

**SPECIAL MEETING OF THE  
DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
WEDNESDAY, May 29, 2019 - 5:15 P.M.  
CONFERENCE ROOM 303, THIRD FLOOR, CITY HALL  
AGENDA**

CALL TO ORDER

PUBLIC TO ADDRESS THE COMMISSION

PUBLIC HEARINGS

1. **RESOLUTION 19D-18:** RESOLUTION AUTHORIZING THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY TO GRANT A UTILITY EASEMENT TO THE CITY OF DULUTH OF DEDA-OWNED PROPERTY IN MARINE DIVISON

APPROVAL OF MINUTES:       April 24, 2019 Meeting

APPROVAL OF CASH TRANSACTIONS – April 01, 201 – April 30, 2019

NEW BUSINESS

**RESOLUTIONS FOR APPROVAL**

1. **RESOLUTION 19D-18:** RESOLUTION AUTHORIZING THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY TO GRANT A UTILITY EASEMENT TO THE CITY OF DULUTH OF DEDA-OWNED PROPERTY IN MARINE DIVISON
2. **RESOLUTION 19D-19:** RESOLUTION AUTHORIZING SECOND AMENDMENT TO AGREEMENT NO 14-865-732 WITH HRA PERTAINING TO THE ESMOND/SEAWAY PROJECT EXTENDING THE TERM THEREOF.
3. **RESOLUTION 19D-20:** RESOLUTION AUTHORIZING AN OPTION AGREEMENT WITH MERGE, LLC FOR THE SALE AND REDEVELOPMENT OF THE PASTORET TERRACE BUILDING AND THE PAUL ROBESON BALLROOM
4. **RESOLUTION 19D-21:** RESOLUTION AUTHORIZING A FIRST AMENDMENT TO THE LAND SALE AGREEMENT WITH S&V HOLDINGS, LLC RELATED TO THE SALE OF THE BERGMAN BUILDING LOCATED AT 20 WEST 5<sup>TH</sup> STREET

**5. RESOLUTION 19D-22: RESOLUTION AUTHORIZING A LEASE AGREEMENT  
WITH AAR AIRCRAFT SERVICES, INC.**

**DISCUSSION**

**1. DIRECTOR'S REPORT**

**ama**

# Duluth Economic Development Authority

December, 2018 Cash Activity - all DEDA Funds

ACCUMULATED TRANSACTION LISTING, G/L Date Range 12/01/18 - 12/31/18 (as of 01/07/2019)

G/L Date	Journal Number	Sub Ledg	Name	Beginning Balance	Net Amount	Description
<b>FUND 860 - OPERATING FUND</b>						
12/01/18	2018-00001592	GL	Cost Allocation - DEDA	2,520,110.43		
12/04/18	2018-00009153	RA	PayGpO'ReillyLLC	(30,416.63)		DEDA Lease Payments
12/07/18	2018-00009289	RA	Interstate	424.36		Waterfront Plaza contract parking
12/10/18	2018-00009247	AP	Duluth News Tribune	(16.00)		Public hearing notice-Northstar Development Interests LLC 12/12
12/10/18	2018-00009247	AP	Ehlers and Associates Inc	(1,443.75)		Voyageur Lakewalk Inn Redev
12/10/18	2018-00009247	AP	SAS Associates	(13,812.50)		Downtown Waterfront Public Investment Plan per proposal
12/10/18	2018-00009247	AP	Charter Communications	(79.97)		201 E Superior St - Temple Bldg
12/10/18	2018-00009247	AP	Telephone Associates Inc	(77.94)		Temple alarm
12/10/18	2018-00009247	AP	ATK Enterprises, Inc	(484.00)		snow shoveling-Temple Bldg 11/9-11/21
12/10/18	2018-00009247	AP	Nancy R. Aronson-Norr	(35.00)		DEDA 11/28
12/10/18	2018-00009247	AP	Zack Filipovich	(35.00)		DEDA 11/28
12/10/18	2018-00009247	AP	Noah Hobbs	(35.00)		DEDA 11/28
12/10/18	2018-00009247	AP	Timothy P McShane	(35.00)		DEDA 11/28
12/10/18	2018-00009247	AP	Minnesota Power	(97.92)		201-203 E Superior St - Temple Bldg
12/10/18	2018-00009247	AP	Minnesota Power	(13.06)		8 N 2nd Av E - Temple Bldg
12/10/18	2018-00009247	AP	Minnesota Power	(13.70)		205 E Superior St - Temple Bldg
12/10/18	2018-00009247	AP	Minnesota Power	(284.80)		8 N 2nd Av E - Temple Bldg
12/10/18	2018-00009247	AP	Minnesota Power	(13.06)		209 E Superior St - Temple Bldg
12/11/18	2018-00009348	RA	Cambria Hills	67,437.50		DEDA Bonds Administrative Fee
12/14/18	2018-00009494	RA	St Lukes - DEDA	98,750.00		Bond Administrative Fee Wire 12/13
12/17/18	2018-00009460	AP	Northern Business Products	(39.43)		Office Supplies - Acct 162
12/17/18	2018-00009521	RA	Lintukoto LLC	1,275.00		2018-00000357
12/18/18	2018-00009532	GL	correct 1200 Fund billing - used wrong fund (860)	(4,275.00)		
12/18/18	2018-00009560	AP	Wells Fargo Bank	(227.22)		November 2018 P-Card Purchases
12/20/18	2018-00009689	RA	Chad Scott	500.00		Tax Forfeit purchase/sale admin fee
12/20/18	2018-00009689	RA	Interstate	(11,267.44)		November Parking
12/26/18	2018-00009680	AP	Heidi Timm-Bjold	(101.11)		reimb-lunch mtgs/copies 8/20-12/11
12/26/18	2018-00009680	AP	Duluth Public Utilities	(833.85)		335 W Superior St - Temple Bldg
12/26/18	2018-00009680	AP	Bruce L Duncan	(76.99)		fans/cord - Temple Bldg
12/26/18	2018-00009680	AP	Bruce L Duncan	(138.54)		ignitor 1 - Temple Bldg
12/26/18	2018-00009680	AP	Bruce L Duncan	(750.00)		building services - Temple Bldg
12/26/18	2018-00009680	AP	Ehlers and Associates Inc	(343.75)		Voyageur Lakewalk Inn Redev
12/26/18	2018-00009680	AP	Area Partnership for Economic Expan. (APEX)	(1,050.00)		Northforce Talent Initiative-attraction/retention/placement
12/26/18	2018-00009680	AP	Craig S Chilcote	(35.00)		DEDA 12/12
12/26/18	2018-00009680	AP	Zack Filipovich	(35.00)		DEDA 12/12
12/26/18	2018-00009680	AP	Noah Hobbs	(35.00)		DEDA 12/12
12/26/18	2018-00009680	AP	Timothy P McShane	(35.00)		DEDA 12/12
12/26/18	2018-00009680	AP	Barbara Russ	(35.00)		DEDA 12/12
12/26/18	2018-00009680	AP	Craig S Chilcote	(35.00)		DEDA 11/28
12/26/18	2018-00009680	AP	Craig S Chilcote	(35.00)		DEDA 9/26
12/26/18	2018-00009680	AP	Duluth Public Utilities	(17.58)		8 N 2nd Av E - Temple Bldg
12/26/18	2018-00009680	AP	Duluth Public Utilities	(320.84)		201 E Superior St - Temple Bldg
12/26/18	2018-00009680	AP	Duluth Public Utilities	(126.04)		8 N 2nd Av E - Temple Bldg
12/26/18	2018-00009680	AP	Duluth Public Utilities	(114.98)		8 N 2nd Av E - Temple Bldg
12/26/18	2018-00009680	AP	Duluth Public Utilities	(77.50)		203 E Superior St - Temple Bldg
12/26/18	2018-00009680	AP	Ehlers and Associates Inc	(7,500.00)		First half flat fee for TIF dist creation -rebilled to developer
12/26/18	2018-00009680	AP	Twin Ports Testing	(7,698.40)		Pastoret Terrace Hazardous Materials recovery

