the subsidy involves physical equipment, then the benefit date is the date the equipment is placed into service. If the business subsidy involves property improvements, the benefit date is when the improvements are finished or when the business occupies the property): _____

3.4. Does the agreement provide a business subsidy or one of the four types of financial assistance (see Question 3.6) required to be reported? (Mark one.)

business subsidy

financial assistance

3.5. If the agreement provided a business subsidy, please indicate the type(s) and total dollar value for each type.

not applicable, agreement provided financial assistance

- loan (only principal) \$ _____
- grant (i.e., forgivable loan) \$ _____
- tax abatement \$ _____
- TIF or other tax reduction or deferral* \$ _____
- guarantee or payment \$ _____
- contribution of property or infrastructure \$ _____
- preferential use of governmental facilities \$ _____
- land contribution \$ _____
- other (Specify subsidy type.): _____ \$ _____

3.6. If the assistance was one of the four types of financial assistance, please indicate the type(s).

not applicable, agreement provided a business subsidy

- assistance for property by contaminants \$ _____
- assistance for renovating building stock or bringing it up to code, and assistance provided for designated historic preservation districts, when 50 percent or less of total cost \$ _____
- assistance for pollution control or abatement \$ _____
- assistance for a TIF soils condition district \$ _____

<p>3.7. If the assistance included tax increment financing, please indicate the type of TIF district. <i>(Mark one.)</i></p> <p><input type="checkbox"/> not applicable, assistance was not in the form of TIF</p> <p><input type="checkbox"/> redevelopment <input type="checkbox"/> renewal and renovation <input type="checkbox"/> soils condition <input type="checkbox"/> economic development <input type="checkbox"/> mined underground space <input type="checkbox"/> hazardous substance subdistrict</p> <p>3.7A. If assistance included JOBZ benefits, please indicate type of assistance. <i>(Mark all that apply and please also submit the JOBZ MBAF form.)</i></p> <p><input type="checkbox"/> JOBZ <input type="checkbox"/> JOBZ AgZone <input type="checkbox"/> Biozone</p>	<p>3.8. Are any other grantors providing a business subsidy or financial assistance to the same project? <i>(Mark one.)</i></p> <p><input type="checkbox"/> Yes <i>(Specify each grantor and the value of their assistance below; attach an additional sheet if necessary.)</i></p> <p>Grantor: _____ Value (\$): _____</p> <p>Grantor: _____ Value (\$): _____</p> <p><input type="checkbox"/> No</p>
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Recipient Name:

Authorized Officer

EXHIBIT C

ASSESSMENT AGREEMENT

BY AND BETWEEN

KTJ 360, LLC

AND

CITY OF HERMANTOWN

Dated as of the 8th day of June, 2022

This document was drafted by:

Steven C. Overom
Overom Law, PLLC
802 Garfield Avenue, Suite 101
Duluth, Minnesota 55802
(218) 625-8460

ASSESSMENT AGREEMENT

THIS ASSESSMENT AGREEMENT, dated as of the 8th day of June, 2022 by and between the **City of Hermantown** ("City") and **KTJ 360, LLC**, a Minnesota limited liability company (the "Developer"), and certified by the County Assessor for St. Louis County, Minnesota (the "Assessor") is in response to the following situation:

A. City, Hermantown Economic Development Authority ("HEDA") and Developer have entered into a certain Development Contract, dated as of June 8th, 2022 (the "Development Contract"), regarding certain real property located in the City of Hermantown, St. Louis County, Minnesota (the "Property"), which property is legally described on the Exhibit A attached to and made a part of this Assessment Agreement. Defined terms not otherwise defined herein shall be defined as set forth in the Development Contract.

B. The Development Contract provides that Developer will construct a 105-unit senior citizen housing complex and improvements (the "Project") on the Property.

C. City and Developer desire to establish certain minimum market values for the Property upon completion of the Project pursuant to Minnesota Statutes, Section 469.177, Subdivision 8.

