

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

14-0041R

RESOLUTION AUTHORIZING A NINTH AMENDMENT TO THE MIF LOAN AGREEMENT AND A NINTH PROMISSORY NOTE MODIFICATION AGREEMENT WITH NORTHSTAR MACHINE & TOOL, INC., D.B.A. NORTHSTAR AEROSPACE, MODIFYING PAYMENTS FROM JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

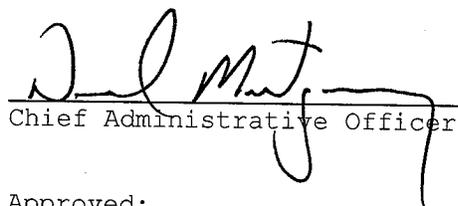
CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter into a ninth amendment to the MIF loan agreement and a ninth promissory note modification agreement substantially in the form of those on file in the office of the city clerk as Public Document Nos. \_\_\_\_\_ and \_\_\_\_\_ with Northstar Machine and Tool, Inc., d.b.a Northstar Aerospace ("Northstar"), allowing Northstar to make payments of interest plus an amount equal to one-fourth of the principal payment provided for under the note for a one-year period, from January 1, 2014, through December 31, 2014 and extending the date for repayment of entire unpaid principal and interest to December 31, 2014.

Approved:

  
Department Director

Approved for presentation to council:

  
Chief Administrative Officer

Approved as to form:

  
Attorney

Approved:

  
Auditor

BD/ATTY HUB/JC:bel 01/03/2014

STATEMENT OF PURPOSE: In 2006, the City applied to the Minnesota Department of Employment and Economic Development (DEED) for a MIF grant in order to provide Northstar funds to purchase new facility expansion equipment. The City received

a grant in the amount of \$500,000 from DEED and made a MIF loan of the same amount to Northstar. The subsidy is in the form of one percent interest. In exchange, Northstar agreed to create 50 new full-time equivalents by February 23, 2009.

In January 2009, the City and Northstar entered into an amendment to the MIF loan agreement and a promissory note modification agreement pursuant to which the time within which the jobs were to be created was increased by one year, until February 23, 2010. Additionally, Northstar was allowed to make interest only payments from January 1, 2009, through June 30, 2009. In June 2009, the City and DEED approved a second six-month extension of interest-only payments with a second amendment to the MIF loan agreement and a second promissory note modification agreement. In December 2009, the City and DEED approved a third six-month extension of interest-only payments with a third amendment to the MIF loan agreement and a third promissory note modification agreement. In October 2010, the City and DEED approved an additional nine-month extension of interest only payments with a fourth amendment to the MIF loan agreement and a fourth promissory note modification agreement.

In March 2011, the City and DEED approved an additional six-month extension of interest but modified terms to also require the payment of half the principal with a fifth amendment to the MIF loan agreement and a fifth promissory note modification agreement. This resulted in monthly payments of approximately \$1,667.00 during the period of April 1 through September 30.

Full principal/interest payments were made by Northstar in October and November 2011. In November 2011, the City and DEED approved an additional five-month extension of one-half principal plus interest for the period of December 1, 2011 through April 30, 2012. The Council, in May 2012, approved a seventh extension, for full interest plus one-fourth principal payments, through June 30, 2013. The Council, in July 2013, extended these same terms through December 2013.

Northstar has submitted another written request for a ninth extension of same terms through December 31, 2014, with the entire remaining unpaid balance of principal and interest due and payable in full on December 31, 2014. Staff from the City and the other two lenders involved in this 2006 financing project (1200 Fund and Republic Bank) have met with both DEED and Northstar staff to discuss this request, of which the bank recommends approval. Northstar has demonstrated notable, improved business trends as well as positive projections for 2014. DEED has indicated their willingness to support this ninth amendment upon Council's approval of this resolution, which allows for monthly payment of one-fourth principal plus interest for a twelve month period. The lenders have and will continue to meet with Northstar staff on a routine basis.

Northstar has maintained an excellent payment history on its MIF loan with the City, which has a current balance of approximately \$403,000. Its promissory note with the City requires full repayment of the loan.

**AGREEMENT FOR LOAN OF MINNESOTA INVESTMENT FUND**

**NORTHSTAR MACHINE & TOOL CO., INC.**

**NINTH AMENDMENT**

THIS NINTH AMENDMENT is made by and between the City of Duluth, (the "City") and Northstar Machine & Tool Co., Inc. D.B.A. Northstar Aerospace (the "Developer").