## Duluth Economic Development Authority

December, 2018 Cash Activity - all DEDA Funds

ACCUMULATED TRANSACTION LISTING, G/L Date Range 12/01/18 - 12/31/18 (as of 01/07/2019)

G/L Date	Journal Number	Sub Ledg	Name	Net Amount	Description
12/26/18	2018-00009731	GL	set up due to/due from for 2018 grant eligible expenses	173.86	Transfer with City General Fund
12/26/18	2018-00009731	GL	reimb Fund 255 for DEDA Barr Engineering payment	(25,093.62)	Transfer with Fund 255 - Econ Dev
12/27/18	2018-00009812	RA	Landmark/Hammes Company	2,200.00	invoice #2018-00000356, 2018-00000362
12/27/18	2018-00009812	RA	Wildamere Capital	3,000.00	DEDA Admin fees
12/31/18	2018-00009840	AP	Charter Communications	(79.97)	Internet Service - Temple Bldg
12/31/18	2018-00009840	AP	Minnesota Power	(313.97)	Electricity - Temple Bldg
12/31/18	2018-00009840	AP	Minnesota Power	(13.50)	Electricity - Temple Bldg
12/31/18	2018-00009840	AP	Minnesota Power	(13.50)	Electricity - Temple Bldg
12/31/18	2018-00009840	AP	Minnesota Power	(93.59)	Electricity - Temple Bldg
12/31/18	2018-00009840	AP	Minnesota Power	(13.50)	Electricity - Temple Bldg
12/31/18	2018-00009965	GL	Investment Earnings For December	4,495.00	
<b>FUND 860 - OPERATING FUND</b>					
				<b>Ending Balance - 12-31-2018</b>	<b>2,594,367.50</b>
<b>FUND 861 - DEBT SERVICE</b>					
12/04/18	2018-00009129	GL	receipt 2nd half 2018 tax payment	589,997.91	
12/20/18	2018-00009683	GL	record 2018 med dist transfer to city	1,360,548.87	
12/20/18	2018-00009686	GL	transfer Dist 23 TIF to Comm Dev for Section 108 loan	(406,213.74)	Annual Transfer for Debt on the Medical District Ramp
12/26/18	2018-00009680	AP	A & L Duluth Renaissance LLC	(13,679.71)	Annual payment to Comm Dev for Section 108 loan interest
12/26/18	2018-00009680	AP	Bluestone Commons, LLC	(88,080.97)	2nd half 2018 TIF
12/26/18	2018-00009680	AP	Central Hillside Development LLP	(156,544.05)	2nd half 2018 TIF
12/26/18	2018-00009680	AP	Dougherty Financial Group LLC	(15,186.12)	2nd half 2018 TIF
12/26/18	2018-00009680	AP	Garfield Business Park LLC	(188,435.00)	2nd half 2018 TIF
12/26/18	2018-00009680	AP	Glen Place Apartments Ltd	(29,601.09)	2nd half 2018 TIF
12/26/18	2018-00009680	AP	NorShor Theatre LLC	(48,465.74)	2nd half 2018 TIF
12/26/18	2018-00009680	AP	NorShor Theatre LLC	(39,927.99)	2nd half 2018 TIF-add'l Dist #22 property
12/26/18	2018-00009680	AP	Scottsdale Capital LLC	(88,540.00)	2nd half 2018 TIF
12/26/18	2018-00009680	AP	Sherman Associates, Inc.	(60,582.18)	2nd half 2018 TIF-Sheraton I
12/27/18	2018-00009783	AP	A & L Duluth Renaissance LLC	88,080.97	2nd half 2018 TIF
12/31/18	2018-00009840	AP	A & L Duluth Renaissance LLC	(75,218.08)	2nd Half 2018 TIF
12/31/18	2018-00009965	GL	Investment Earnings For December	2,803.00	
				<b>Ending Balance - 12-31-2018</b>	<b>820,142.41</b>
<b>FUND 865 - CAPITAL PROJECTS</b>					
12/12/18	2018-00009387	GL	record DEDA reimb to GF for demo work- 319 1/2 N 28th	2,046,292.74	
12/17/18	2018-00009514	GL	record DEDA reimb to GF for demo work- 319 1/2 N 28th	(29,850.50)	
12/17/18	2018-00009516	GL	record DEDA reimb to GF for demo work- 319 1/2 N 28th	(29,850.50)	
12/31/18	2018-00009965	GL	Investment Earnings For December	(18,619.09)	
				<b>Ending Balance - 12-31-2018</b>	<b>2,031,225.65</b>
<b>FUND 866 - MRO FACILITY</b>					
12/11/18	2018-00009348	RA	AAR Aircraft Services, Inc	721,446.91	
				<b>Beginning Balance</b>	<b>35,732.15</b>
					invoice #2018-00000354

<b>Duluth Economic Development Authority</b>					
<b>December, 2018 Cash Activity - all DEDA Funds</b>					
<b>ACCUMULATED TRANSACTION LISTING, G/L Date Range 12/01/18 - 12/31/18 (as of 01/07/2019)</b>					
<b>G/L Date</b>	<b>Journal Number</b>	<b>Sub Ledg</b>	<b>Name</b>	<b>Net Amount</b>	<b>Description</b>
12/26/18	2018-00009680	AP	Jamar Company	(4,889.71)	AAR roof maint & repair
12/26/18	2018-00009680	AP	Jamar Company	(1,281.84)	AAR sprinkler froze
12/31/18	2018-00009965	GL	Investment Earnings For December	1,297.00	
<b>FUND 866 - MRO FACILITY</b>				<b>Ending Balance - 12-31-2018</b>	<b>752,304.51</b>
<b>FUND 867 - STOREFRONT LOANS</b>					
				<b>Beginning Balance</b>	<b>97,971.38</b>
12/04/18	2018-00009153	RA	PSB for Bldg for Women	215.13	Loan pmt - Bldg for Women
12/13/18	2018-00009464	RA	DEDA & Duluth 1200 Fund	1,311.88	various October and November 2018 loan pmts
12/19/18	2018-00009604	RA	Alerus Financial	1,037.10	Loan pmt - Old City Hall
12/27/18	2018-00009812	RA	Park State Bank	215.13	Loan pmt - Bldg for Women
12/31/18	2018-00009965	GL	Investment Earnings For December	173.00	
<b>FUND 867 - STOREFRONT LOANS</b>				<b>Ending Balance - 12-31-2018</b>	<b>100,923.62</b>