D. Developer, City, and the Assessor have reviewed the plans for the Project.

NOW, THEREFORE, the parties to this Assessment Agreement, in consideration of the promises, covenants and agreements herein, do hereby agree as follows:

1. Effective as of January 2 of the year following the year that the Project is completed and continuing on each January 2 through the term of this Assessment Agreement, the minimum market value which shall be assigned to and assessed for the Project for purposes of real estate property taxation shall be not less than \$14,800,000.00 (the "Minimum Market Value").

2. The term of this Assessment Agreement shall expire and the Minimum Market Value herein established shall be of no further force and effect shall terminate upon the earlier of (i) the termination of the Development Contract or (ii) the date that the HEDA PAYG Note is paid in full (the "Termination Date").

3. This Assessment Agreement is contingent upon the continuing payment to Developer of the amounts payable under the HEDA PAYG Note unless the non-payment to Developer was due to Developer not paying taxes when due.

4. This Assessment Agreement shall be promptly recorded by City, with the County Recorder and/or the Registrar of Titles (as applicable) of St. Louis County, Minnesota, and shall be filed against the Property. The parties shall execute and record a termination of this Assessment Agreement upon the Termination Date.

5. Neither any preamble nor any provision of this Assessment Agreement is intended to modify the terms of this Assessment Agreement.

6. This Assessment Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties, shall be governed by and interpreted pursuant to Minnesota law, and may be executed in counterparts, each of which shall constitute an original hereof and all of which shall constitute one and the same instrument.

7. Nothing herein shall be deemed to waive Developer's right to contest that portion of any actual value assignment made by the Assessor in excess of the Minimum Actual Value established herein. In no event, however, shall Developer seek to reduce the actual value assigned below the Minimum Market Value established herein during the term of this Assessment Agreement.

8. This Assessment Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

9. Each of the parties has authority to enter into this Assessment Agreement and to take all actions required of it, and has taken all actions necessary to authorize the execution and delivery of this Assessment Agreement.

10. In the event any provision of this Assessment Agreement shall be held invalid and unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

11. The parties hereto agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements, amendments and modifications hereto, and such further instruments as may reasonably be required for correcting any inadequate, or incorrect, or amended description of the Property or the Project or for carrying out the expressed intention of this Assessment Agreement, including, without limitation, any further instruments required to delete from the description of the Property such part or parts as may be included within a separate assessment agreement.

12. This Assessment Agreement may not be amended nor any of its terms modified except by a writing authorized and executed by all parties hereto.

13. This Assessment Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

[SIGNATURES APPEAR ON NEXT PAGE]

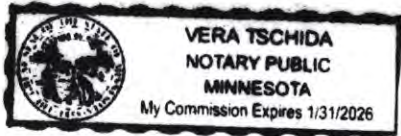
IN WITNESS WHEREOF, Developer has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

KTJ 360, LLC

By 
Its Vice President

STATE OF MINNESOTA)
) ss.
COUNTY OF Hennepin)

This instrument was acknowledged before me on June 16, 2022, by David Scott, the Vice President of KTJ 360, LLC, a Minnesota limited liability company, on behalf of said company.




Notary Public

[END OF SIGNATURES]

CERTIFICATION BY COUNTY ASSESSOR

The undersigned, having reviewed certain plans for the Project to be constructed and the market value assigned to the land upon which the Project to be constructed, as described in this Assessment Agreement, hereby states as follows: The undersigned Assessor, being legally responsible for the assessment of the above-described property, hereby certifies that the \$14,800,000.00 market value hereinabove assigned to the Project is reasonable.

County Assessor for St. Louis County

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

This instrument was acknowledged before me on _____, 2022, by _____, the County Assessor of St. Louis County.

Notary Public

EXHIBIT A
Legal Description

South Half of the West Half of Southwest Quarter of Southwest Quarter (S 1/2 of W 1/2 of SW 1/4 of SW 1/4) Section 14, Township 50 North Range 15.

This is Abstract property.