RECITALS:

- A. On February 8, 2007, the City and Developer entered into a Minnesota Investment Fund loan agreement which was amended by first amendment dated January 30, 2009, by second amendment dated August 24, 2009, by third amendment dated January 28, 2010, by fourth amendment dated October 15, 2010, by fifth amendment dated April 19, 2011, by sixth amendment dated December 2, 2011, by seventh amendment dated August 10, 2012, and by eighth amendment dated August 6, 2013 (the loan agreement and the amendments hereinafter referred to as the "MIF Loan Agreement"); and
- B. The parties desire to further amend the MIF Loan Agreement as set forth herein.

NOW THEREFORE, it is agreed by and between the parties hereto as follows:

1. That Section 3.5, Promissory Note, of ARTICLE 3, is hereby amended as follows:

Section 3.5. Promissory Note. The Developer shall execute a ninth promissory note modification agreement in substantially the form set forth at Exhibit C-9.

2. That Section 5.4, Loan Terms, of ARTICLE 5, is hereby amended as follows:  
The term of the Loan shall commence as of the Initial Disbursement Date and continue through December 31, 2014. The Loan shall bear interest at a rate of one percent (1%) per annum and interest shall commence to accrue as of the Initial Disbursement Date.

3. That Section 5.5 of ARTICLE 5 is hereby amended as follows:

Section 5.5. Loan Repayments Schedule. The cost of all Equipment purchased and furnished to Developer under Section 5.1. above shall constitute a loan to Developer. Prior to the Initial Disbursement, Developer executed a note in the amount of Five Hundred Thousand and No/100 Dollars (\$500,000) bearing interest at the simple rate of one percent (1%) per year. Pursuant to the terms of said note and subsequent modifications thereto, including the note modification agreement attached hereto as Exhibit C-9, payments of principal and interest shall commence on the first day of the first month immediately following the Initial Disbursement Date, and shall continue on the first day of each and every month thereafter until paid in full, except that Developer is allowed to make interest only payments under the Note from January 1, 2009 through March 31, 2011; one-half of the principal payments plus interest as provided for in the Note from April 1, 2011 through September 30, 2011, and from December 1, 2011 through April 30, 2012; and one-quarter of the principal plus full interest payments from May 1, 2012 through December 31, 2014. Thereafter the monthly payment amounts shall fully amortize the Loan over fifteen (15) years; provided, however, the entire remaining unpaid balance of principal and interest shall be due and payable in full on December 31, 2014.

3. Except as provided in this Ninth Amendment, all terms and provisions of the MIF Loan Agreement shall remain in force and effect.

IN WITNESS WHEREOF, the parties have caused this Ninth Amendment to be duly executed as of the date below written.

CITY OF DULUTH

NORTHSTAR MACHINE & TOOL CO., INC.

\_\_\_\_\_  
Mayor

By \_\_\_\_\_  
Its \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk

Date: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

COUNTERSIGNED:

\_\_\_\_\_  
City Auditor

## EXHIBIT C-9

### NINTH PROMISSORY NOTE MODIFICATION AGREEMENT

This Ninth Promissory Note Modification Agreement is made by and between Northstar Machine & Tool Co., Inc. D.B.A. Northstar Aerospace, a Minnesota corporation, (the "Maker") and the City of Duluth (the "City")

The Maker acknowledges that it received from the City of Duluth (the "City"), the principal sum of Five Hundred Thousand and No/100 Dollars (\$500,000) pursuant to the terms of a note dated February 8, 2007. The note was payable in installments due as follows:

The Loan shall bear interest at a rate of one percent (1%) per annum and interest shall commence to accrue as of the Initial Disbursement Date as defined in the Loan Agreement of even date herewith. Payments of principal and interest shall commence on the first day of the first month immediately following the Initial Disbursement Date, and continue on the first day of each and every month thereafter until paid in full. Such payments shall fully amortize the Loan over fifteen (15) years; provided, however, the entire remaining unpaid balance of principal and interest shall be due and payable in full on the first day of the eighty-fourth (84th) month following the Initial Disbursement Date.