**RESOLUTION 19D-18**

**RESOLUTION AUTHORIZING THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY TO GRANT A UTILITY EASEMENT TO THE CITY OF DULUTH OF DEDA-OWNED PROEPRTY IN MARINE DIVISON**

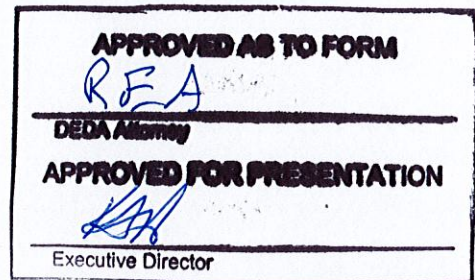
RESOLVED, by the Duluth Economic Development Authority ("DEDA") that the proper DEDA officials are hereby authorized to grant a ten-foot wide utility easement over the below-described property to the City of Duluth at no cost to the City:

The Southeasterly 10 feet of Lots 4 through 9, inclusive, Bock 15, MARINE DIVISION OF DULUTH, according to the recorded plat thereof

Approved by the Duluth Economic Development Authority this 29<sup>th</sup> day of May, 2019.

ATTEST:

\_\_\_\_\_  
Executive Director



STATEMENT OF PURPOSE: The purpose of this resolution is to authorize the granting of a utility easement over DEDA-owned property on the north side of Michigan Street between 29<sup>th</sup> and 30<sup>th</sup> Avenues West for an existing gas main.

The property was originally acquired by DEDA in the 1990's as part of the acquisition of Soo Line Railroad right-of-way from the Point of Rocks to west of 40<sup>th</sup> Avenue West. The City asked DEDA to acquire the right-of-way because a portion of it was needed for the development of New Michigan Street adjacent to the Lincoln Park Business District; the railroad would only convey the needed right-of-way if they could also dispose of the remainder of the right-of-way described above.

So DEDA acquired it, conveyed the portion needed by the City to it for the street project and proceeded over a period of years to sell most of the rest of it for development or for the benefit of adjacent property owners. The property subject to this easement is one of the last of the properties still in DEDA's ownership. It consists of a strip of land 150' X +42' on the upper side of Michigan Street upon which is located a City gas main.

As DEDA is looking to sell the subject property, it is necessary for the City and, because provision of natural gas service in the City is consistent with DEDA's mission, it is necessary for DEDA to grant the easement to the City before the property is conveyed.

## **EASEMENT AGREEMENT**

This EASEMENT AGREEMENT, entered into this \_\_\_ day of May, 2019, by and between the Duluth Economic Development Authority, an economic development authority under Minnesota Statutes (1989) Chapter 469, "Grantor" and the City of Duluth, a municipal corporation created and existing under the laws of the State of Minnesota, "Grantee":

WITNESSETH:

Whereas, Grantor is the owner of the property in St. Louis County, Minnesota legally described as follows (the "Property"):

The Northwesterly 42.21 feet of Lots 4 through 9, inclusive, Block 15, MARINE DIVISION OF DULUTH, according to the recorded plat thereof  
and;

Whereas, Grantor wishes to convey to the Grantee an easement as hereinafter described for utility purposes over the Property for the benefit of the Property and at no cost to Grantee.

NOW THEREFORE, in consideration of One (\$1.00) Dollar and other good and valuable consideration, receipt of which is hereby acknowledged, Grantor does grant, sell, bargain and convey to Grantee in trust for the general public a permanent, perpetual and exclusive easement for utility purposes, including the installation and maintenance of  
, over the Property, the location of which easement is more particularly described as follows:

The Southeasterly 10 feet of Lots 4 through 9, inclusive, Block 15, MARINE DIVISION OF DULUTH, according to the recorded plat thereof

The easement intended to be granted is more clearly shown on Exhibit A attached hereto and made a part hereof.

DULUTH ECONOMIC DEVELOPMENT AUTHORITY,  
an economic development authority under Minn.  
Stat. chapter 469

By \_\_\_\_\_  
It's President

By \_\_\_\_\_  
It's Secretary

“Grantor

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

The foregoing instrument was acknowledged before me this \_\_ day of May, 2019 by Mark McShane and Zack Filipovich, the President and secretary of the Duluth Economic development authority, an economic development authority under Minnesota Statute (1989) Chapter 469, on behalf of the Authority.

Notary Public

This instrument drafted by:  
Robert E. Asleson  
Assistant City Attorney  
City of Duluth  
411 West First Street  
Room 410 City Hall  
Duluth, MN 55802  
(218) 730-5490



**RESOLUTION 19D-19**

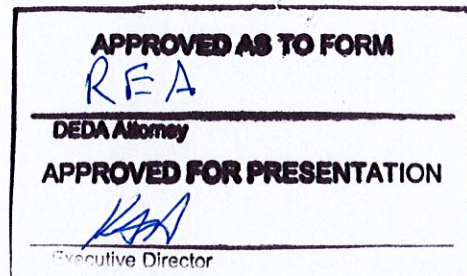
**RESOLUTION AUTHORIZING SECOND AMENDMENT TO AGREEMENT  
NO 14-865-732 WITH HRA PERTAINING TO THE  
ESMOND/SEAWAY PROJECT EXTENDING THE TERM THEREOF.**

RESOLVED, by the Duluth Economic Development Authority ("DEDA") that the proper DEDA officials are hereby authorized to enter into an amendment (14-0865-732<sup>2</sup>) to DEDA Contract No. 14-0865-732 with the Housing and Redevelopment Authority of Duluth pertaining to the redevelopment of the Esmond/Seaway property extending the term thereof to July 1, 2020.

Approved by the Duluth Economic Development Authority this 29<sup>th</sup> day of May, 2019.

ATTEST:

\_\_\_\_\_  
Executive Director



**STATEMENT OF PURPOSE:** The purpose of this resolution is to authorize an amendment to the existing agreement with the HRA to allow for the ultimate redevelopment of the old Seaway Hotel, now known as the Esmond, in the Lincoln Park Business District.

