

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
WEDNESDAY, NOVEMBER 18, 2020 – 5:15 P.M.
VIA ELECTRONIC MEANS PURSUANT TO MINNESOTA STATUTES
SECTION 13D.021
AGENDA**

Please take notice that the Duluth Economic Development Authority will hold a public hearing by other electronic means pursuant to Minnesota Statutes Section 13D.021 on Wednesday, November 18, 2020, at 5:15 p.m. All persons interested may monitor and participate in the hearing by visiting: <http://dulutheda.org/live-meeting> promptly at 5:15 p.m. on Wednesday, November 18, 2020, and written comments may be submitted to DEDA in advance of the meeting via the DEDA's web site at <http://dulutheda.org/contact-us/> or via email at cfleege@duluthmn.gov, and DEDA will decide if the conveyance is advisable.

The regular meeting place of DEDA is the Duluth City Council Chambers at City Hall, 411 West First Street, in Duluth, Minnesota. At this time board members of DEDA do not intend to attend the meeting in person; due to continually evolving restrictions and guidance from state and federal officials and agencies, the board members of DEDA will attend the meeting remotely via telephone or other electronic means pursuant to Minnesota Statutes Section 13D.021.

1. CALL TO ORDER

2. PUBLIC TO ADDRESS THE COMMISSION

3. PUBLIC HEARINGS

RESOLUTION 20D-75: RESOLUTION AUTHORIZING AN OPTION AGREEMENT WITH AEON, INC. RELATED TO AN AFFORDABLE HOUSING DEVELOPMENT IN THE RAMSEY NEIGHBORHOOD

4. APPROVAL OF MINUTES

MEETING MINUTES FROM OCTOBER 28, 2020 MEETING

5. APPROVAL OF CASH TRANSACTIONS

OCTOBER 1, 2020 TO OCTOBER 31, 2020

6. NEW BUSINESS

7. RESOLUTIONS FOR APPROVAL

RESOLUTION 20D-75: RESOLUTION AUTHORIZING AN OPTION AGREEMENT WITH AEON, INC. RELATED TO AN AFFORDABLE HOUSING DEVELOPMENT IN THE RAMSEY NEIGHBORHOOD

RESOLUTION 20D-76: RESOLUTION AUTHORIZING A SHORT TERM LEASE AGREEMENT WITH LAKE SUPERIOR HELICOPTERS LLC FOR USE OF THE MRO

8. DISCUSSION

DIRECTORS REPORT

- **Upcoming Tax Forfeit Pass Through Inquiries**

9. ADJORN

RESOLUTION 20D-75

**RESOLUTION AUTHORIZING AN OPTION AGREEMENT WITH
AEON, INC. RELATED TO AN AFFORDABLE HOUSING DEVELOPMENT IN THE
RAMSEY NEIGHBORHOOD**

RESOLVED, by the Duluth Economic Development Authority ("DEDA") that the proper DEDA officials are hereby authorized to enter into an option agreement substantially in the form of that attached hereto as Exhibit A, with Aeon, Inc. ("Aeon") for the development of certain property in the Ramsey neighborhood for affordable housing, which property is described below, subject to the terms and conditions of a Development Agreement to be negotiated between the parties:

Lots 1 through 18, Block 168, WEST DULUTH SEVENTH DIVISION,
except minerals; and

Lot 23 and the easterly 20 feet of Lot 22, Block 168, WEST DULUTH
SEVENTH DIVISION, except minerals; and

Lots 8 through 10, Block 169, WEST DULUTH SEVENTH DIVISION,
except minerals; and

Lots 11 through 17 and Lots 19 through 28, Block 169, WEST
DULUTH SEVENTH DIVISION; and

Lot 18, Block 169, WEST DULUTH SEVENTH DIVISION, except
minerals.

Approved by the Duluth Economic Development Authority this 18th day of
November, 2020.

ATTEST:

Executive Director

STATEMENT OF PURPOSE: The purpose of this Resolution is to authorize an option agreement with Aeon for the development of up to 120 but no less than 60 units of affordable housing on DEDA-owned property on the upper side of Wadena Street between 52nd and 53rd Avenue West in the Ramsey neighborhood. Developer desires to apply to the Minnesota Housing Finance Agency for financing and Low Income Housing Tax Credits (LIHTC) for the proposed project and to perform additional analysis of the property in order to determine whether the property can be feasibly developed.

This Agreement will give them an option to acquire the property for \$500,000 to implement the project if they should decide to proceed. The development would fit with the neighborhood plan for the area and would fill a significant need in the area.

Tax Base Impact Statement: This property is presently vacant and publicly owned, and does not generate taxable value for the region. Through this development, it will again be on the tax rolls, assessed as a multi-family residential property. The owner will pay taxes on the full value of the property, which will remain in private ownership contributing to the tax base.

**OPTION AGREEMENT
WADENA STREET PROPERTY
DULUTH ECONOMIC DEVELOPMENT AUTHORITY, SELLER
AEON, PURCHASER**

THIS OPTION AGREEMENT (this "Agreement") entered into this _____ day of October, 2020 (the "Effective Date"), by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority created and existing under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as "DEDA" and AEON, a Minnesota non-profit corporation and its successors and assigns as authorized pursuant to Article VI Paragraph B below, hereinafter referred to as "Developer".

WHEREAS, DEDA, as an economic development authority under Minnesota law, has the primary mission of facilitating economic development in the City of Duluth, as evidenced by the creation of new tax base and new, well-paid job opportunities in the community;

WHEREAS, DEDA is the owner of real property located in the City of Duluth which is more particularly described in Exhibit A attached hereto and made a part hereof (the "Property");

WHEREAS, DEDA has determined that the City of Duluth and the Spirit Valley Neighborhood in particular is in need of additional affordable housing and that the Property is a suitable site for such housing;

WHEREAS, Developer has proposed to DEDA a tentative plan for a multi-phase development of the Property with approximately one hundred twenty (120) multi-family affordable housing apartment units in two (2) buildings, which development meets the definition of a Housing District contained in Minnesota Statutes 469.174 Subd. 11, provided that the anticipated configuration and unit count of the project remains subject to change based on the mutual agreement of DEDA and Developer as set forth in the Development Agreement (the "Development");

WHEREAS, in order to make the Development feasible, Developer needs to

pursue additional financing options including an award of low-income housing tax credits from the Minnesota Housing Finance Agency or any applicable suballocator; and

WHEREAS, DEDA is willing to grant an Option to Developer for the purpose of encouraging Developer to make the investment in time, money and effort to determine whether the Development is feasible.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

For the purposes of this Agreement, the following terms shall have the meanings hereinafter ascribed to them unless a different meaning clearly appears from the context:

- A. Development Agreement: shall mean an agreement between DEDA and Developer, in a form approved by the DEDA Board of Commissioners, which commits DEDA to convey the Property to Developer for the Purchase Price and commits Developer to acquire the Property from DEDA and to cause the Development to be constructed on the Property in a manner consistent with the terms and conditions set forth therein and with this Agreement.

Director: shall mean DEDA's Executive Director or the person designated to act on behalf of them with regard to this Agreement.

- B. Exercise Date: shall mean the date upon which DEDA and the Developer execute the Development Agreement, after approval thereof by DEDA Board of Commissioners and any other entity whose approval is legally required for the Development Agreement to be legally binding or whose approval is necessary for DEDA to be lawfully able to perform its

obligations under the Development Agreement.

- C. Option: shall mean the right of the Developer during the Option Term to enter into a Development Agreement outlining the conditions and obligations of the DEDA and Developer for the Development and for the Developer to purchase the Property from DEDA.
- D. Purchase Price: shall mean Five Hundred Thousand Dollars (\$500,000).

ARTICLE II

GRANT OF OPTION; PURCHASE AGREEMENT

A. Option

In consideration of the terms and conditions of this Agreement, DEDA hereby grants to Developer an exclusive Option to enter into a Development Agreement with DEDA and purchase the Property for the amount of the Purchase Price. The Option may be exercised commencing on the Effective Date and expiring at 4:30 P.M. CST on June 30, 2022 subject to Developer being awarded low-income housing tax credits from the Minnesota Housing Finance Agency for the Development by December 31, 2021, unless sooner exercised or terminated as hereinafter provided (the "Option Term"). If Developer desires to exercise its Option, Developer shall, during the Option Term, deliver a written notice ("Option Exercise Notice"). The closing of the purchase and sale of the Property (the "Closing") shall occur on the date specified in the Development Agreement which shall be mutually agreed upon by Developer and DEDA (the "Closing Date"). The Closing shall take place through escrow deliveries to a title company of Developer's choosing. At closing, Developer shall pay DEDA the Purchase Price less the amount of the Option Fee, provided for in Paragraph B below, paid to DEDA and DEDA agrees to deliver possession of the Property to Developer on the Closing Date and execute a Quit Claim Deed conveying the Property to Buyer, free and clear of all encumbrances, except any Permitted Objections as

described in Article IV of this Agreement.

B. Option Fee

Within Ten (10) Days of executing this Agreement, in consideration of the grant of this Option to Developer, Developer agrees to pay DEDA an option fee (the "Option Fee") in the amount of Five Thousand Dollars (\$5,000). Said Option Fee shall be non-refundable except that if, despite its best efforts to secure an award of low-income housing tax credits from the Minnesota Housing Finance Agency for the Development by December 31, 2021, Developer fails to secure such an award, DEDA agrees to refund the Option Fee to Developer.

C. Option Conditions

The Option shall be conditioned upon: (i) a resolution of DEDA's Board of Commissioners approving the conveyance of the Property to Developer pursuant to this Agreement and (ii) the approval and execution of the Development Agreement by and between DEDA and Developer which shall contain at least the following:

1. Basic Requirements

Provides for the payment of the Purchase Price, Closing Date and otherwise conforms to the terms set forth in this Agreement.

2. Develop Development

Commits Developer to complete the Development as finally described in the Development Agreement within the time parameters provided for therein.

3. Plan Conformance

Complies with the terms of the City of Duluth Comprehensive Plan and for the Regulating Plan for the Spirit Valley Neighborhood.

D. Option Premium, Purchase Price and Manner of Payment

1. Option Premium

In consideration of the obligations of DEDA hereunder, Developer agrees to pay over and release unto DEDA, within ten (10) business days

following the Effective Date, an option premium in the amount of One Hundred and No/100 Dollars (\$100.00) (the "Option Premium"). The Option Premium shall be fully earned as of the Effective Date and shall not be refundable to Developer except in the case of DEDA's fraud or material default under the terms of this Agreement.

2. Purchase Price

If Developer exercises the Option, it shall pay the Purchase Price to DEDA to acquire the Property. Buyer shall pay the Purchase Price in cash or immediately available funds by wire transfer on the Closing Date, subject to adjustment and proration as shall be provided for in the Development Agreement.

E. Termination

If at any time during the Option Term, Developer determines not to exercise the Option, Developer shall promptly give notice to DEDA as provided for in Article XIII below that it is terminating the Option and waiving any and all rights granted to it under this Agreement. Upon the giving of such notice this Agreement shall be null and void and neither party shall have any obligations to the other pursuant to it except that any obligations arising under Articles VII and VIII shall continue to be in full force and effect as to any obligations arising anything occurring during the time this Agreement was in force.

ARTICLE III
RIGHT OF ENTRY; TESTING

During the Option Term, DEDA hereby grants to Developer and its employees, contractors and agents the right to enter upon the Property at any time for the purposes of performing survey and engineering work related to the Property or for the purpose of performing geotechnical and environmental testing, investigations, studies and

inspections on the Property. Developer agrees to require its contractors to use their best efforts to not unnecessarily disrupt the Property or DEDA's use thereof by reason of said testing. The costs of such survey and testing work shall be solely the responsibility of Developer. In the event that Developer shall for any reason not purchase the Property from DEDA, Developer shall be responsible for returning the Property to substantially the condition it was in prior to the Developer's entering thereon for the purposes set forth herein or Developer, at its option, may reimburse DEDA for the costs of such restoration.

ARTICLE IV
TITLE EXAMINATION

A. DEDA's Title Evidence

Within ten (10) days of receipt of Developer's written request therefore, DEDA shall furnish to Developer such title evidence as is now in DEDA's possession; provided that Developer's request shall have been received by DEDA no less than thirty (30) days prior to the Exercise Date. Developer may also order its own title work for the Property at its sole cost.