On January 30, 2009, August 24, 2009, January 28, 2010, and October 15, 2010, Maker and the City modified the note to allow Maker to make interest only payments from January 1, 2009 through March 31, 2011. On April 19, 2011, and December 2, 2011, Maker and the City modified the note to allow Maker to make one-half of the principal payments plus interest payments as provided for in the note from April 1, 2011 through September 30, 2011, from December 1, 2011 through April 30, 2012. On August 10, 2012 and August 6, 2013, Maker and the City modified the note to allow Maker to make one-quarter principal plus full interest payments from May 1, 2012 through December 31, 2013 (the note and the modifications to the note hereinafter referred to as the "Note").

Maker and the City desire that the Note be further modified as herein provided, but that all terms not so modified remain unchanged and in full force and effect.

Now, therefore, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Payment Schedule: The payment schedule provided in said Note is hereby modified to allow the Maker to make interest only payments from January 1, 2009 through March 31, 2011; one-half of the principal payments plus interest payments as provided for in the Note from April 1, 2011 through September 30,

2011 and from December 1, 2011 through April 30, 2012; one-quarter of principal plus full interest payments from May 1, 2012 through December 31, 2014; provided, however, the remaining unpaid balance of principal and interest shall be due and payable in full on December 31, 2014.

Except as provided above, the said Note and all provisions thereof shall remain unaffected and unchanged by this Ninth Promissory Note Modification Agreement and all terms, conditions and provisions of said Note not modified are hereby ratified and confirmed in all respects and Maker promises to pay the aforesaid sum with interest and in the manner stated above.

IN WITNESS WHEREOF, the parties have caused this Ninth Promissory Note Modification Agreement to be duly executed as of the date below written.

CITY OF DULUTH

NORTHSTAR MACHINE & TOOL CO.,  
INC.

\_\_\_\_\_  
Mayor

By \_\_\_\_\_  
Its \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk

Date: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

COUNTERSIGNED:

\_\_\_\_\_  
City Auditor

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The Loan shall bear interest at a rate of one percent (1%) per annum and interest shall commence to accrue as of the Initial Disbursement Date as defined in the Loan Agreement of even date herewith. Payments of principal and interest shall commence on the first day of the first month immediately following the Initial Disbursement Date, and continue on the first day of each and every month thereafter until paid in full. Such payments shall fully amortize the Loan over fifteen (15) years; provided, however, the entire remaining unpaid balance of principal and interest shall be due and payable in full on the first day of the eighty-fourth (84th) month following the Initial Disbursement Date.

On January 30, 2009, August 24, 2009, January 28, 2010, and October 15, 2010, Maker and the City modified the note to allow Maker to make interest only payments from January 1, 2009 through March 31, 2011. On April 19, 2011 and December 2, 2011, Maker and the City modified the note to allow Maker to make one-half of the principal payments plus interest payments as provided for in the note from April 1, 2011 through September 30, 2011, and from December 1, 2011 through April 30, 2012. On August 10, 2012 and August 6, 2013, Maker and the City modified the note to allow Maker to make one-quarter principal plus full interest payments from May 1, 2012 through December 31, 2013 (the note and the modifications to the note hereinafter referred to as the "Note").

Maker and the City desire that the Note be further modified as herein provided, but that all terms not so modified remain unchanged and in full force and effect.

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Payment Schedule: The payment schedule provided in said Note is hereby modified to allow the Maker to make interest only payments from January 1, 2009 through March 31, 2011; one-half of the principal payments plus interest payments as provided for in the Note from April 1, 2011 through September 30, 2011, and from December 1, 2011 through April 30, 2012; one-quarter of principal plus full interest payments from May 1, 2012 through December 31, 2014; provided, however, the

remaining unpaid balance of principal and interest shall be due and payable in full on December 31, 2014.

Except as provided above, the said Note and all provisions thereof shall remain unaffected and unchanged by this Ninth Promissory Note Modification Agreement and all terms, conditions and provisions of said Note not modified are hereby ratified and confirmed in all respects and Maker promises to pay the aforesaid sum with interest and in the manner stated above.

IN WITNESS WHEREOF, the parties have caused this Ninth Promissory Note Modification Agreement to be duly executed as of the date below written.

CITY OF DULUTH

NORTHSTAR MACHINE & TOOL CO.,  
INC.

\_\_\_\_\_  
Mayor

By \_\_\_\_\_  
Its \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk

Date:

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

COUNTERSIGNED:

\_\_\_\_\_  
City Auditor