When this project originated, the Seaway Hotel was a privately-owned property which provided 72 units of SRO-type housing to some of the City's most disadvantaged and difficult-to-house population. The property had become so run down and was having such a negative effect on the neighborhood that the need for change was compelling. Matters were brought to a head when an inspection of the property by the City Building Safety officials determined that the building was so unsafe that, without substantial renovation (which the then-owner could not afford), the building would need to be closed and the tenants forced to find other accommodations, a daunting task given the resources available to them and the history of their tenancies.

DEDA and HRA collaboratively took on the problem. DEDA loaned funding to HRA to purchase the property and the HRA securing a loan from Greater Minnesota Housing Finance ("GMHF") to perform sufficient rehabilitation of the building to render it legally habitable. As part of the state funding commitment, HRA has operated the property since, albeit at a significant strain on their resources. Implementing this process was the first phase in a three-phased plan to deal with the needs of the residents and the needs of the neighborhood.

The second phase of the plan involved developing replacement housing for the residents of the property which could be economically operated. The completion of this part of the plan is underway with the development of the Garfield Square Project at the northeast corner of Garfield Avenue and West Superior Street. When completed it is contemplated that almost all of the residents of the Esmond will be relocated to Garfield Square. When this has been accomplished, the third phase of the plan, the redevelopment of the Esmond/Seaway will need to be undertaken.

All of this has taken longer than anyone wanted or anticipated. As a result GMHF has notified HRA that their loan of \$90,000 is due and payable in July of this year and has further informed HRA that they will not extend the term of their loan unless the term of the DEDA loan, which was up in July of 2017, is also formally extended.

In order to respond to the request of GMHF and to allow time get the third phase of the plan into operation, this resolution authorizes the extension of the term of the DEDA loan to July 1, 2020.

SECOND AMENDMENT TO  
HOUSING AND REDEVELOPMENT AUTHORITY  
OF DULUTH  
SEAWAY HOTEL PROJECT  
INTERIM LOAN AGREEMENT

THIS SECOND AMENDMENT TO LOAN AGREEMENT, entered into this \_\_ day of June, 2019, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, and economic development authority under the Minnesota Statutes (1989) Chapter 469, hereinafter referred to as “DEDA”, and the HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, a housing and redevelopment authority under Minnesota Statutes Chapter 469, hereinafter referred to as “HRA”.

WHEREAS, on March 26, 2014 DEDA and HRA entered into an Interim Loan Agreement pertaining to the Seaway Hotel property bearing DEDA Contract No. 14-865-732, which Loan Agreement was amended by the First Amendment thereto executed as of June 10, 2014, which Loan agreement and First Amendment are hereinafter collectively referred to as the “Agreement” for the loan DEDA funds to the HRA to assist HRA in acquiring the Seaway Hotel property as therein described for the purpose of rehabilitating and operating said facility on an interim basis; and

WHEREAS, due to circumstances beyond the control of the parties, it is necessary to extend the term of the Agreement in order to facilitate the completion of a replacement property and to develop and implement a plan for the long-term redevelopment of the Property; and

WHEREAS, the parties are desirous of amending the Agreement extending the term thereof as hereinafter set forth.

NOW THEREFORE, the parties hereby agree as follows:

1. That Subparagraph A of Paragraph 2. Of the Agreement is hereby amended to read as follows:

A. Term

The term of the loan shall be deemed to be from the effective date of the Agreement to July 1, 2020 unless sooner terminated or extended as provided for in the Agreement.

2. That in all other respects, the Agreement, together with all of its terms, covenants and conditions, is hereby confirmed in its entirety.

IN WITNESS WHEREAS, the parties have hereunto set their hands the day and date first above shown.

DULUTH ECONOMIC DEVELOPMENT  
AUTHORITY, an economic development  
authority under MinnStat. (1989)  
Chapter 469

HOUSING AND REDEVELOPMENT  
AUTHORITY OF DULUTH, a  
Minnesota housing and  
redevelopment authority under  
Minn.Stat. Chapter 469.

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It's President

Its

---

It's Secretary

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

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2019, by \_\_\_\_\_ the \_\_\_\_\_ of HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, a housing and redevelopment authority under Minn Stat. Chapter 469, on behalf of the Authority.

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Notary Public

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

The foregoing instrument was acknowledged before me this \_\_\_ day of \_\_\_\_\_, 2019, by Tim McShane and Zack Filipovich, the President and Secretary, respectively of DEDA, an economic development authority created and existing under the Laws of the State of Minnesota, on behalf of DEDA.

\_\_\_\_\_  
Notary Public

This instrument was drafted by:

Robert E. Asleson  
Attorney for the Duluth Economic  
Development Authority  
Room 410 DEDA Hall  
Duluth, MN 55802  
(218) 730-5490

**RESOLUTION 19D-19**

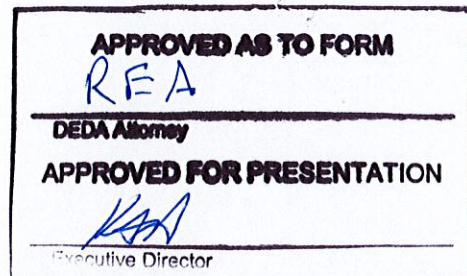
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RESOLVED, by the Duluth Economic Development Authority ("DEDA") that the proper DEDA officials are hereby authorized to enter into an amendment (14-0865-732<sup>2</sup>) to DEDA Contract No. 14-0865-732 with the Housing and Redevelopment Authority of Duluth pertaining to the redevelopment of the Esmond/Seaway property extending the term thereof to July 1, 2020.

Approved by the Duluth Economic Development Authority this 29<sup>th</sup> day of May, 2019.

ATTEST:

\_\_\_\_\_  
Executive Director



STATEMENT OF PURPOSE: The purpose of this resolution is to authorize an amendment to the existing agreement with the HRA to allow for the ultimate redevelopment of the old Seaway Hotel, now known as the Esmond, in the Lincoln Park Business District.

When this project originated, the Seaway Hotel was a privately-owned property which provided 72 units of SRO-type housing to some of the City's most disadvantaged and difficult-to-house population. The property had become so run down and was having such a negative effect on the neighborhood that the need for change was compelling. Matters were brought to a head when an inspection of the property by the City Building Safety officials determined that the building was so unsafe that, without substantial renovation (which the then-owner could not afford), the building would need to be closed and the tenants forced to find other accommodations, a daunting task given the resources available to them and the history of their tenancies.

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The second phase of the plan involved developing replacement housing for the residents of the property which could be economically operated. The completion of this part of the plan is underway with the development of the Garfield Square Project at the northeast corner of Garfield Avenue and West Superior Street. When completed it is contemplated that almost all of the residents of the Esmond will be relocated to Garfield Square. When this has been accomplished, the third phase of the plan, the redevelopment of the Esmond/Seaway will need to be undertaken.