B. Developer's Objections

Within thirty (30) days of receiving all of the documentation requested pursuant to Paragraph A of this Article, Developer will make written objections (the "Objections") to the form or contents or both of said documents and to any matter referenced therein. Developer's failure to make such Objections within such time shall constitute a waiver thereof and render such matters to be permitted objections (the "Permitted Objections"). DEDA shall thereafter have up to sixty (60) days after receipt of written notice of the Objections to cure such Objections, during which period the Closing Date will be extended as necessary to allow DEDA to cure such Objections. DEDA shall use its best efforts to cure each and every such Objection. If any such Objections is not cured within such sixty (60)

day period or if DEDA shall notify Developer that it is unable or unwilling to cure such objection within such sixty (60) day time period, Developer shall have the following remedies, provided that the selection of any one or more remedies hereunder shall not be deemed to be exclusive:

1. Termination: Terminate this Agreement whereupon neither party shall have any rights or responsibilities with regard to the other under this Agreement.
2. Waiver and Closing: Waive in writing said Objection or Objections and proceed to Closing.

ARTICLE V EXERCISE

Exercise of the Option shall be accomplished by the approval of the Development Agreement by the DEDA Board of Commissioners and the execution by the appropriate officials of DEDA and Developer of the Development Agreement meeting the requirements of this Agreement on or before the last day of the Option Term. The manner of implementing the Closing on the purchase of the Property, and the documentation related thereto and the apportionment of costs shall be set forth in the Development Agreement.

ARTICLE VI PROVISION AGAINST LIENS

A. Provision Against Liens

Developer shall not create or permit any mortgage, encumbrance or allow any mechanic's or materialmen's liens to be filed or established or to remain against the Property or any part thereof which would materially or adversely affect the DEDA's interest in the Property or this Agreement during the term of this Agreement, provided that if Developer shall first notify DEDA of its intention to do so and post such security as DEDA reasonably deems necessary, Developer

may, in good faith, contest any such mechanic's or other liens filed or established as long as DEDA does not deem its interest or rights in this Agreement to be subject to foreclosure by reason of such context.

B. Provision Against Assignments, Transfers or Change in Identity of Developer

The parties hereto acknowledge that DEDA is relying upon the qualifications and identify of Developer to develop the Property. Therefore, except for the purposes of obtaining financing as hereinafter described or otherwise approved by this Agreement, Developer represents and agrees for itself, its successors and assigns, that it has not made or created, and will not make or create or suffer to be made or created, any total or partial sale, assignment, conveyance, lease, trust, lien or power of attorney, and has not or will not otherwise transfer in any other way all or any portion of the Property or of its rights under this Agreement or any other contract or agreement entered into in connection with carrying out its obligations hereunder; and Developer will not make or create or suffer to be made any such transfer of Developer's rights hereunder without the prior approval of DEDA. Provided, however, that the Developer shall have the right at its sole discretion at any time to assign all of its interest in and to this Agreement to an affiliate of Developer controlled by Developer provided that Developer shall continue to be responsible for fulfilling all of the obligations of Developer under this Agreement.

ARTICLE VII

INDEMNIFICATION

A. Generally

Developer will to the fullest extent permitted by law, protect, indemnify and save DEDA and its officers, agents, servants, employees and any person who controls DEDA (the "DEDA Parties") within the meaning of Securities Act of 1933, harmless from and against all liabilities, losses, damages, costs, expenses, including attorneys' fees and expenses, causes of action, suits, claims demands

and judgements of any nature (“Losses”) arising therefrom:

1. Any bodily injury to or death of any person or damage to the Property , or growing out of or in connection with the use or non-use, condition or occupancy of the Property or any part resulting from Developer’s presence on the Property. The foregoing indemnification shall not be limited in any way by any limitation on the amount or type of damage, compensation or benefits payable by or for the Developer, suppliers or affiliated organizations under any Workers' Compensation Act, Disability Benefit Acts or any other Employee Benefit Acts;
2. Any material violation by Developer of any provision of this Agreement;
3. Any violation of any contract, agreement or restriction related to Developer’s use of the Property which shall have existed at the commencement of the Term of this Agreement or shall have been approved by the Developer; and
4. Any violation of any law, ordinance, court order or regulation affecting the Property or the ownership, occupancy or use thereof.

B. Limitations

The foregoing indemnification shall not apply if such Losses are caused by any fraud, intentional act or omission, willful misconduct or gross negligence on the part of the DEDA Parties. Notwithstanding the foregoing, the preceding indemnification shall terminate and be of no force or effect either upon the termination of this Agreement or Developer’s acquisition of the Property.

C. Indemnification Procedures

Promptly after receipt by Developer of notice of the commencement of any action with respect to which the Developer is required to indemnify such person under this Article, DEDA shall notify the Developer in writing of the commencement thereof, and, subject to the provisions as hereinafter stated, the Developer shall assume the defense of such action. In so far as such action shall relate to any alleged liability of the DEDA with respect to which indemnity may be sought

against the Developer, DEDA shall have the right to employ separate counsel in any such action and to participate in the defense thereof, and the fees and expenses of such separate counsel shall be at the expense of Developer.

ARTICLE VIII INSURANCE

In the event that the Developer wishes to exercise its rights under Article III above, Developer shall procure and continuously maintain insurance covering all risks of injury to or death of persons or damage to Property arising in any way out of or as a result of Developer's occupancy of or use of the Property, carried in the names of the Developer and list any subtenant and the DEDA as additional insured on the commercial general liability and umbrella liability policies, but only to the extent of Developer's acts or omissions. Developer shall carry the policies of insurance with minimum limits as follows:

A. Liability Insurance

The Developer shall procure and maintain continuously in force General Liability Insurance written on an "occurrence" basis under a Comprehensive General Liability Form in limits of not less than Two Million and No/100 Dollars (\$2,000,000.00) aggregate per occurrence for personal bodily injury and death, and limits of Two Million and No/100 Dollars (\$2,000,000.00) for Property damage liability. If person limits are specified, they shall be for not less than Two Million and No/100 Dollars (\$2,000,000.00) per person and be for the same coverages. The above limits may be met through a combination of the underlying policy limits and an excess or umbrella policy. The DEDA shall be named as an additional insured therein. Insurance shall cover:

1. Public liability, including premises and operations coverage.
2. Independent contractors--protective contingent liability.
3. Personal injury.
4. Owned, non-owned and hired vehicles.

5. Contractual liability covering the indemnity obligations set forth herein.

6. Property of others.

B. Workers' Compensation

Workers' Compensation Coverage, if required by Minnesota Statutes, in statutory amounts with "all states" endorsement. Employees' liability insurance shall be carried in limits of One Hundred Thousand and No/100 Dollars (\$100,000.00) per employee.

C. Requirements for All Insurance

All insurance required in this Article VIII shall be taken out and maintained with responsible insurance companies organized under the laws of the states of the United States and licensed to do business in the State of Minnesota.

D. Certifications

Developer shall provide certificates of insurance evidencing such coverage to DEDA with 30-day's notice of cancellation, non-renewal or material change provisions, such as a reduction in the scope of the coverage or in the coverage amount, included. DEDA does not represent or guarantee that these types or limits of coverage are adequate to protect the Developer's insurance provider's interests and liabilities. If a certificate of insurance is provided, the form of the certificate shall contain an unconditional requirement that the insurer notify the DEDA without fail not less than 30 days prior to any cancellation, non-renewal or modification of the policy or coverages evidenced by said certificate and shall further provide that failure to give such notice to DEDA will render any such change or changes in said policy or coverages ineffective as against the DEDA.

ARTICLE IX

DEFAULTS AND REMEDIES THEREFORE

A. DEDA Defaults and Remedies

1. General Events of Default

It shall be a default to which the remedies set forth in Subparagraph 2 below shall be applicable if DEDA shall fail to observe or perform any of the terms, conditions, covenants or agreements required to be observed or performed by it or any successor or assigns of DEDA pursuant to this Agreement and such failure shall continue for a period of thirty (30) calendar days after Developer has, pursuant to the provisions of this Agreement, given written notice to DEDA of such default or, in the event that such default shall be incapable of cure during said thirty (30) day period, shall have failed to commence to cure said default within thirty (30) days of the date of said notice and to diligently pursue the same to completion.

2. General Remedies

Except as otherwise set forth in this Agreement, Developer shall have the following remedies in the event of a default by DEDA:

- a. Seek and be entitled to monetary damages from DEDA for any damages incurred by Developer as a result of DEDA's default.
- b. Seek and be entitled to injunctive or declaratory relief as is necessary to prevent DEDA's violation of the terms and conditions of this Agreement or to compel DEDA's performance of its obligations hereunder.
- c. Seek and be entitled to enforce specific performance of DEDA to the terms and obligations of this Agreement.
- d. Seek such other legal or equitable relief as a court of competent jurisdiction may determine is available to Developer.

B. Developer Defaults and Remedies

1. General Events of Default

It shall be a default to which the remedies set forth in Subparagraph 2 below shall be applicable if Developer shall fail to observe or perform any of the terms, conditions, covenants or agreements required to be observed or performed by it or any successor or assigns of Developer pursuant to this Agreement and such

failure shall continue for a period of thirty (30) calendar days after DEDA has, pursuant to the provisions of this Agreement, given written notice to Developer of such default or, in the event that such default shall be incapable of cure during said thirty (30) day period, shall have failed to commence to cure said default within thirty (30) days of the date of said notice and to diligently pursue the same to completion.

2. General Remedies

Except as otherwise set forth in this Agreement, DEDA shall have the following remedies in the event of a default by Developer:

- a. Terminate the Option granted to Developer hereunder.
- b. Retain the Option Fee provided for in Paragraph B of Article II above.

C. Non-Waiver

The waiver by either party of any default on the part of the other party or the failure of said party to declare default on the part of the other party of any of its obligations pursuant to this Agreement shall not be deemed to be a waiver of any subsequent event of default on the part of the defaulting party of the same or of any other obligation of the defaulting party hereunder. And, to be effective, any waiver of any default by the defaulting party hereunder shall be in writing by the non-defaulting party.

D. Remedies Cumulative

Except as specifically set forth herein, the remedies provided under this Agreement shall be deemed to be cumulative and non-exclusive and the election of one remedy shall not be deemed to be the waiver of any other remedy with regard to any occasion of default hereunder.

E. Attorney's Fees

In the event that either party is in Default of any of the terms and conditions of this Agreement and the non-defaulting party shall successfully take legal action to enforce said rights herein, in addition to the foregoing, such non-defaulting party shall be entitled to reimbursement for its reasonable attorney's fees and

costs and otherwise for its costs and disbursements occasioned in enforcing its rights hereunder.

ARTICLE X
FORCE MAJEURE

Under the terms of this Agreement, neither the DEDA nor Developer shall be considered in default or in breach of any of the terms with respect to the performance to their respective obligations under this Agreement in the event of enforced delay in the performance of its obligations due to unforeseeable causes beyond its control and without its fault or negligence, including but not limited to acts of God, acts of a public enemy, acts of the federal government, acts of another party, fire, floods, epidemics, pandemics, COVID-19, strikes or embargoes, or for delays of subcontractors or materials due to such causes. In the event of any such delay, any time for completion, delivery or Closing under this Agreement shall be extended for the period of any such delay upon written notice from the party seeking the extension to the other party.

ARTICLE XI
DEDA'S REPRESENTATIONS AND WARRANTIES

DEDA represents and warrants to Developer as follows and further agrees that these representations and warranties shall survive Closing:

A. Authority

That DEDA is a duly created municipal corporation under the laws of the State of Minnesota; that DEDA is duly qualified to transact business in the State of Minnesota; that DEDA has the requisite power and authority to enter into and perform this Agreement and any other document necessary to convey the Property to Developer; that the execution of such documents has been duly authorized by all necessary action on the part of DEDA; that the execution,

delivery and performance by DEDA of such documents do not conflict with or result in a violation of DEDA's trust documents, or any judgment, order or decree of any court or arbiter to which DEDA is a party; and that such documents are valid and binding obligations of DEDA, enforceable in accordance with their terms.

B. Outstanding Rights in Property

That as of the Closing Date, the Property is free and clear of any lease or lease entitlement, there are no permits applicable to the Property, that DEDA has not entered into an other contracts for the sale or lease of the Property nor are there any outstanding rights of first refusal or options to purchase the Property or any other rights in others that might prevent the consummation of this Agreement, that DEDA has received no notice of an actual or threatened reduction or curtailment of any utility service now supplied to the Property, if any, and that there are no actual or threatened special assessments or reassessments with regard to the Property.

C. Foreign Status

That DEDA is not a "foreign person", "foreign partnership", "foreign trust" or "Foreign estate" as those terms are defined in §1445 of the Internal Revenue Code.