All of this has taken longer than anyone wanted or anticipated. As a result GMHF has notified HRA that their loan of \$90,000 is due and payable in July of this year and has further informed HRA that they will not extend the term of their loan unless the term of the DEDA loan, which was up in July of 2017, is also formally extended.

In order to respond to the request of GMHF and to allow time get the third phase of the plan into operation, this resolution authorizes the extension of the term of the DEDA loan to July 1, 2020.

SECOND AMENDMENT TO  
HOUSING AND REDEVELOPMENT AUTHORITY  
OF DULUTH  
SEAWAY HOTEL PROJECT  
INTERIM LOAN AGREEMENT

THIS SECOND AMENDMENT TO LOAN AGREEMENT, entered into this \_\_ day of June, 2019, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, and economic development authority under the Minnesota Statutes (1989) Chapter 469, hereinafter referred to as “DEDA”, and the HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, a housing and redevelopment authority under Minnesota Statutes Chapter 469, hereinafter referred to as “HRA”.

WHEREAS, on March 26, 2014 DEDA and HRA entered into an Interim Loan Agreement pertaining to the Seaway Hotel property bearing DEDA Contract No. 14-865-732, which Loan Agreement was amended by the First Amendment thereto executed as of June 10, 2014, which Loan agreement and First Amendment are hereinafter collectively referred to as the “Agreement” for the loan DEDA funds to the HRA to assist HRA in acquiring the Seaway Hotel property as therein described for the purpose of rehabilitating and operating said facility on an interim basis; and

WHEREAS, due to circumstances beyond the control of the parties, it is necessary to extend the term of the Agreement in order to facilitate the completion of a replacement property and to develop and implement a plan for the long-term redevelopment of the Property; and

WHEREAS, the parties are desirous of amending the Agreement extending the term thereof as hereinafter set forth.

NOW THEREFORE, the parties hereby agree as follows:

1. That Subparagraph A of Paragraph 2. Of the Agreement is hereby amended to read as follows:

A. Term

The term of the loan shall be deemed to be from the effective date of the Agreement to July 1, 2020 unless sooner terminated or extended as provided for in the Agreement.







**RESOLUTION 19D-20**

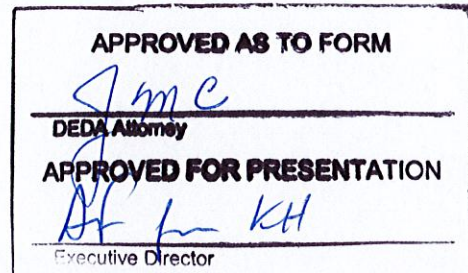
**RESOLUTION AUTHORIZING AN OPTION AGREEMENT WITH MERGE, LLC FOR THE SALE AND REDEVELOPMENT OF THE PASTORET TERRACE BUILDING AND THE PAUL ROBESON BALLROOM**

RESOLVED, by the Duluth Economic Development Authority ("DEDA") that the proper DEDA officials are hereby authorized to enter into an Option Agreement (DEDA Contract No. \_\_\_\_\_), substantially in the form of that attached hereto, with Merge, LLC, ("Developer") for the sale and redevelopment of the Pastoret Terrace Building and the Paul Robeson Ballroom.

Approved by the Duluth Economic Development Authority this 29<sup>th</sup> day of May, 2019.

ATTEST:

\_\_\_\_\_  
Executive Director



**STATEMENT OF PURPOSE:** The purpose of this resolution is to authorize the execution of an Option Agreement with Developer for the sale and redevelopment of the Pastoret Terrace Building and the Paul Robeson Ballroom. Merge Urban Development Group, out of Cedar Falls, Iowa, plans to evaluate the site for multi-story development, possibly including mixed-use development. Merge Urban Development Group has partners seeking to develop sites within Opportunity Zones, which includes this site. Their team's approach is to seek available opportunities within urban locations where redevelopment would be consistent with other activity in the area, and where sites are located within close proximity to urban amenities and high employment areas.

Redevelopment plans will be shared with the DEDA Board as soon as available.

**OPTION AGREEMENT  
DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
MERGE, LLC**

THIS AGREEMENT entered into this \_\_\_\_\_ day of May, 2019, (the "Commencement 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 Merge, LLC, an Iowa limited liability company, d/b/a Merge Urban Development Group, hereinafter referred to as "Developer". DEDA and Developer are hereinafter sometimes collectively referred to as the "parties" and are hereinafter sometimes singularly referred to as a "party".

WHEREAS, Opportunity Zones are a new community development program established by Congress to encourage long-term investments in low-income urban and rural communities; and

WHEREAS, Developer is a development team focused on real estate development in Qualified Opportunity Zones across the Midwest; and

WHEREAS, DEDA acquired certain property in what is now a qualified Opportunity Zone located at 125, 127 and 129 East First Street in Duluth, Minnesota, and legally described on Exhibit A attached hereto and incorporated herein, on which property is located the Pastoret Terrace Building and the Paul Robeson Ballroom (the "Property"); and

WHEREAS, DEDA acquired the Property for the purposes of fostering and facilitating economic development in downtown Duluth; and

WHEREAS, the Property includes contributing structures to the Duluth Commercial Historic District and is or was the subject of three lawsuits: Respect Starts Here v. DEDA, 69DU-CV-18-953; Temple Corp. v. City of Duluth, 69DU-CV-18-2655; and King v. St. Louis County, 69DU-CV-17-529; and

WHEREAS, Developer desires to perform additional analysis of the Property in order to best evaluate the potential development of the Property and the costs of

implementing such a development plan; and

WHEREAS, Developer desires an option to acquire the Property for the development of its Project; and

WHEREAS, DEDA is willing to grant a conditional option to Developer to allow Developer to make the investment in time, money and effort to determine whether the Property can be feasibly developed.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter contained, the receipt and sufficiency of which are hereby acknowledged, 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. City: shall mean the City of Duluth.
- B. Conditional Option: shall mean the option granted to Developer to purchase the Property from DEDA upon the fulfillment of the terms and conditions hereinafter set forth.
- C. Development Agreement: shall mean an agreement between DEDA and Developer, in a form approved by the DEDA Board of Commissioners and any other required or appropriate local governmental agencies, including but not limited to the City of Duluth, 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 Property to be developed in a manner consistent with this Agreement and the Development Agreement.
- D. Exercise Date: shall mean the date upon which DEDA and the Developer execute the Development Agreement, after approval thereof by the DEDA

Board of Commissioners and any other required or appropriate local governmental agencies or any entities whose approval is necessary for DEDA to be lawfully able to perform its obligations under the Development Agreement.

- E. Executive Director: shall mean DEDA's Executive Director or the person designated to act on his/her behalf.
- F. Lawsuits: shall mean Respect Starts Here v. DEDA, 69DU-CV-18-953; Temple Corp. v. City of Duluth, 69DU-CV-18-2655; and King v. St. Louis County, 69DU-CV-17-529.
- G. Milestones: shall mean the Milestones described in Article VI.
- H. Project: shall mean the demolition of the Pastoret Terrace Building and the Paul Robeson Ballroom and the development of a project which may include mixed use residential and commercial facilities. It is acknowledged by the parties that the exact scope, character and elements of the Project are in the process of being developed and that there may be changes in the scope, character or elements thereof as additional information is collected and understood.
- I. Property: shall mean the property in St. Louis County, Minnesota, and legally described on Exhibit A attached hereto and made a part hereof.
- J. Purchase Price: shall mean the amount to be paid by Developer to DEDA for the conveyance of the Property to Developer, determined in the manner set forth in Paragraph B of Article II.

## ARTICLE II

### Grant of Conditional Option

#### A. Conditional Option

In consideration of the terms and conditions of this Agreement, DEDA hereby grants to Developer an exclusive Conditional Option to purchase the Property for the amount of the Purchase Price, which Conditional Option shall be effective

beginning on the Commencement Date and continuing for a period of one year thereafter, or final resolution of the Lawsuits via Court order including all rights of appeal, settlement or other manner (the "Final Resolution of the Lawsuits"), whichever is later; unless sooner exercised, extended or terminated as hereinafter provided. The Executive Director shall give Developer notice of the Final Resolution of the Lawsuits. During the term of the Conditional Option, Developer will determine site conditions and will analyze the market for various kinds of development, and the terms and conditions of the Development Agreement will be finalized. If the Conditional Option is not exercised as of the latter of one year from the Commencement Date, or the final resolution of the Lawsuits, the Conditional Option herein granted shall terminate and be of no further force and effect unless extended in writing and approved by a resolution of DEDA's Board of Commissioners.

B. Determination of Purchase Price

DEDA has or will retain the services of a licensed real estate appraiser to establish the fair market value of the Property in accordance with accepted appraisal standards and practices. It is further understood that DEDA will use the value so established as the benchmark from which to determine the Purchase Price. However, DEDA further acknowledges that further analysis of the Property along with the costs and benefits of the Project as ultimately determined may be valid consideration in determining the Purchase Price, but only in the event that economic value of the Project to the community justifies a departure from the amount of said appraisal. The final amount of the Purchase Price shall be negotiated and determined as an element of the Development Agreement.

C. Developer's Right to Terminate

The Conditional Option granted to Developer is to allow Developer to perform necessary pre-development work including the testing, market research, design and financial feasibility analysis necessary in order to allow the Developer to

decide whether to proceed with the Project. Therefore, Developer may at any time terminate this Agreement by giving thirty (30) days' prior written notice thereof to DEDA, and thereafter Developer shall have no further obligations under this Agreement except as specifically provided for herein. Provided, however, that in the event that Developer exercises its right to terminate under this paragraph, Developer agrees that all information, reports, studies and data of any kind, including environmental, geotechnical and market information, reports, studies and data shall, prior to the effective date of such termination, have been delivered to DEDA, that all rights, title and interests therein shall have been assigned to DEDA, to the extent assignable, and that DEDA shall have all rights thereto and title therein, to the extent such rights thereto and title therein are assignable.

D. Conditional Option Conditions

The Conditional Option granted hereunder shall be conditioned upon the approval and execution of the Development Agreement which shall include the following:

1. Basic Requirements

A provision for the payment of the Purchase Price and conformance with the terms set forth in this Agreement.

2. Project Completion

A commitment of Developer to complete the Project as described in the Development Agreement within the time parameters provided for therein.

3. Plan Conformance

A provision requiring the Project comply with the terms of the City of Duluth Comprehensive Plan.

4. Environmental Compliance

A provision obligating Developer to comply with all environmental requirements imposed upon DEDA by any governing authority or court of law with respect to the Pastoret Terrace Building, the Paul Robeson



Ballroom or the Property.

5. Historic Requirements Compliance

A provision obligating Developer to comply with all historic requirements that are imposed upon DEDA by any governing authority or court of law with respect to the Pastoret Terrace Building, the Paul Robeson Ballroom or the Property.

6. High and Best Use

A statement that, in the reasoned judgment of the DEDA Board of Commissioners, the Project constitutes the highest and best use of the Property reasonably obtainable in the reasonably foreseeable future.

7. Property Values

A statement that the Project meets DEDA's objectives for maximizing the creation of tax base.

8. Business Subsidy Policies

A provision requiring compliance with DEDA's policy for the granting of business subsidies to development projects, if applicable.

9. Community Value

A statement that, in the reasoned judgment of the DEDA Board of Commissioners, Project is one which will enhance the economy of the City as a whole.

### ARTICLE III

#### Right of Entry; Testing

During the term of the Conditional Option, DEDA hereby grants to Developer the right to enter upon the Property at any time for the purposes of performing survey work related to the Property and/or for the purpose of performing geotechnical and environmental testing on the Property as Developer may deem desirable to determine the suitability of the Property for the Project. Developer agrees to require its contractors to use their all commercially reasonable efforts to not unnecessarily disrupt the Property 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 obligated to restore the Property to substantially its prior condition, reasonable wear, tear, and casualty excepted, or Developer, at its option, may reimburse DEDA for the costs of such restoration. The obligation to restore the Property or alternatively reimburse DEDA shall survive the termination of this Agreement. In the event that Developer shall purchase the Property from DEDA, Developer shall not be liable for any damage done to the Property from such operations, survey and testing.

DEDA shall have no liability to Developer, its officers, agents, employees or contractors for bodily injury, personal injury, death, illness, disease or property damage sustained by any of them. Developer's activities on the Property shall be conducted at its sole risk, loss, cost and expense, and in compliance with all applicable federal, state, county and municipal laws, rules and regulations. This right of entry is granted and accepted on as "as is" basis with respect to the Property and its condition.

#### ARTICLE IV

##### Title Examination

###### A. DEDA's Title Evidence

Within fifteen (15) business days of receipt of Developer's written request therefor, DEDA shall furnish to Developer such title information as is now in DEDA's possession; provided that Developer's request shall have been received by DEDA no less than forty-five (45) business days prior to any Exercise Date proposed by Developer.

###### B. Developer's Objections

Developer shall promptly order a preliminary commitment for title insurance and all of the Schedule B – Section II Exception Documents specified therein (collectively, the "Title Commitment") after receiving the documentation required pursuant to Paragraph A of this Article. Developer shall notify DEDA of the date

of receipt of the Title Commitment. Within fifteen (15) business days of receiving the Title Commitment, 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" hereunder. DEDA shall thereafter have up to sixty (60) business days after receipt of written notice of the Objections to cure such Objections, during which period the closing date for the conveyance of the Property will be extended as necessary to allow DEDA to cure such Objections. If any such Objection is not cured within such sixty (60) business day period or if DEDA notifies Developer that it is unable or unwilling to cure such objection within such sixty (60) business day time period, Developer shall have the following remedies:

1. Terminate this Agreement whereupon neither party shall have any rights or responsibilities with regard to the other under this Agreement except as provided herein.
2. Waive in writing said Objection or Objections and proceed to closing.