D. Legal Issues

That there is no action, litigation, investigation, condemnation or proceeding of any kind pending or threatened against the DEDA as it would relate to the Property or to DEDA's ability to convey title of the property to Developer or against any portion of the Property and that the use of the Property for its current uses is in conformance with the requirements of all laws, regulations and codes of those governmental entities having jurisdiction with regard thereto.

E. Environmental Laws

To the best of DEDA's actual knowledge, without duty of investigation, no toxic or hazardous substances or wastes, pollutants or contaminants have been generated, treated, stored, transferred from, released, discharged or disposed of, or otherwise placed, deposited in or located on the Property, nor has any activity been undertaken on the Property that would cause or contribute to the Property becoming a treatment, storage or disposal facility within the meaning of, or otherwise bring the Property within the ambit of, any state, local or federal law, regulation, rule, policy or order relating to the protection of the environment.

ARTICLE XII

DEVELOPER'S REPRESENTATIONS AND WARRANTIES

Developer represents and warrants that as of the date hereof:

A. Authority

It is a lawfully existing nonprofit corporation under the laws of the State of Minnesota, and to Developer's knowledge is not in material violation of any provisions of State law and that it has full power and authority to enter into this Agreement and to perform its obligations hereunder.

B. Legal Issues

To Developer's knowledge, there are not actions, suits or proceedings pending, or to the knowledge of Developer, threatened against Developer or any property of Developer in any court or before any Federal, State, municipal or governmental agency which, if decided adversely to Developer, would prevent Developer from performing under the terms of this Agreement and Developer is not in default with respect to any order of any court or government agency.

ARTICLE XIII

NOTICES

The parties hereto intend that this Agreement create a valid and present interest in the Property in favor of the Developer. Therefore, this Agreement shall be deemed an interest in and upon the Property which shall run with the land and shall be binding upon the Property and DEDA and its successors and assigns and shall inure to the benefit of each of the parties hereto and their respective successors and assigns. DEDA covenants and agrees that during the Option Term, DEDA shall not convey the Property or any interest therein or permit any lien or encumbrance to attach to the Property.

20541272v3

[Signature Pages to Follow.]

Exhibit A

Description of Property

The Property has the following Property Identification Numbers which are all located within the City of Duluth, County of St. Louis and State of Minnesota:

010-4530-00460
010-4530-00480
010-4530-00230
010-4530-00160
010-4530-00140
010-4530-00130
010-4530-00110
010-4530-00100
010-4530-00090
010-4530-00010
010-4530-00350
010-4530-00420

Duluth Economic Development Authority

October 2020 Cash Activity - all DEDA Funds

ACCUMULATED TRANSACTION LISTING, G/L Date Range 10/01/20 - 10/31/20 (as of 11/10/2020)

G/L Date	Journal Number	Sub Ledg	Name	Net Amount	Description
FUND 860 - OPERATING FUND				Beginning Balance	\$ 2,719,756.92
10/01/20	2020-00000359	GL	Cost Allocation - DEDA	(33,333.33)	Cost Allocation - DEDA
10/02/20	2020-00007023	RA	Pay Group O'Reilly LLC	450.20	DEDA Lease Payment
10/08/20	2020-00007367	RA	Red Wagon Popcorn	1,096.43	September Rent
10/13/20	2020-00007394	AP	Rozalind Randorf	(35.00)	DEDA Meeting 9/23/20
10/13/20	2020-00007394	AP	St Louis County Recorder	(46.00)	LP Flats Project - Slope & Fill Easement
10/13/20	2020-00007394	AP	St Louis County Recorder	(46.00)	LP Flats Project - W Michigan St
10/13/20	2020-00007394	AP	St Louis County Recorder	(86.00)	LP Flats Project - W Michigan St
10/13/20	2020-00007394	AP	St Louis County Recorder	(86.00)	LP Flats Project - Slope & Fill Easement
10/13/20	2020-00007394	AP	St Louis County Land & Minerals Dept	(2,763.07)	Purchase of SLC Property 010-1140-03050 For Rebuild
10/13/20	2020-00007394	AP	Baker Tilly Virchow Krause	(4,470.00)	PS to Facilitate Sale/Capital Upgrade of Duluth Paper Mill
10/13/20	2020-00007394	AP	Baker Tilly Virchow Krause	(19,510.00)	PS to Facilitate Sale/Capital Upgrade of Duluth Paper Mill
10/13/20	2020-00007394	AP	Matthew T Cartier	(35.00)	DEDA Meeting 8/25/20
10/13/20	2020-00007394	AP	Zack Filipovich	(35.00)	DEDA Meeting 8/25/20
10/13/20	2020-00007394	AP	Craig S Chilcote	(35.00)	DEDA Meeting 8/25/20
10/13/20	2020-00007394	AP	Timothy P McShane	(35.00)	DEDA Meeting 8/25/20
10/13/20	2020-00007394	AP	Derek Medved	(35.00)	DEDA Meeting 8/25/20
10/13/20	2020-00007394	AP	Rozalind Randorf	(35.00)	DEDA Meeting 8/25/20
10/13/20	2020-00007394	AP	Beauty Lawn Care Service	(2,610.00)	Lawn Care 8/10-8/28/20
10/13/20	2020-00007394	AP	Matthew T Cartier	(35.00)	DEDA Special Meeting 9/18/20
10/13/20	2020-00007394	AP	Ehlers and Associates Inc	(8,250.00)	C19-860-902-Economic dev & TIF professional services
10/13/20	2020-00007394	AP	Zack Filipovich	(35.00)	DEDA Special Meeting 9/18/20
10/13/20	2020-00007394	AP	Derek Medved	(35.00)	DEDA Special Meeting 9/18/20
10/13/20	2020-00007394	AP	Rozalind Randorf	(35.00)	DEDA Special Meeting 9/18/20
10/13/20	2020-00007394	AP	Matthew T Cartier	(35.00)	DEDA Meeting 9/23/20
10/13/20	2020-00007394	AP	Duluth Airport Authority	(24,019.00)	Cirrus/DEDA Lots 18&19 8/1/20-7/31/21
10/13/20	2020-00007394	AP	Zack Filipovich	(35.00)	DEDA Meeting 9/23/20
10/13/20	2020-00007394	AP	LHB Engineers & Architects	(2,406.50)	L30321 - Demolition of RR Bridge L8493 - Oneota St
10/13/20	2020-00007394	AP	Timothy P McShane	(35.00)	DEDA Meeting 9/23/20
10/13/20	2020-00007394	AP	Derek Medved	(35.00)	DEDA Meeting 9/23/20
10/16/20	2020-00007688	RA	Interstate Parking	59,196.04	September Parking Revenue
10/16/20	2020-00007688	RA	Rachel Development	264.00	Invoice #2020-00000242
10/19/20	2020-00007738	RA	Duluth Seaway Port Authority	2,500.00	Lot rent for Altec
10/19/20	2020-00007738	RA	Passport Labs	2,763.36	Parking Revenue & Fees
10/19/20	2020-00007738	RA	Cirrus Design Corporation	61,178.00	Invoice #2020-00000223 and 2020-00000224
10/26/20	2020-00007833	AP	Twin Ports Trailer Trash Inc	(150.00)	Junk Removal Kozy
10/26/20	2020-00007833	AP	Duluth News Tribune	(28.00)	DEDA Ad
10/26/20	2020-00007833	AP	Barr Engineering Co	(1,777.00)	File Review - New Page Facility Paper Mill
10/26/20	2020-00007833	AP	Duluth Public Utilities - Comfort Systems	(822.15)	335 W Superior St 8/29-9/29/20
10/26/20	2020-00007833	AP	Duluth Airport Authority	(37,159.00)	Cirrus Lots 20 & 21
10/26/20	2020-00007833	AP	Ehlers and Associates Inc	(8,250.00)	20 860 968 TIF Management Services
10/26/20	2020-00007833	AP	Ehlers and Associates Inc	(2,312.50)	20 860 968 TIF Management Services
10/26/20	2020-00007833	AP	Ehlers and Associates Inc	(1,391.25)	Urbane Duluth - Merge Urban Development
10/26/20	2020-00007899	GL	JE to Allocate 2020 Annual IT Maintenance Costs	(6,289.47)	2020 Annual IT maintenance Fees
10/31/20	2020-00008041	GL	Investment Earnings for October	2,250.00	Investment Earnings for October
FUND 860 - OPERATING FUND				Ending Balance - 10-31-2020	2,693,124.68 TB
FUND 861 - DEBT SERVICE				Beginning Balance	477,946.53
10/22/20	2020-00007868	GL	Transfer TIF Dist 22 Debt Payment for 1st half 2020 TIF Recvd	(193,116.10)	Transfer TIF Dist 22 Debt Payment for 1st half 2020 TIF Recvd
10/23/20	2020-00007877	GL	Transfer Dist 23 TIF 2019/1st Half2020 to Fund 264 Sect 108 loan	(9,939.06)	Transfer Dist 23 TIF 2019/1st Half2020 to Fund 264 Sect 108 loan
10/31/20	2020-00008041	GL	Investment Earnings for October	385.00	Investment Earnings for October
FUND 861 - DEBT SERVICE				Ending Balance - 10-31-2020	275,276.37 TB
FUND 865 - CAPITAL PROJECTS				Beginning Balance	3,251,907.26
10/31/20	2020-00008041	GL	Investment Earnings for October	2,694.00	Investment Earnings for October
FUND 865 - CAPITAL PROJECTS				Ending Balance - 10-31-2020	3,254,601.26 TB
FUND 866 - MRO FACILITY				Beginning Balance	1,027,276.83
10/13/20	2020-00007394	AP	Paragon Development Systems, Inc	(5,549.45)	Switches for Network and Camera Security System at AAR Building
10/13/20	2020-00007394	AP	Federal Express Corp	(85.46)	Freight Express Service
10/20/20	2020-00007759	RA	Cirrus Design Corporation	21,000.00	Invoice #2020-00000235
10/23/20	2020-00007887	AP	US Bank	(266.27)	Sept 2020 USB
10/26/20	2020-00007833	AP	Duluth Public Utilities - Comfort Systems	(209.89)	4600 Stebner Rd 9/2-10/1/20 Gas
10/26/20	2020-00007833	AP	Duluth Public Utilities - Comfort Systems	(1,021.15)	4600 Stebner Rd 9/2-10/1/20 Water/Sewer
10/26/20	2020-00007833	AP	Minnesota Power	(14,763.63)	5447119029 8/31-9/30/20
10/26/20	2020-00007833	AP	Minnesota Power	(4,480.30)	5447119029 8/1-8/31/20
10/26/20	2020-00007833	AP	CenturyLink - Phoenix	(218.67)	Internet
10/26/20	2020-00007833	AP	Electric Scientific Co Inc	(104,400.00)	Fire Suppression Panel
10/26/20	2020-00007833	AP	Jamar Company	(3,799.00)	AAR Roof Maintenance
10/26/20	2020-00007833	AP	Jamar Company	(1,760.00)	AAR Repair Leak
10/26/20	2020-00007833	AP	Jamar Company	(1,194.00)	AAR New Drain Insert
10/26/20	2020-00007833	AP	Northspan Group Inc	(8,600.00)	Contract 19-860-934 AAR Corp Candidate Attraction
10/31/20	2020-00008041	GL	Investment Earnings for October	832.00	Investment Earnings for October
FUND 866 - MRO FACILITY				Ending Balance - 10-31-2020	902,761.01 TB
FUND 867 - STOREFRONT LOANS				Beginning Balance	243,519.15
10/20/20	2020-00007759	RA	Alerus Financial	1,037.10	Old City Hall Loan Payment
10/31/20	2020-00008041	GL	Investment Earnings for October	202.00	Investment Earnings for October
FUND 867 - STOREFRONT LOANS				Ending Balance - 10-31-2020	244,758.25 TB

RESOLUTION 20D-75

**RESOLUTION AUTHORIZING AN OPTION AGREEMENT WITH
AEON, INC. RELATED TO AN AFFORDABLE HOUSING DEVELOPMENT IN THE
RAMSEY NEIGHBORHOOD**

RESOLVED, by the Duluth Economic Development Authority ("DEDA") that the proper DEDA officials are hereby authorized to enter into an option agreement substantially in the form of that attached hereto as Exhibit A, with Aeon, Inc. ("Aeon") for the development of certain property in the Ramsey neighborhood for affordable housing, which property is described below, subject to the terms and conditions of a Development Agreement to be negotiated between the parties:

Lots 1 through 18, Block 168, WEST DULUTH SEVENTH DIVISION,
except minerals; and

Lot 23 and the easterly 20 feet of Lot 22, Block 168, WEST DULUTH
SEVENTH DIVISION, except minerals; and

Lots 8 through 10, Block 169, WEST DULUTH SEVENTH DIVISION,
except minerals; and

Lots 11 through 17 and Lots 19 through 28, Block 169, WEST
DULUTH SEVENTH DIVISION; and

Lot 18, Block 169, WEST DULUTH SEVENTH DIVISION, except
minerals.

Approved by the Duluth Economic Development Authority this 18th day of
November, 2020.

ATTEST:

Executive Director

STATEMENT OF PURPOSE: The purpose of this Resolution is to authorize an option agreement with Aeon for the development of up to 120 but no less than 60 units of affordable housing on DEDA-owned property on the upper side of Wadena Street between 52nd and 53rd Avenue West in the Ramsey neighborhood. Developer desires to apply to the Minnesota Housing Finance Agency for financing and Low Income Housing Tax Credits (LIHTC) for the proposed project and to perform additional analysis of the property in order to determine whether the property can be feasibly developed.

This Agreement will give them an option to acquire the property for \$500,000 to implement the project if they should decide to proceed. The development would fit with the neighborhood plan for the area and would fill a significant need in the area.

Tax Base Impact Statement: This property is presently vacant and publicly owned, and does not generate taxable value for the region. Through this development, it will again be on the tax rolls, assessed as a multi-family residential property. The owner will pay taxes on the full value of the property, which will remain in private ownership contributing to the tax base.

**OPTION AGREEMENT
WADENA STREET PROPERTY
DULUTH ECONOMIC DEVELOPMENT AUTHORITY, SELLER
AEON, PURCHASER**

THIS OPTION AGREEMENT (this "Agreement") entered into this _____ day of October, 2020 (the "Effective Date"), by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority created and existing under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as "DEDA" and AEON, a Minnesota non-profit corporation and its successors and assigns as authorized pursuant to Article VI Paragraph B below, hereinafter referred to as "Developer".

WHEREAS, DEDA, as an economic development authority under Minnesota law, has the primary mission of facilitating economic development in the City of Duluth, as evidenced by the creation of new tax base and new, well-paid job opportunities in the community;

WHEREAS, DEDA is the owner of real property located in the City of Duluth which is more particularly described in Exhibit A attached hereto and made a part hereof (the "Property");

WHEREAS, DEDA has determined that the City of Duluth and the Spirit Valley Neighborhood in particular is in need of additional affordable housing and that the Property is a suitable site for such housing;

WHEREAS, Developer has proposed to DEDA a tentative plan for a multi-phase development of the Property with approximately one hundred twenty (120) multi-family affordable housing apartment units in two (2) buildings, which development meets the definition of a Housing District contained in Minnesota Statutes 469.174 Subd. 11, provided that the anticipated configuration and unit count of the project remains subject to change based on the mutual agreement of DEDA and Developer as set forth in the Development Agreement (the "Development");

WHEREAS, in order to make the Development feasible, Developer needs to

pursue additional financing options including an award of low-income housing tax credits from the Minnesota Housing Finance Agency or any applicable suballocator; and

WHEREAS, DEDA is willing to grant an Option to Developer for the purpose of encouraging Developer to make the investment in time, money and effort to determine whether the Development is feasible.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

For the purposes of this Agreement, the following terms shall have the meanings hereinafter ascribed to them unless a different meaning clearly appears from the context:

A. Development Agreement: shall mean an agreement between DEDA and Developer, in a form approved by the DEDA Board of Commissioners, which commits DEDA to convey the Property to Developer for the Purchase Price and commits Developer to acquire the Property from DEDA and to cause the Development to be constructed on the Property in a manner consistent with the terms and conditions set forth therein and with this Agreement.

Director: shall mean DEDA's Executive Director or the person designated to act on behalf of them with regard to this Agreement.

B. Exercise Date: shall mean the date upon which DEDA and the Developer execute the Development Agreement, after approval thereof by DEDA Board of Commissioners and any other entity whose approval is legally required for the Development Agreement to be legally binding or whose approval is necessary for DEDA to be lawfully able to perform its

obligations under the Development Agreement.

- C. Option: shall mean the right of the Developer during the Option Term to enter into a Development Agreement outlining the conditions and obligations of the DEDA and Developer for the Development and for the Developer to purchase the Property from DEDA.
- D. Purchase Price: shall mean Five Hundred Thousand Dollars (\$500,000).

ARTICLE II

GRANT OF OPTION; PURCHASE AGREEMENT

A. Option

In consideration of the terms and conditions of this Agreement, DEDA hereby grants to Developer an exclusive Option to enter into a Development Agreement with DEDA and purchase the Property for the amount of the Purchase Price. The Option may be exercised commencing on the Effective Date and expiring at 4:30 P.M. CST on June 30, 2022 subject to Developer being awarded low-income housing tax credits from the Minnesota Housing Finance Agency for the Development by December 31, 2021, unless sooner exercised or terminated as hereinafter provided (the "Option Term"). If Developer desires to exercise its Option, Developer shall, during the Option Term, deliver a written notice ("Option Exercise Notice"). The closing of the purchase and sale of the Property (the "Closing") shall occur on the date specified in the Development Agreement which shall be mutually agreed upon by Developer and DEDA (the "Closing Date"). The Closing shall take place through escrow deliveries to a title company of Developer's choosing. At closing, Developer shall pay DEDA the Purchase Price less the amount of the Option Fee, provided for in Paragraph B below, paid to DEDA and DEDA agrees to deliver possession of the Property to Developer on the Closing Date and execute a Quit Claim Deed conveying the Property to Buyer, free and clear of all encumbrances, except any Permitted Objections as

described in Article IV of this Agreement.

B. Option Fee

Within Ten (10) Days of executing this Agreement, in consideration of the grant of this Option to Developer, Developer agrees to pay DEDA an option fee (the "Option Fee") in the amount of Five Thousand Dollars (\$5,000). Said Option Fee shall be non-refundable except that if, despite its best efforts to secure an award of low-income housing tax credits from the Minnesota Housing Finance Agency for the Development by December 31, 2021, Developer fails to secure such an award, DEDA agrees to refund the Option Fee to Developer.

C. Option Conditions

The Option shall be conditioned upon: (i) a resolution of DEDA's Board of Commissioners approving the conveyance of the Property to Developer pursuant to this Agreement and (ii) the approval and execution of the Development Agreement by and between DEDA and Developer which shall contain at least the following:

1. Basic Requirements

Provides for the payment of the Purchase Price, Closing Date and otherwise conforms to the terms set forth in this Agreement.

2. Develop Development

Commits Developer to complete the Development as finally described in the Development Agreement within the time parameters provided for therein.

3. Plan Conformance

Complies with the terms of the City of Duluth Comprehensive Plan and for the Regulating Plan for the Spirit Valley Neighborhood.

D. Option Premium, Purchase Price and Manner of Payment

1. Option Premium

In consideration of the obligations of DEDA hereunder, Developer agrees to pay over and release unto DEDA, within ten (10) business days

following the Effective Date, an option premium in the amount of One Hundred and No/100 Dollars (\$100.00) (the "Option Premium"). The Option Premium shall be fully earned as of the Effective Date and shall not be refundable to Developer except in the case of DEDA's fraud or material default under the terms of this Agreement.

2. Purchase Price

If Developer exercises the Option, it shall pay the Purchase Price to DEDA to acquire the Property. Buyer shall pay the Purchase Price in cash or immediately available funds by wire transfer on the Closing Date, subject to adjustment and proration as shall be provided for in the Development Agreement.

E. Termination

If at any time during the Option Term, Developer determines not to exercise the Option, Developer shall promptly give notice to DEDA as provided for in Article XIII below that it is terminating the Option and waiving any and all rights granted to it under this Agreement. Upon the giving of such notice this Agreement shall be null and void and neither party shall have any obligations to the other pursuant to it except that any obligations arising under Articles VII and VIII shall continue to be in full force and effect as to any obligations arising anything occurring during the time this Agreement was in force.

ARTICLE III
RIGHT OF ENTRY; TESTING

During the Option Term, DEDA hereby grants to Developer and its employees, contractors and agents the right to enter upon the Property at any time for the purposes of performing survey and engineering work related to the Property or for the purpose of performing geotechnical and environmental testing, investigations, studies and

inspections on the Property. Developer agrees to require its contractors to use their best efforts to not unnecessarily disrupt the Property or DEDA's use thereof by reason of said testing. The costs of such survey and testing work shall be solely the responsibility of Developer. In the event that Developer shall for any reason not purchase the Property from DEDA, Developer shall be responsible for returning the Property to substantially the condition it was in prior to the Developer's entering thereon for the purposes set forth herein or Developer, at its option, may reimburse DEDA for the costs of such restoration.

ARTICLE IV
TITLE EXAMINATION

A. DEDA's Title Evidence

Within ten (10) days of receipt of Developer's written request therefore, DEDA shall furnish to Developer such title evidence as is now in DEDA's possession; provided that Developer's request shall have been received by DEDA no less than thirty (30) days prior to the Exercise Date. Developer may also order its own title work for the Property at its sole cost.

B. Developer's Objections

Within thirty (30) days of receiving all of the documentation requested pursuant to Paragraph A of this Article, Developer will make written objections (the "Objections") to the form or contents or both of said documents and to any matter referenced therein. Developer's failure to make such Objections within such time shall constitute a waiver thereof and render such matters to be permitted objections (the "Permitted Objections"). DEDA shall thereafter have up to sixty (60) days after receipt of written notice of the Objections to cure such Objections, during which period the Closing Date will be extended as necessary to allow DEDA to cure such Objections. DEDA shall use its best efforts to cure each and every such Objection. If any such Objections is not cured within such sixty (60)

day period or if DEDA shall notify Developer that it is unable or unwilling to cure such objection within such sixty (60) day time period, Developer shall have the following remedies, provided that the selection of any one or more remedies hereunder shall not be deemed to be exclusive:

1. Termination: Terminate this Agreement whereupon neither party shall have any rights or responsibilities with regard to the other under this Agreement.
2. Waiver and Closing: Waive in writing said Objection or Objections and proceed to Closing.

ARTICLE V EXERCISE

Exercise of the Option shall be accomplished by the approval of the Development Agreement by the DEDA Board of Commissioners and the execution by the appropriate officials of DEDA and Developer of the Development Agreement meeting the requirements of this Agreement on or before the last day of the Option Term. The manner of implementing the Closing on the purchase of the Property, and the documentation related thereto and the apportionment of costs shall be set forth in the Development Agreement.

ARTICLE VI PROVISION AGAINST LIENS

A. Provision Against Liens

Developer shall not create or permit any mortgage, encumbrance or allow any mechanic's or materialmen's liens to be filed or established or to remain against the Property or any part thereof which would materially or adversely affect the DEDA's interest in the Property or this Agreement during the term of this Agreement, provided that if Developer shall first notify DEDA of its intention to do so and post such security as DEDA reasonably deems necessary, Developer

may, in good faith, contest any such mechanic's or other liens filed or established as long as DEDA does not deem its interest or rights in this Agreement to be subject to foreclosure by reason of such context.

B. Provision Against Assignments, Transfers or Change in Identity of Developer

The parties hereto acknowledge that DEDA is relying upon the qualifications and identify of Developer to develop the Property. Therefore, except for the purposes of obtaining financing as hereinafter described or otherwise approved by this Agreement, Developer represents and agrees for itself, its successors and assigns, that it has not made or created, and will not make or create or suffer to be made or created, any total or partial sale, assignment, conveyance, lease, trust, lien or power of attorney, and has not or will not otherwise transfer in any other way all or any portion of the Property or of its rights under this Agreement or any other contract or agreement entered into in connection with carrying out its obligations hereunder; and Developer will not make or create or suffer to be made any such transfer of Developer's rights hereunder without the prior approval of DEDA. Provided, however, that the Developer shall have the right at its sole discretion at any time to assign all of its interest in and to this Agreement to an affiliate of Developer controlled by Developer provided that Developer shall continue to be responsible for fulfilling all of the obligations of Developer under this Agreement.

ARTICLE VII

INDEMNIFICATION

A. Generally

Developer will to the fullest extent permitted by law, protect, indemnify and save DEDA and its officers, agents, servants, employees and any person who controls DEDA (the "DEDA Parties") within the meaning of Securities Act of 1933, harmless from and against all liabilities, losses, damages, costs, expenses, including attorneys' fees and expenses, causes of action, suits, claims demands

and judgements of any nature (“Losses”) arising therefrom:

1. Any bodily injury to or death of any person or damage to the Property , or growing out of or in connection with the use or non-use, condition or occupancy of the Property or any part resulting from Developer’s presence on the Property. The foregoing indemnification shall not be limited in any way by any limitation on the amount or type of damage, compensation or benefits payable by or for the Developer, suppliers or affiliated organizations under any Workers' Compensation Act, Disability Benefit Acts or any other Employee Benefit Acts;
2. Any material violation by Developer of any provision of this Agreement;
3. Any violation of any contract, agreement or restriction related to Developer’s use of the Property which shall have existed at the commencement of the Term of this Agreement or shall have been approved by the Developer; and
4. Any violation of any law, ordinance, court order or regulation affecting the Property or the ownership, occupancy or use thereof.