## ARTICLE V

### Purpose

#### A. Generally

Both DEDA and Developer are in agreement that the potential to develop the Property represents a unique and valuable opportunity to create a commercially successful development and a resource which will be of benefit to the City. In order to accomplish these objectives, the Milestones set forth in Article VI below must be met within the time frames set forth in said Article VI, and the failure to meet any of the Milestones within said time frames shall be deemed to be a material breach of this Agreement.

#### B. Developer's Responsibility

Developer will be responsible to proceed with all prudent speed to meet the

Milestones described below, informing, consulting with and coordinating with DEDA staff as it progresses through said Milestones.

C. DEDA's Role-Limitations

It is also understood by the parties that DEDA may be required to work with and seek the cooperation of other entities over which it has no control including agencies of the City, the State of Minnesota, the Federal government and other public and private entities whose consent, cooperation or funding may be necessary to the ultimate development of the Property. To the extent that approval, acquiescence or funding are necessary to such development, DEDA agrees to use its best efforts to secure such consent, cooperation or funding but shall not be deemed to be in breach of its obligations to Developer if such consent, cooperation or funding is not forthcoming or is not forthcoming in a timely fashion.

## ARTICLE VI

### Milestones

The parties agree that it is critical to both of them that the development process for the Project proceed in an expeditious and orderly manner and, therefore, the parties agree that the following Milestones be met in the timeframes herein established, subject to the right of the parties to later agree to modifications thereof. Developer shall submit to the Executive Director in writing evidence reasonably satisfactory to the Executive Director that the requirements of the Milestones have been fulfilled in the time frames set forth below. Failure by the Developer to do so will permit but not require DEDA to terminate this Option Agreement.

A. Milestone 1.

No later than sixty (60) days following the Commencement Date, Developer shall have presented to the Executive Director an outline of Developer's proposed Project which includes a list of proposed uses to be developed on the Property, their approximate size in square feet, the footprint and elevations of structures or

other improvements proposed for the Property, the estimated cost of acquiring, constructing and installing any such improvements, and written description of types and characters of proposed tenancies thereof.

B. Milestone 2.

No later than one hundred eighty (180) days following the Commencement Date, Developer shall have presented to the Executive Director refined plans for the Project including architectural plans which are at least to the schematic level for any improvements to be constructed thereon, a proposed ownership structure for the development entity or entities to be involved, a proposed "sources and uses" statement for the Project, and a specific statement of what, if any, public assistance will be required for the Project to be developed and the proposed sources of such public assistance.

C. Milestone 3.

No later than three hundred (300) days following the Commencement Date, or the final resolution of the Lawsuits, whichever is later, Developer shall have received approval from the DEDA Board of Commissioners and from any other required or appropriate local governmental agencies, including but not limited to the City of Duluth, of a Development Agreement and of any other means of financing requiring approval of such agencies.

## ARTICLE VII

### Approval by Director

Developer's accomplishment of each Milestone shall be subject to the written approval of the Executive Director within twenty (20) business days of receipt by the Executive Director of the Developer's Milestone submissions. If the Executive Director does not provide written approval or disapproval within twenty (20) business days as aforesaid, the Executive Director shall be deemed to have approved each such Milestone submitted. If the Executive Director disapproves of any such Milestone submission, the Executive Director shall notify Developer of such disapproval in writing,

and Developer shall have twenty (20) business days after the transmission of such notice of disapproval to re-submit such Milestone submission for approval. If the Executive Director does not receive such re-submission within twenty (20) business days as aforesaid, such event shall be deemed to be a material breach of this Agreement by Developer, provided that the Executive Director may, in the exercise of the Executive Director's reasonable discretion and for good cause shown, extend the time for re-submission of any Milestone submission.

## ARTICLE VIII

### Exercise

Exercise of this Conditional Option shall be accomplished by the approval of the Development Agreement by the DEDA Board of Commissioners and any other required or appropriate local governmental agencies, including but not limited to the City of Duluth, 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 term of this Conditional Option. 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 IX

### 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 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 identity of Developer to develop the Property. Therefore, 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 without the prior written approval of the Executive Director, which such approval of the Executive Director shall not be unreasonably withheld, conditioned, or delayed; 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 the Executive Director, which such prior written approval of the Executive Director shall not be unreasonably withheld, conditioned, or delayed. It is anticipated that Developer, with the prior written approval of the Executive Director as set forth above, will assign its rights in the Property, in whole, and its rights under this Agreement and the Agreement itself to a single purpose entity created for the purpose of the development of and construction of the Property as a Qualified Opportunity Zone property (hereinafter, the "Qualified Opportunity Zone Assignment"). Developer will provide the DEDA and the Executive Director with a copy of the fully-executed Qualified Opportunity Zone Assignment. Notwithstanding the Qualified Opportunity Zone Assignment, the principals of Developer will remain primarily responsible for the development of the Project.

## ARTICLE X

### Indemnification

#### A. Generally

Developer will to the fullest extent permitted by law, protect, indemnify and save DEDA, the City and their officers, agents, servants, employees and any person who controls DEDA or the City 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 judgments of any nature arising from:

1. Any injury to or death of any person or damage to any part of the Property, or growing out of or in connection with the use of the Property by Developer, or any work conducted by contractors or agents employed or retained by the Developer, or any such injury or damage arising as a consequence of Developer's occupancy of 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, customers, suppliers or affiliated organizations under any Workers' Compensation Act, Disability Benefit Acts or any other Employee Benefit Acts;
2. Any breach by Developer of any provision of this Agreement;
3. Any breach of any contract, agreement or restriction related to Developer's use of the Property which shall have existed at the Commencement Date 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. Indemnification Procedures

Promptly after receipt by DEDA of notice of the commencement of any action with respect to which the Developer is required to indemnify a party 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, including the employment of counsel reasonably satisfactory to the indemnitee and the payment of expenses. In so far as such action shall relate to any alleged liability of the DEDA or the City with respect to which indemnity may be sought against the Developer, DEDA and the City shall have the right to employ separate counsel in any such action and to participate in the defense thereof, and the reasonable fees and expenses of such separate counsel shall be at the expense of the Developer.

## ARTICLE XI

### Insurance

#### A. Liability Insurance

The Developer shall procure and maintain continuously in force, and shall require any contractor performing any work on the Property to procure and maintain, Public Liability Insurance written on an "occurrence" basis under a Comprehensive General Liability Form in limits of not less than Two Million and no/100ths (\$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 Property damage liability. If person limits are specified, they shall be for not less than Two Million and no/100ths (\$2,000,000.00) Dollars per person and be for the same coverages. DEDA and the City shall be named as additional insureds 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 (\$100,000.00) Dollars per employee.