B. Limitations

The foregoing indemnification shall not apply if such Losses are caused by any fraud, intentional act or omission, willful misconduct or gross negligence on the part of the DEDA Parties. Notwithstanding the foregoing, the preceding indemnification shall terminate and be of no force or effect either upon the termination of this Agreement or Developer’s acquisition of the Property.

C. Indemnification Procedures

Promptly after receipt by Developer of notice of the commencement of any action with respect to which the Developer is required to indemnify such person under this Article, DEDA shall notify the Developer in writing of the commencement thereof, and, subject to the provisions as hereinafter stated, the Developer shall assume the defense of such action. In so far as such action shall relate to any alleged liability of the DEDA with respect to which indemnity may be sought

against the Developer, DEDA shall have the right to employ separate counsel in any such action and to participate in the defense thereof, and the fees and expenses of such separate counsel shall be at the expense of Developer.

ARTICLE VIII INSURANCE

In the event that the Developer wishes to exercise its rights under Article III above, Developer shall procure and continuously maintain insurance covering all risks of injury to or death of persons or damage to Property arising in any way out of or as a result of Developer's occupancy of or use of the Property, carried in the names of the Developer and list any subtenant and the DEDA as additional insured on the commercial general liability and umbrella liability policies, but only to the extent of Developer's acts or omissions. Developer shall carry the policies of insurance with minimum limits as follows:

A. Liability Insurance

The Developer shall procure and maintain continuously in force General Liability Insurance written on an "occurrence" basis under a Comprehensive General Liability Form in limits of not less than Two Million and No/100 Dollars (\$2,000,000.00) aggregate per occurrence for personal bodily injury and death, and limits of Two Million and No/100 Dollars (\$2,000,000.00) for Property damage liability. If person limits are specified, they shall be for not less than Two Million and No/100 Dollars (\$2,000,000.00) per person and be for the same coverages. The above limits may be met through a combination of the underlying policy limits and an excess or umbrella policy. The DEDA shall be named as an additional insured therein. Insurance shall cover:

1. Public liability, including premises and operations coverage.
2. Independent contractors--protective contingent liability.
3. Personal injury.
4. Owned, non-owned and hired vehicles.

5. Contractual liability covering the indemnity obligations set forth herein.

6. Property of others.

B. Workers' Compensation

Workers' Compensation Coverage, if required by Minnesota Statutes, in statutory amounts with "all states" endorsement. Employees' liability insurance shall be carried in limits of One Hundred Thousand and No/100 Dollars (\$100,000.00) per employee.

C. Requirements for All Insurance

All insurance required in this Article VIII shall be taken out and maintained with responsible insurance companies organized under the laws of the states of the United States and licensed to do business in the State of Minnesota.

D. Certifications

Developer shall provide certificates of insurance evidencing such coverage to DEDA with 30-day's notice of cancellation, non-renewal or material change provisions, such as a reduction in the scope of the coverage or in the coverage amount, included. DEDA does not represent or guarantee that these types or limits of coverage are adequate to protect the Developer's insurance provider's interests and liabilities. If a certificate of insurance is provided, the form of the certificate shall contain an unconditional requirement that the insurer notify the DEDA without fail not less than 30 days prior to any cancellation, non-renewal or modification of the policy or coverages evidenced by said certificate and shall further provide that failure to give such notice to DEDA will render any such change or changes in said policy or coverages ineffective as against the DEDA.

ARTICLE IX

DEFAULTS AND REMEDIES THEREFORE

A. DEDA Defaults and Remedies

1. General Events of Default

It shall be a default to which the remedies set forth in Subparagraph 2 below shall be applicable if DEDA shall fail to observe or perform any of the terms, conditions, covenants or agreements required to be observed or performed by it or any successor or assigns of DEDA pursuant to this Agreement and such failure shall continue for a period of thirty (30) calendar days after Developer has, pursuant to the provisions of this Agreement, given written notice to DEDA of such default or, in the event that such default shall be incapable of cure during said thirty (30) day period, shall have failed to commence to cure said default within thirty (30) days of the date of said notice and to diligently pursue the same to completion.

2. General Remedies

Except as otherwise set forth in this Agreement, Developer shall have the following remedies in the event of a default by DEDA:

- a. Seek and be entitled to monetary damages from DEDA for any damages incurred by Developer as a result of DEDA's default.
- b. Seek and be entitled to injunctive or declaratory relief as is necessary to prevent DEDA's violation of the terms and conditions of this Agreement or to compel DEDA's performance of its obligations hereunder.
- c. Seek and be entitled to enforce specific performance of DEDA to the terms and obligations of this Agreement.
- d. Seek such other legal or equitable relief as a court of competent jurisdiction may determine is available to Developer.

B. Developer Defaults and Remedies

1. General Events of Default

It shall be a default to which the remedies set forth in Subparagraph 2 below shall be applicable if Developer shall fail to observe or perform any of the terms, conditions, covenants or agreements required to be observed or performed by it or any successor or assigns of Developer pursuant to this Agreement and such

failure shall continue for a period of thirty (30) calendar days after DEDA has, pursuant to the provisions of this Agreement, given written notice to Developer of such default or, in the event that such default shall be incapable of cure during said thirty (30) day period, shall have failed to commence to cure said default within thirty (30) days of the date of said notice and to diligently pursue the same to completion.

2. General Remedies

Except as otherwise set forth in this Agreement, DEDA shall have the following remedies in the event of a default by Developer:

- a. Terminate the Option granted to Developer hereunder.
- b. Retain the Option Fee provided for in Paragraph B of Article II above.

C. Non-Waiver

The waiver by either party of any default on the part of the other party or the failure of said party to declare default on the part of the other party of any of its obligations pursuant to this Agreement shall not be deemed to be a waiver of any subsequent event of default on the part of the defaulting party of the same or of any other obligation of the defaulting party hereunder. And, to be effective, any waiver of any default by the defaulting party hereunder shall be in writing by the non-defaulting party.

D. Remedies Cumulative

Except as specifically set forth herein, the remedies provided under this Agreement shall be deemed to be cumulative and non-exclusive and the election of one remedy shall not be deemed to be the waiver of any other remedy with regard to any occasion of default hereunder.

E. Attorney's Fees

In the event that either party is in Default of any of the terms and conditions of this Agreement and the non-defaulting party shall successfully take legal action to enforce said rights herein, in addition to the foregoing, such non-defaulting party shall be entitled to reimbursement for its reasonable attorney's fees and

costs and otherwise for its costs and disbursements occasioned in enforcing its rights hereunder.

ARTICLE X
FORCE MAJEURE

Under the terms of this Agreement, neither the DEDA nor Developer shall be considered in default or in breach of any of the terms with respect to the performance to their respective obligations under this Agreement in the event of enforced delay in the performance of its obligations due to unforeseeable causes beyond its control and without its fault or negligence, including but not limited to acts of God, acts of a public enemy, acts of the federal government, acts of another party, fire, floods, epidemics, pandemics, COVID-19, strikes or embargoes, or for delays of subcontractors or materials due to such causes. In the event of any such delay, any time for completion, delivery or Closing under this Agreement shall be extended for the period of any such delay upon written notice from the party seeking the extension to the other party.

ARTICLE XI
DEDA'S REPRESENTATIONS AND WARRANTIES

DEDA represents and warrants to Developer as follows and further agrees that these representations and warranties shall survive Closing:

A. Authority

That DEDA is a duly created municipal corporation under the laws of the State of Minnesota; that DEDA is duly qualified to transact business in the State of Minnesota; that DEDA has the requisite power and authority to enter into and perform this Agreement and any other document necessary to convey the Property to Developer; that the execution of such documents has been duly authorized by all necessary action on the part of DEDA; that the execution,

delivery and performance by DEDA of such documents do not conflict with or result in a violation of DEDA's trust documents, or any judgment, order or decree of any court or arbiter to which DEDA is a party; and that such documents are valid and binding obligations of DEDA, enforceable in accordance with their terms.

B. Outstanding Rights in Property

That as of the Closing Date, the Property is free and clear of any lease or lease entitlement, there are no permits applicable to the Property, that DEDA has not entered into an other contracts for the sale or lease of the Property nor are there any outstanding rights of first refusal or options to purchase the Property or any other rights in others that might prevent the consummation of this Agreement, that DEDA has received no notice of an actual or threatened reduction or curtailment of any utility service now supplied to the Property, if any, and that there are no actual or threatened special assessments or reassessments with regard to the Property.

C. Foreign Status

That DEDA is not a "foreign person", "foreign partnership", "foreign trust" or "Foreign estate" as those terms are defined in §1445 of the Internal Revenue Code.

D. Legal Issues

That there is no action, litigation, investigation, condemnation or proceeding of any kind pending or threatened against the DEDA as it would relate to the Property or to DEDA's ability to convey title of the property to Developer or against any portion of the Property and that the use of the Property for its current uses is in conformance with the requirements of all laws, regulations and codes of those governmental entities having jurisdiction with regard thereto.

E. Environmental Laws

To the best of DEDA's actual knowledge, without duty of investigation, no toxic or hazardous substances or wastes, pollutants or contaminants have been generated, treated, stored, transferred from, released, discharged or disposed of, or otherwise placed, deposited in or located on the Property, nor has any activity been undertaken on the Property that would cause or contribute to the Property becoming a treatment, storage or disposal facility within the meaning of, or otherwise bring the Property within the ambit of, any state, local or federal law, regulation, rule, policy or order relating to the protection of the environment.

ARTICLE XII

DEVELOPER'S REPRESENTATIONS AND WARRANTIES

Developer represents and warrants that as of the date hereof:

A. Authority

It is a lawfully existing nonprofit corporation under the laws of the State of Minnesota, and to Developer's knowledge is not in material violation of any provisions of State law and that it has full power and authority to enter into this Agreement and to perform its obligations hereunder.

B. Legal Issues

To Developer's knowledge, there are not actions, suits or proceedings pending, or to the knowledge of Developer, threatened against Developer or any property of Developer in any court or before any Federal, State, municipal or governmental agency which, if decided adversely to Developer, would prevent Developer from performing under the terms of this Agreement and Developer is not in default with respect to any order of any court or government agency.

ARTICLE XIII

NOTICES

The parties hereto intend that this Agreement create a valid and present interest in the Property in favor of the Developer. Therefore, this Agreement shall be deemed an interest in and upon the Property which shall run with the land and shall be binding upon the Property and DEDA and its successors and assigns and shall inure to the benefit of each of the parties hereto and their respective successors and assigns. DEDA covenants and agrees that during the Option Term, DEDA shall not convey the Property or any interest therein or permit any lien or encumbrance to attach to the Property.

20541272v3

[Signature Pages to Follow.]

Exhibit A

Description of Property

The Property has the following Property Identification Numbers which are all located within the City of Duluth, County of St. Louis and State of Minnesota:

010-4530-00460
010-4530-00480
010-4530-00230
010-4530-00160
010-4530-00140
010-4530-00130
010-4530-00110
010-4530-00100
010-4530-00090
010-4530-00010
010-4530-00350
010-4530-00420

RESOLUTION 20D-76

RESOLUTION AUTHORIZING A SHORT TERM LEASE AGREEMENT WITH LAKE SUPERIOR HELICOPTERS LLC FOR USE OF THE MRO.

RESOLVED, by the Duluth Economic Development Authority ("DEDA") that the proper DEDA officials are hereby authorized to enter into a Short Term Lease Agreement (DEDA Contract No. 20 860 ____), substantially in the form of that attached hereto as Exhibit A, with Lake Superior Helicopter LLC, leasing a portion of the MRO hanger facility to Lake Superior Helicopter for the maintenance and repair of helicopters and general aviation aircraft at the rate of \$1,000 per month, payable to Fund 866.

Approved by the Duluth Economic Development Authority this 18th day of November, 2020.

ATTEST:

Executive Director

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize the execution of a Short-Term Lease Agreement with Lake Superior Helicopter LLC for the use of approximately 2,680 square feet of space in the MRO building for use in the maintenance and repair of helicopters and general aviation aircraft.

Lake Superior Helicopters is seeking certification from the Federal Aviation Administration (FAA) to perform maintenance and repair of helicopters and general aviation aircraft and need a specific sterile area to perform avionics repair. The MRO building has a space suitable for such activities and is immediately available.

The initial term of this agreement will run through the end of the year with the ability of both parties to negotiate an extended term for an additional 12 months on a month-to-month basis. The amount of the rent to be received by DEDA will be \$1,000 per month.

OVERFLOW TEMPORARY PARKING SPACE LEASE AGREEMENT

DULUTH ECONOMIC DEVELOPMENT AUTHORITY

MRO FACILITY

LAKE SUPERIOR HELICOPTER

THIS LEASE AGREEMENT, entered on the ____ day of _____, 2020, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as "DEDA", and LAKE SUPERIOR HELICOPTER a corporation created and existing under the laws of the State of Minnesota, hereinafter referred to as "Lessee".

WHEREAS, DEDA is the owner of a MRO designed as a heavy aircraft maintenance facility located on the hereinafter-described "Property" at the Duluth International Airport ("DIAP"); and

WHEREAS, said facility consists of 189,000 square feet of hanger space, office space, shop space and support space, hereinafter referred to as the "MRO"; and

WHEREAS, Lessee is in need of approximately 2,680 square feet of indoor hanger and sterile avionics space in the MRO suitable for the storage, maintenance and repair of Lessee-owned helicopters and aircraft; and

WHEREAS, the design and location of the MRO is suitable for Lessee's purposes but the structure is larger than is needed or useable at this time by Lessee; and

WHEREAS, in recognition of DEDA's contingent lease with another party, Lessee has agreed to vacate the MRO with reasonable notification; and

WHEREAS, both DEDA and Lessee believe that it will be in the best interests of DEDA, of Lessee and of the Duluth Airport Authority as operator of the DIAP and of the DIAP itself, as well as the rest of the community for DEDA to lease a portion of the MRO and the Property to Lessee for the purposes set forth above.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter contained, the parties covenant and agree for themselves and their successors and assigns as follows:

ARTICLE I
DEFINITIONS

For the purposes of this Agreement, the following terms shall have the meanings hereinafter ascribed to them unless a different meaning clearly appears from the context;

- A. City: shall mean the City of Duluth, Minnesota.
- B. Building Systems: shall mean Standard Building and Mechanical Systems consisting of the electrical system including 400 Hz system, plumbing, heating and air conditioning systems, potable water and wastewater systems, pit ventilation system and pit utilities, wet sprinkler system, hangar doors, structural integrity of interior and exterior load-bearing walls, the roof, footings and foundations systems serving the Buildings and located on the Leased Property and painting of the exterior surfaces of the Buildings. Building Systems shall also include parking lots and aprons but shall not include the reverse-osmosis system or the de-fueling system.
- C. DEDA: shall mean the Duluth Economic Development Authority.
- D. DEDA Equipment: shall mean that DEDA-owned equipment located in the MRO or on the Leased Premises identified and described on Exhibit A attached hereto and made a part hereof.
- E. Director: shall mean the Executive Director of DEDA or the person designated to act on behalf of the Director with regard to this Agreement
- F. Leased Premises: shall mean those portions of the MRO described and depicted on Exhibit B attached hereto and made a part hereof consisting of approximately 2,800 square feet of the hanger portion of the MRO.
- G. MRO: shall mean that MRO Building located north of Runway 09-27 and west of Runway 03-21 on the DIAP consisting of 189,000 square feet of hanger space, office space, shop space and support space originally designed and construct for use as a heavy maintenance base for commercial aircraft.
- H. Property: shall mean that property in St. Louis County, Minnesota legally described on Exhibit C, attached hereto and made a part hereof.

ARTICLE II
LEASED PREMISES

A. Generally

Subject to the terms and conditions hereinafter set forth, DEDA hereby grants and leases to Lessee, for the Term of this Lease Agreement as hereinafter set forth, the Leased Premises as hereinafter provided, for the storage and general maintenance of its owned light aircraft, all in the ordinary course of its business, conforming in all ways to applicable laws, rules and regulations. The use of the Leased Premises shall not include the storage of fuel or of aircraft containing fuel. During the Term of this Agreement as hereinafter set forth, Lessee shall have use of the Leased Premises for the purposes herein set forth, subject to the terms and conditions of this Lease Agreement and, unless authorized by this Lease Agreement, DEDA will take no action which will prevent Lessee from the quiet and peaceable possession thereof. By entering into this Lease Agreement, DEDA is making no warranty or representation, either expressed or implied, as to the merchantability or fitness for any particular use of the Leased Premises or other representation or warranty, express or implied, with respect to the condition of the Leased Premises except as explicitly set forth herein.

B. Exception-DEDA Equipment

The parties hereby acknowledge that DEDA is the owner of the DEDA Equipment which is presently stored in the MRO but outside of the Leased Premises. Lessee hereby agrees that Lessee shall have no right to use, move or to otherwise have any interaction with the DEDA Equipment or any portion thereof in conjunction with the permitted uses of the Leased Premises. Lessee agrees that, except as hereinafter provided for, Lessee will continue to allow the DEDA Equipment to be stored in the MRO in a location remote and reasonably discrete from the Leased Premises. Lessee further agrees that it will be responsible for any damage or destruction thereof or for any injury to or death of any person or persons or damage to or destruction of property arising out of the storage of the DEDA Equipment in the MRO in the same manner as provided for in Article VIII below unless Lessee can establish by competent evidence that such damage or destruction was caused by DEDA or by third parties.

C. Access to Airport Facilities

In addition to the foregoing, DEDA grants to Lessee the non-exclusive use of that access taxiway and ramp to the Southeast of MRO, which taxiway and ramp are shown on Exhibit C attached hereto and made a part hereof.

D. Other Leases for MRO

Nothing herein shall be deemed to prevent DEDA from leasing any portion of the MRO not included in the Leased Premises to a third party or from granting non-exclusive access to any portion of the Property outside of the Leased Premises to a third party. In

the event that DEDA so leases such premises to a third party, Lessee shall be solely responsible for the maintenance, protection and security of the Leased Premises and for any property of Lessee located on the Leased Premises and Lessee agrees that it will waive any claim of any kind arising out of such third party's use or occupancy of the said portion of the MRO and hold DEDA harmless therefore.

ARTICLE III
LEASE PAYMENTS

A. Rent

1. Rent on December 1, 2020

On December 1, 2020, Lessee shall pay to DEDA rent in the amount of One Thousand Dollars (\$1,0000) as rent for the period from December 1, 2020 through December 31, 2020. Such rents shall be "net" of all costs, charges or other amounts owed by Lessee to DEDA and shall not be subject to any delay, reduction, deduction, credit or set-off of any kind whatsoever except as hereinafter specifically authorized.

2. Rent Commencing on January 1, 2021

Commencing on January 1, 2021 and thereafter on the first day of each month during the term of this Agreement, Lessee shall pay to DEDA rent in the amount of One Thousand Dollars (\$1,000) per month or any portion of a month. Such rents shall be "net" of all costs, charges or other amounts owed by Lessee to DEDA and shall not be subject to any delay, reduction, deduction, credit or set-off of any kind whatsoever except as hereinafter specifically authorized.

B. Miscellaneous Payments and Services

1. Maintenance Services

Lessee hereby agrees to maintain the Leased Premises and any other facilities thereon in a neat, clean, orderly and, where applicable, sanitary condition consistent with the condition of the Leased Premises presented to Lessee upon commencement of the Lease Term. In the event that Lessee fails to so maintain the Leased Premises, DEDA may itself maintain or cause to be maintained repaired or replaced, as the Director shall determine in the exercise of his or her discretion, those portions of the Leased Premises not so kept, and Lessee agrees to reimburse DEDA for the direct and indirect costs incurred by DEDA for the performance of said work immediately on being billed therefore by DEDA. DEDA agrees that any maintenance of the MRO not assumed by Lessee pursuant to this Agreement (other than any needed Building Systems repairs that might arise during the Lease Term, which are the responsibility of DEDA)

and the need for which does not arise out of the actions or inactions of Lessee shall be the responsibility of DEDA.

2. Refuse and Garbage

Lessee shall have all responsibility for the disposal of refuse and garbage generated by its operations at the Leased Premises and agrees to absorb all costs related thereto. DEDA shall be responsible for disposal of refuse and garbage in the non-Leased Premises part of the MRO not arising out of the actions or inactions of Lessee.

3. Hanger Doors

Lessee shall minimize its use of the hangar doors by utilizing the garage door located in the easternmost hangar door when possible. Lessee shall be responsible to insure that the garage door and hanger doors of the MRO are securely closed at all times except when necessary to move Lessee's inventory and work in process into or out of the Leased Premises.

4. Utilities

DEDA shall be responsible for the costs of utilities provided to the Leased Premises and to the MRO and shall have exclusive control the amount of such utilities so provided, provided that such utilities will be reasonably adequate for the intended use of the Leased Premises as set forth herein.

5. Snow Removal

DEDA shall be responsible for the costs of snow removal and ramp/apron maintenance for the taxiway and ramp areas necessary to provide access to the Leased Premises for Lessee's use thereof.

C. Other Costs of the Leased Premises

In addition to the foregoing costs and charges set forth above, Lessee shall bear, and promptly pay, on or before the date due, all other costs, fees and charges of any kind whatsoever, if any, arising out of the occupancy of the Leased Premises; provided that nothing shall prevent Lessee from contesting in good faith, any such payment requirement except as such contest would negatively affect the DEDA's rights under this Agreement.

D. Payment by DEDA

Should Lessee fail to pay any such costs, fees or charges set forth above arising out of its use or occupancy of the Leased Premises or to Lessee's business thereon, DEDA may, at its sole discretion and upon ten (10) days prior, written notice to Lessee, pay such costs, fees and charges and thereupon, Lessee shall promptly reimburse DEDA for the same and DEDA may collect the same as it deems appropriate including exercising the remedies authorized under Article X of this Agreement.

E. Payment Obligations Unconditional

The obligations of Lessee to pay any amounts due to DEDA under this Lease Agreement in accordance with the terms hereof shall be absolute and unconditional, irrespective of any defense or rights of set off, recoupment or counterclaim which may at any time be available against DEDA. Such payments shall be due without notice or demand therefore except as specifically provided for herein.

F. Time for Payment and Manner of Payment

The first Rent payment hereunder shall be due and payable on August 20, 2020. Thereafter, all Rent payments shall be due and payable on the first day of the month to which they are attributable. All other payments and reimbursements to DEDA called for by this Agreement shall be due and payable promptly upon being billed by DEDA to Lessee.

ARTICLE IV

TERM

A. Initial Term

The Term of this Lease Agreement shall be deemed to commence on December 1, 2020 and shall run through December 31, 2020, unless sooner terminated as hereinafter provided for.

B. Negotiated Extension

No later than December 28, 2020, Lessee may give notice to DEDA as hereinafter provided for of its desire to extend the Term of this Agreement on a month-to-month basis for a period of up to an additional Twelve (12) Months beyond the Initial Term. Upon such notification, the parties hereto hereby agree that they will enter into good faith negotiations for the purpose of negotiating such an extension under terms and conditions acceptable to both parties. Both parties agree that the taxability of the Property resulting from this Lease and any extension thereof, any proposed expansion of the permitted use of the Leased Premises and any modification to or expansion of the terms and conditions related thereto, and DEDA's need to be able to limit or terminate any such extension in order to attempt to lease the Building or portions thereof to a third party for a use more in keeping with the design or intended purpose of the Building will be factors in the negotiations. Nothing herein shall be deemed to commit either party to any extension of this Lease in any form.

C. Termination

Notwithstanding the provisions of Paragraphs A and B above, in the event that the Director determines, in the exercise of the Director's discretion, that the Lease of the Leased Premises to Lessee is interfering with DEDA's ability to lease the MRO to a third party for its design use, the Director may give notice to Lessee as provided for in Article

XIV below and may terminate this Lease effective as of Five (5) Business Days after the giving of such notice. Provided, that at the Director's sole discretion, said termination may be extended to up to Fifteen (15) Business Days after the date of such notice. In addition, if Lessee determines that the Leased Premises is no longer needed for the full length of the Initial Term, Lessee may terminate the Lease effective upon Fifteen (15) days written notice to DEDA.

ARTICLE V

CONSTRUCTION OR ALTERATION

Lessee shall not make, construct or cause to be made or constructed any modification to or alteration of any kind to the Leased Premises, the MRO or to any portion of the Property, except for marking the Leased Premises boundaries with temporary placards and as otherwise agreed to by DEDA in writing.

ARTICLE VI

SURRENDER OF POSSESSION

Upon the expiration or other termination of this Lease Agreement, Lessee's rights to use the MRO and the Leased Premises, facilities and equipment herein granted shall cease and Lessee shall, upon expiration or termination, promptly and in good condition surrender the same to DEDA. In the event that Lessee has in any way changed, altered or modified the MRO or the Leased Premises demised herein, Lessee covenants to return the same to the condition they were in at the time of the signing of this Agreement or, in the alternative, to pay DEDA for the cost of returning them to said condition unless waived by the Director in writing. Upon termination, any Leasehold Improvements which have become part of the realty shall become part of the Leased Premises of DEDA, and the same, together with the MRO and the Leased Premises, shall be immediately returned to the control of DEDA. Any Leasehold Improvements not part of the realty shall be removed therefrom within fifteen (15) days after the termination of this Agreement or the same shall be deemed to have been abandoned to DEDA and the right of the Lessee to possession thereof shall cease. Upon termination of this Agreement, Lessee will waive any and all rights, if any, to relocation benefits under the Uniform Acquisition Assistance and Relocation Act of 1974, as amended, and any laws or regulations promulgated with regard thereto which might arise out of this Agreement.

ARTICLE VII

PROVISION AGAINST LIENS

A. Provision Against Liens

Lessee shall not create or permit any mortgage, encumbrance or allow any mechanic's or materialmen's liens to be filed or established or to remain against the Leased

Premises, the MRO, the Property or any part thereof which would materially or adversely affect the DEDA's interest in this Agreement during the term of this Agreement, provided that if Lessee shall first notify DEDA of its intention to do so and post such security as DEDA reasonably deems necessary, Lessee may, in good faith, contest any such mechanic's or other liens filed or established as long as DEDA does not deem its interest or rights in this Agreement to be subject to foreclosure by reason of such context.

B. Provision Against Assignments, Transfers or Change in Identity of Lessee

Lessee represents and agrees for itself, its successors and assigns that it has not made or created, and will not make or create or suffer to be made or created, any total or partial sale, assignment, conveyance, lease, trust, lien or power of attorney, and has not or will not otherwise transfer in any other way all or any portion of the MRO, the Leased Premises, the Lessee, this Agreement or any other contract or agreement entered into in connection with carrying out its obligations hereunder; and except for mortgaging approved in writing by the Director, Lessee will not make or create or suffer to be made any such transfer of Lessee's rights hereunder without the prior approval of DEDA.

ARTICLE VIII
INDEMNIFICATION

A. Generally

Lessee will to the fullest extent permitted by law, protect, indemnify and save DEDA and its officers, agents, servants, employees and any person who controls DEDA within the meaning of Securities Act of 1933, harmless from and against all liabilities, losses, damages, costs, expenses, including attorneys' fees and expenses, causes of action, suits, claims demands and judgements of any nature arising from:

1. Any injury to or death of any person or damage to the MRO, the DEDA Equipment or the Leased Premises in or upon the MRO, the DEDA Equipment or the Leased Premises, arising out of or related to Lessee's negligent, grossly negligent or intentional acts of omissions related to the use or non-use, condition or occupancy of the MRO, or the Leased Premises or any part thereof and also, without limitation, any and all acts or operations related to its use or occupancy any portion of the MRO or the Leased Premises. The foregoing indemnification shall not be limited in any way by any limitation on the amount or type of damage, compensation or benefits payable by or for the Lessee, customers, suppliers or affiliated organizations under any Workers' Compensation Act, Disability Benefit Acts or any other Employee Benefit Acts;
2. Any violation by Lessee of any provision of this Lease Agreement;

3. Any violation of any contract, agreement or restriction related to Lessee's use of the MRO, the DEDA Equipment or the Leased Premises which shall have existed at the commencement of the Term of this Agreement or shall have been approved by the Lessee; and

4. Any violation of any law, ordinance, court order or regulation affecting the MRO, the DEDA Equipment or the Leased Premises or the ownership, occupancy or use thereof.

B. DEDA Equipment

Lessee agrees that, in the event that during Term of this Lease any of the DEDA equipment suffers any damage of any kind or is destroyed or otherwise rendered non-functional for any reason arising out of Lessee's negligent, grossly negligent or intentional acts of omissions, Lessee will indemnify DEDA for cost of repairing or replacing such DEDA Equipment to the condition it was in prior to such damage, destruction or inoperability and Lessee will either itself repair or replace such damaged equipment or, at DEDA's option, DEDA may repair or replace such damaged equipment and Lessee will promptly reimburse DEDA for the costs thereof.

C. DEDA Indemnification

DEDA will to the fullest extent permitted by law, protect, indemnify and save Lessee and its officers, agents, servants, employees, affiliated companies harmless from and against all liabilities, losses, damages, costs, expenses, including attorneys' fees and expenses, causes of action, suits, claims demands and judgements of any nature arising from any injury to or death of any person inside the MRO or damage to the MRO, the Lessee aircraft and other inventory, or the DEDA Equipment solely and directly arising out of or related to the negligence or misconduct of DEDA or its representatives. The foregoing indemnification shall not be limited in any way by any limitation on the amount or type of damage, compensation or benefits payable by or for the Lessee, customers, suppliers or affiliated organizations under any Workers' Compensation Act, Disability Benefit Acts or any other Employee Benefit Acts.

D. Indemnification Procedures

Promptly after receipt by Lessee of notice of the commencement of any action with respect to which the Lessee is required to indemnify such person under this Article, DEDA shall notify the Lessee in writing of the commencement thereof, and, subject to the provisions as hereinafter stated, the Lessee shall assume the defense of such action, including the employment of counsel satisfactory to the indemnitee and the payment of expenses. In so far as such action shall relate to any alleged liability of the DEDA with respect to which indemnity may be sought against the Lessee, DEDA shall have the right to employ separate counsel in any such action and to participate in the defense

thereof, and the fees and expenses of such separate counsel shall be at the expense of the Lessee.

ARTICLE IX
INSURANCE

Lessee shall procure and continuously maintain insurance covering all risks of injury to or death of persons or damage to Leased Premises arising in any way out of or as a result of Lessee's occupancy of or use of the Leased Premises, carried in the names of the Lessee, any subtenant and the DEDA as their respective interests may appear, as follows:

A. Liability Insurance

The Lessee shall procure and maintain continuously in force Public Liability Insurance written on an "occurrence" basis under a Commercial General Liability Form in limits of not less than Two Million and No/100s (\$2,000,000.00) Dollars aggregate per occurrence for personal bodily injury and death, and limits of Two Million and No/100s (\$2,000,000.00) Dollars for Leased Premises damage liability. If person limits are specified, they shall be for not less than Two Million and No/100 (\$2,000,000.00) Dollars per person and be for the same coverages. The DEDA shall be named as an additional insured therein. Insurance shall cover:

- a. Public liability, including premises and operations coverage.
- b. Independent contractors
- c. Personal injury.
- d. Owned, non-owned and hired vehicles.
- e. Contractual liability covering the indemnity obligations set forth herein.
- f. Products--completed operations.
- g. Professional liability insurance.
- h. Dram Shop Insurance, if applicable.
- i. Property of Others.

B. Workers' Compensation

Workers' Compensation Coverage in statutory amounts with "all states" endorsement. Such coverage shall be carried in limits of One Hundred Thousand and No/100 (\$100,000.00) Dollars per employee.

C. Requirements for All Insurance

All insurance required in this Article IX shall be taken out and maintained in responsible insurance companies licensed to do business in the State of Minnesota.

D. Policies

The Lessee shall be required to supply to the DEDA written certificates of insurance evidencing all policies required under this Agreement. In addition, each insurer

providing such policies shall be required to provide evidence satisfactory to the Director that such policies will require the insurer to give the DEDA thirty (30) days' written notice prior to cancellation or modification of said insurance.

ARTICLE X

LESSEE DEFAULTS AND REMEDIES THEREFORE

A. General Defaults and Remedies--Lessee

1. General Events of Default

The following shall be deemed to be general events of default by Lessee under the terms and conditions of this Agreement to which the remedies set forth in Subparagraph 2 below shall be applicable as otherwise set forth in this Agreement.

- a. Lessee shall fail to pay any payment due to DEDA under Article III above within ten (10) days of the date said payment is due.
- b. Lessee shall fail to observe or perform any of the other terms, conditions, covenants or agreements required to be observed or performed by it or any successors or assigns of Lessee pursuant to this Lease Agreement and such failure shall continue for a period of thirty (30) calendar days after DEDA has, pursuant to the provisions of this Lease Agreement, given written notice to Lessee of such default or, in the event that such default shall be incapable of cure during said thirty (30) day period, shall have failed to commence to cure said default within thirty (30) days of the date of said notice and to diligently pursue the same to completion.
- c. Lessee shall permit any liens on the MRO or the Leased Premises.
- d. Lessee makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts as they become due; or an adjudication of bankruptcy or insolvency as made as to Lessee or its business; or Lessee files a petition of bankruptcy or files a petition seeking any reorganization, dissolution, liquidation, or rearrangement, composition, readjustment or similarly under any present or future bankruptcy or insolvency statute, law or regulation; or Lessee files an answer admitting to or not contesting to the material allegations of a petition filed against in such proceeding or fails to have dismissed or vacated within thirty (30) days after its filing such a petition or seeks or consents or acquiesces in the appointment of any trustee, receiver or liquidator of a material part of Lessee's properties or fails to have dismissed or vacated within thirty (30) days after the appointment without the consent or acquiescence of Lessee of any trustee, receiver or liquidator of any material part of Lessee's properties.

2. General Remedies

Except as otherwise set forth in this Agreement, DEDA shall have the following remedies in the event of a default by Lessee:

a. Terminate this Lease Agreement and, at its discretion, retake the Leased Premises from Lessee, subject to rights conferred on Lessee by applicable State Statute.

b. Seek and be entitled to direct monetary damages directly arising from any such Lessee default, but excluding any indirect or consequential damages from Lessee for any damages, including consequential damages incurred by DEDA as a result of Lessee's default.

c. Seek and be entitled to injunctive or declaratory relief as is necessary to prevent Lessee's violation of the terms and conditions of this Agreement or to compel Lessee's performance of its obligations hereunder.

d. Seek such other legal or equitable relief as a court of competent jurisdiction may determine is available to DEDA.

B. General Defaults and Remedies--DEDA

1. General Events of Default

It shall be deemed to be general events of default by DEDA under the terms and conditions of this Agreement to which the remedies set forth in Subparagraph 2 below shall be applicable for DEDA to fail to perform any of its obligations under this Agreement and to fail to correct such failure for a period of Thirty (30) days after Lessee has given DEDA notice thereof as hereinafter provided for.

2. General Remedies

Except as otherwise set forth in this Agreement, Lessee shall have the following remedies in the event of a default by Lessee:

a. Terminate this Lease Agreement.

b. Seek and be entitled to direct monetary damages directly arising from any such DEDA default, but excluding any indirect or consequential damages from Lessee for any damages, including consequential damages incurred by Lessee as a result of DEDA's default.

c. Seek and be entitled to injunctive or declaratory relief as is necessary to prevent Lessee's violation of the terms and conditions of this Agreement or to compel Lessee's performance of its obligations hereunder.

d. Seek such other legal or equitable relief as a court of competent jurisdiction may determine is available to Lessee.

C, Non-Waiver

The waiver by either party of any default on the part of the other party or the failure of either party to declare default on the part of the other party of any of its obligations pursuant to this Agreement shall not be deemed to be a waiver of any subsequent event of default on the part of the defaulting party of the same or of any other obligation of the defaulting party hereunder. And, to be effective, any waiver of any default by the defaulting party hereunder shall be in writing by the non-defaulting party.

D. Remedies Cumulative

Except as specifically set forth herein, the remedies provided under this Lease Agreement shall be deemed to be cumulative and non-exclusive and the election of one remedy shall not be deemed to be the waiver of any other remedy with regard to any occasion of default hereunder.

E. Attorneys' Fees

In the event that either party is in default of any of the terms and conditions of this Lease Agreement and the non-defaulting party shall successfully take legal action to enforce said rights herein, in addition to the foregoing, such non-defaulting party shall be entitled to reimbursement for its reasonable attorneys' fees and costs and otherwise for its costs and disbursements occasioned in enforcing its rights hereunder.

ARTICLE XI

FORCE MAJEURE

Under the terms of this Lease Agreement, neither the DEDA nor Lessee shall be considered in default or in breach of any of the terms with respect to the performance of their respective obligations under this Agreement in the event of enforced delay in the performance of its obligations due to unforeseeable causes beyond its control and without its fault or negligence, including but not limited to acts of God, acts of a public enemy, acts of the federal government, acts of another party, fire, floods, epidemics, strikes or embargoes, or for delays of contractors or subcontractors due to such causes. In the event of any such delay, any time for completion or delivery under this Lease Agreement shall be extended for the period of any such delay upon written notice from the party seeking the extension to the other party.

ARTICLE XII

REPRESENTATIONS BY DEDA

DEDA represents and warrants that as of the date hereof:

- A. It is a lawfully constituted municipal corporation under the laws of the State of Minnesota, it is not in material violation of any provisions of State law and that it has full

power and authority to enter into this Agreement and perform its obligations hereunder.

- B. There are no actions, suits or proceedings pending, or to the knowledge of DEDA, threatened against DEDA or any Leased Premises of DEDA in any court or before any Federal, State, municipal or governmental agency which, if decided adversely to DEDA, would have a material adverse effect upon DEDA or any business or Leased Premises of DEDA and DEDA is not in default with respect to any order of any court or government agency.
- C. DEDA has investigated and has no knowledge that a DEDA Council Member or other member, official, or employee of DEDA is directly or indirectly financially interested in this Agreement or in any transactions concluded in connection with this Agreement.
- D. DEDA shall do such things as are necessary to cause any information, document, certificate, statement in writing, or report required under this Agreement or otherwise delivered to any third parties under this Agreement to be true, correct and complete in all material respects.

ARTICLE XIII

LESSEE'S REPRESENTATIONS AND WARRANTIES

Lessee represents and warrants that as of the date hereof:

- A. It is a lawfully constituted corporation under the laws of the State of Wisconsin, is not in material violation of any provisions of State law and that it has full power and authority to enter into this Lease Agreement and to perform its obligations hereunder.
- B. That it is fully competent to lease the Leased Premises under all laws, rulings, regulations and ordinances of any governmental authority having jurisdiction and that he agrees to comply with all applicable State, Federal acquisition and relocation laws, wages and hours laws, including Davis-Bacon and local versions thereof or similar laws at its own expense.
- C. That there are no actions, suits or proceedings pending or, to the knowledge of Lessee, threatened against Lessee or any leased premises in any court or before any Federal, State or municipal or other governmental agency which, if decided adversely to Lessee, could have a material adverse affect upon Lessee or any Leased Premises, and that Lessee is not in default of any order of any court or governmental agency.
- D. It is not in default of the payment of principal of or interest on any indebtedness for borrowed money or in default under any instrument or agreement pursuant to which the indebtedness has been incurred.
- E. Lessee shall do such things as are necessary to cause any information, document, certificate, statement in writing, or report required under this Lease Agreement delivered to any third party under this Agreement to be true, correct and complete in

all material and respects. If necessary Lessee agrees to perform any survey work prior to construction and all descriptions and exhibits hereto and definitions herein shall be subject to such revisions as are necessary after completion of any survey.

ARTICLE XIV

NOTICES

Any notice, demand or other communication under this Agreement by either party to the other shall be deemed to be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid to:

In the case of DEDA:

DEDA of Duluth
Room 400 City Hall
411 West First Street
Duluth, MN 55802

In the case of Lessee:

Lake Superior Helicopter.
4525 Airport Approach Rd
Duluth, MN 55811
Attn: Eric Monson

ARTICLE XV

APPLICABLE LAW

This Agreement together with all of its Articles, paragraphs, terms and provisions is made in the State of Minnesota and shall be construed and interpreted in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first shown above.

DULUTH ECONOMIC DEVELOPMENT LAKE SUPERIOR HELICOPTER.,
AUTHORITY,
an economic development authority

A Minnesota Limited Liability Company

By _____
Its President

By: _____
its Chief Executive Officer
"Lessee"

Attest:

By _____
Secretary

Approved:

Assistant City Attorney

Countersigned:

City Auditor

This Lease Drafted by:
Robert E. Asleson
Attorney for the DEDA of Duluth
Room 440 DEDA Hall
Duluth, MN 55802
(218) 730-5490

DEDA EQUIPMENT

INSTALLED - GROUND FLOOR	
1	JBI Spray Booth
2	Able Howe 2Ton Crane
3	TC American 10,000 Pound Overhead Crane
4	TC American 6,000 Pound' Overhead Crane
5	Lathe Model EZ-Path NW Tag #002-082058-235 (Replacement For Clausing Lathe Sold)
6	Clausing Lathe with Accessories
8	Bridgeport Series 11 EZ Trak
9	Bridgeport Series 11 (Mill)
14	Torit Booth
15	Torit Welding Booth
16	Docking System Wing & Tail (See Also 18)
17	Docking System Wing & Tail (See Also 18)
20	Manchester Air Compressor Tank
20	Manchester Air Compressor Tank
21	Torit Booth - Adjacent to Hangar Space
26	General Pneumatics TH000A Air Compressor Filter
26	General Pneumatics TH000A Air Compressor Filter
26	Atlas Copco 2T 200 Air Compressor
26	Atlas Copco 2T 200 Air Compressor
27	Atlas Copco GA 22F1 Air Compressor
28	Two (2) Industrial Quality Air Hose/Reel IWO Gil
28	Two (2) Industrial Quality Electric Cord Reel

DEDA EQUIPMENT

INSTALLED - GROUND FLOOR {Continued}	
28	9,000 Pound Rotary Vehicle Lift
32	Cat Emeraency Power Generator
40/41	Vertical Storageae/Retrieval Unit
45	Front Desk, Monitorina/Security
	Acetylene Tank Storagee Cage
	IS/Comouter Room Eauipment

OTHER - GROUND FLOOR	
18	Docking System Components - Parts of 16/17 Above
22	Modular Furniture and Chairs (Engineering)
23	Modular Furniture and Chairs
24	Modular Furniture and Chairs
25	Modular Furniture and Chairs
28	10-Ton Lincoln Floor Jack
28/29	Two /2\ 1/4" Steel Too Workbench
30	Fuse Cabinet with Scare Fuses
31	Cafeteria Chairs and Tables
39	Clocks (13)
42	Conference Room Table and
43/44	Modular Furniture, Files, and
	Five (5) Rubbermaid Carts
	Assorted Lockset Parts
INSTALLED- UPPER LEVEL	
35	JB I Sorav Booth
36	Torit Booth
38	Trane MCC Air Conditioner Unit
OTHER - UPPER LEVEL	
10	Sewing Machine Console
33	Cafeteria Chairs and Tables
37	Conference Table and Chairs
OUTSIDE	
34	Docking System

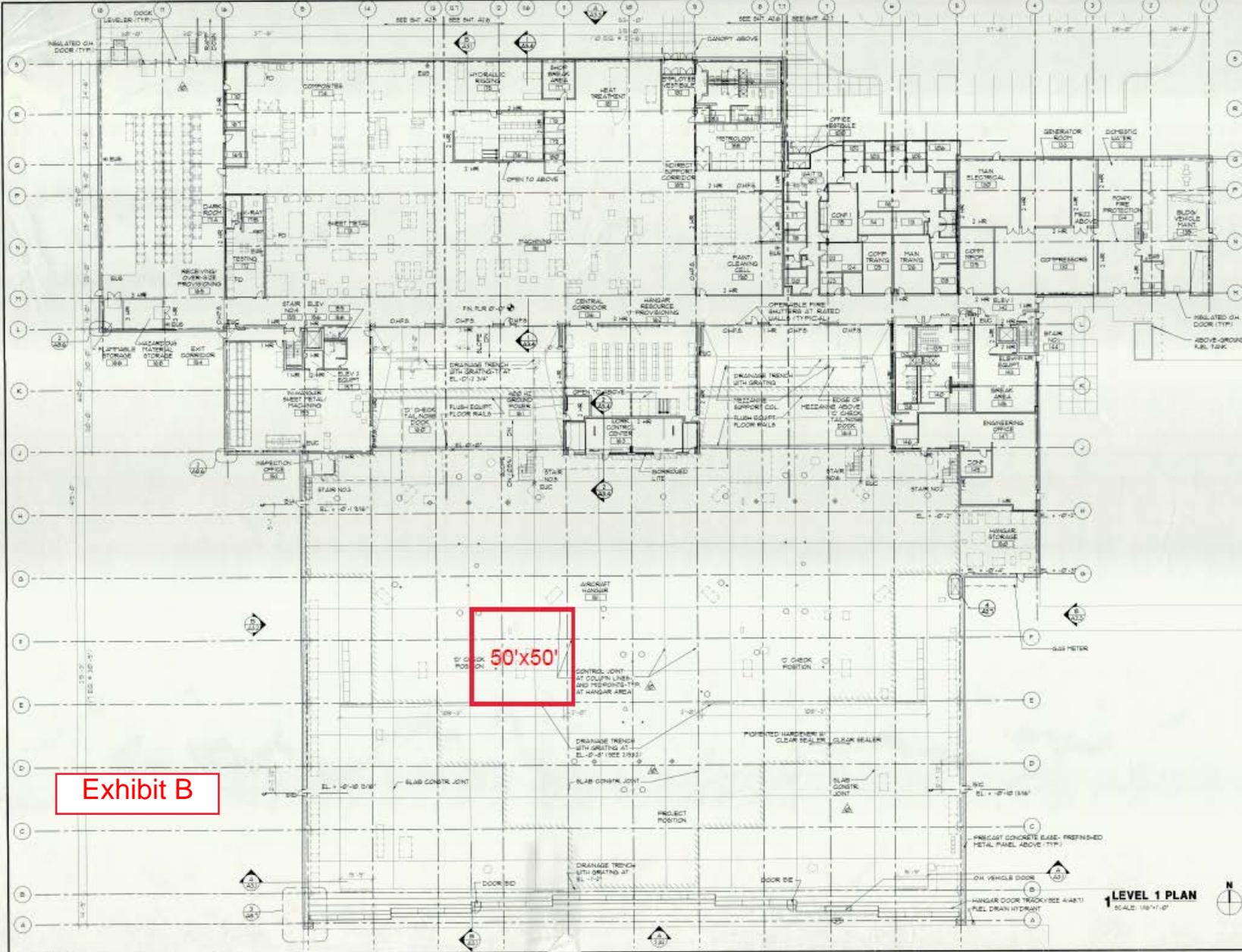


Exhibit B

50'x50'

LEVEL 1 PLAN
 SCALE: 1/8"=1'-0"

ASBUILT
 JAN. 01, 1997

NO.	DESCRIPTION
1.	REVISION
2.	REVISION
3.	REVISION
4.	REVISION
5.	REVISION
6.	REVISION
7.	REVISION
8.	REVISION
9.	REVISION
10.	REVISION
11.	REVISION
12.	REVISION
13.	REVISION
14.	REVISION
15.	REVISION
16.	REVISION
17.	REVISION
18.	REVISION
19.	REVISION
20.	REVISION

Exhibit C

Leased Property Legal Description

The Leased Property is all within Section 1, Township 50 North, Range 14 West and is generally described as follows:

Commencing at the point of intersection of the north line of Section 1, Township 50 North, Range 15 West with the north-south centerline of said Section 1; then south along said north-south centerline on a bearing of South 0 degrees 15 minutes 25 seconds East a distance of 699.87 feet to the point of beginning of the parcel to be described; thence turning to the left and continuing on a bearing of North 70 degrees 0 minutes 44 seconds East a distance of 316.22 feet to a point; thence turning to the right and continuing on a bearing of South 19 degrees 59 minutes 16 seconds East a distance of 600.00 feet to a point; thence turning to the right and continuing on a bearing of South 70 degrees 0 minutes 44 seconds West a distance of 675.23 feet to a point; thence turning to the left and continuing on a bearing of South 19 degrees 59 minutes 16 seconds East a distance of 361.60 feet to a point; thence turning to the right and continuing on a bearing of South 70 degrees 0 minutes 44 seconds West a distance of 673.67 feet to a point; thence turning to the right and continuing on a bearing of North 19 degrees 59 minutes 16 seconds West a distance of 1140.47 feet to a point; thence turning to the right and continuing on a bearing of North 70 degrees 0 minutes 44 seconds East a distance of 100.56 feet to a point; thence turning to the left and continuing on a bearing of North 19 degrees 59 minutes 16 seconds West a distance of 12.00 feet to a point; thence turning to the right and continuing on a bearing of North 70 degrees 0 minutes 44 seconds East a distance of 573.11 feet to a point; thence turning to the right and continuing on a bearing of South 19 degrees 59 minutes 16 seconds East a distance of 190.88 feet to a point; thence turning to the left and continuing on a bearing of North 70 degrees 0 minutes 44 seconds East a distance of 359.01 feet to the point of beginning and there terminating.