C. Insurance Requirements

All insurance required in this Article shall be taken out and maintained in responsible insurance companies organized under the laws of the states of the United States and licensed to do business in the State of Minnesota. Developer shall provide a Certificate of Insurance to DEDA evidencing such coverage with 30-day's notice of cancellation, non-renewal or material change provisions included. DEDA does not represent or guarantee that these types or limits of coverage are adequate to protect the Developer'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 DEDA and the City.

## ARTICLE XII

### Defaults and Remedies Therefor

A. General Events of Default

It shall be a default to which the remedies set forth in Subparagraph B 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 pursuant to this Agreement and such failure shall continue for a period of thirty (30) business days after DEDA has given written notice to Developer of such default or, in the event that such default shall be incapable of cure during said

thirty (30) business day period, shall have failed to commence to cure said default within thirty (30) business days of the date of said notice and to diligently pursue the same to completion.

B. General Remedies

Except as otherwise set forth in this Agreement, each party shall have the following remedies in the event of a default by the other party, which remedies shall be deemed to be cumulative and non-exclusive:

1. Seek and be entitled to monetary damages from the other party for damages incurred by the party seeking monetary damages as a result of the other party's default.
2. Seek and be entitled to injunctive or declaratory relief as is necessary to prevent the other party's violation of the terms and conditions of this Agreement or to compel the other party's performance of its obligations hereunder.
3. Seek such other legal or equitable relief as a court of competent jurisdiction may determine is available to the party.

ARTICLE XIII

Minnesota Government Data Practices Act

All documents and data pertaining to this Agreement are governed by the provisions of the Minnesota Statutes Chapter 13, the "Minnesota Government Data Practices Act, as amended.

ARTICLE XIV

No Third Party Rights

Unless otherwise specifically provided for in this Agreement, this Agreement does not confer or purport to confer on any third party any benefit or any right to enforce any term of this Agreement.

## ARTICLE XV

### Severability

In the event any provision herein shall be deemed invalid or unenforceable, the remaining provisions shall continue in full force and effect and shall be binding upon the parties to this Agreement.

## ARTICLE XVI

### Waiver

Any waiver by either party of any provision of this Agreement shall not imply a subsequent waiver of that or any other provision. To be effective, any waiver of any default by either party hereunder shall be in writing by the other party.

## ARTICLE XVII

### Notices

Telephone calls may be used to expedite communications, but shall not be official communication unless confirmed in writing. 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, or by recognized overnight delivery service such as Federal Express, to:

In the case of DEDA:

Duluth Economic Development Authority  
160 City Hall  
411 West First Street  
Duluth, MN 55802  
Phone: 1-218-730-5325  
Attn: Adam Fulton

In the case of Developer:

Merge, LLC  
604 Clay Street

Cedar Falls, IA 50613  
Phone: 1-319-505-3609  
Attn: Brent Dahlstrom

with a copy to:

Christopher J. Rausch, Esq.  
Phoenix Law PLLC  
4834 Winghaven Drive  
Waterloo, Iowa 50701  
Phone: 314-397-1750

#### ARTICLE XVIII

##### Applicable Law

This Agreement is made in the State of Minnesota and shall be construed and interpreted in accordance with the laws of the State of Minnesota. The exclusive venue and jurisdiction for any litigation hereunder shall be in the District Court of St. Louis County, Minnesota or in the United States District Court for the District of Minnesota and the parties affirmatively waive any objection that such exclusive venue and jurisdiction is inconvenient.

#### ARTICLE XIX

##### Entire Agreement

This Agreement, including Exhibit A, constitutes the entire agreement between DEDA and Developer and supersedes all prior written or oral agreements and negotiations between the parties relating to the subject matter hereto.

(Signature pages to follow).

IN WITNESS WHEREAS, the parties have hereunto set their hands the day and date first above shown.

DULUTH ECONOMIC DEVELOPMENT

MERGE, LLC, an Iowa limited liability company, d/b/a MERGE URBAN DEVELOPMENT GROUP

AUTHORITY

By: \_\_\_\_\_

Its President

By: \_\_\_\_\_

Brent Dahlstrom  
Its: Manager

By: \_\_\_\_\_

Its Secretary

STATE OF IOWA )

) ss.

COUNTY OF BLACK HAWK )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of May, 2019 by Brent Dahlstrom, the Manager of Merge, LLC, an Iowa limited liability company, d/b/a Merge Urban Development Group, on behalf of the limited liability company.

\_\_\_\_\_

Notary Public

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

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2019, by Tim McShane and Zach Filipovich, the President and Secretary of the Duluth Economic Development Authority, an economic development authority under the laws of the State of Minnesota, on behalf of the Authority.

\_\_\_\_\_  
Notary Public

This instrument was drafted by:

Joan M. Christensen  
Assistant City Attorney  
410 City Hall  
Duluth, MN 55802  
(218) 730-5273

EXHIBIT A

That property located in St. Louis County, Minnesota, legally described as:

Lots 29 and 31, Duluth Proper 1<sup>st</sup> Division East 1<sup>st</sup> Street

(PID No. 010-0930-00270)



**RESOLUTION 19D-21**

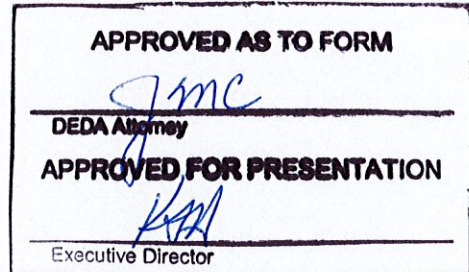
**RESOLUTION AUTHORIZING A FIRST AMENDMENT TO THE LAND SALE AGREEMENT WITH S&V HOLDINGS, LLC RELATED TO THE SALE OF THE BERGMAN BUILDING LOCATED AT 20 WEST 5<sup>TH</sup> STREET**

RESOLVED, by the Duluth Economic Development Authority ("DEDA") that the proper DEDA officials are hereby authorized to enter into a First Amendment to the Land Sale Agreement (DEDA Contract No. 19 860 897<sup>1</sup>), substantially in the form of that attached hereto, with S&V Holdings, LLC ("Developer") related to the sale of the Bergman Building located at 20 West 5<sup>th</sup> Street.

Approved by the Duluth Economic Development Authority this 29<sup>th</sup> day of May, 2019.

ATTEST:

\_\_\_\_\_  
Executive Director



**STATEMENT OF PURPOSE:** The purpose of this resolution is to authorize the execution of a First Amendment to the Land Sale Agreement for the sale of the Bergman Building located at 20 West 5<sup>th</sup> Street. The Agreement was executed on February 22, 2019. The Agreement inadvertently contained a statement that the Agreement becomes void if the conveyance of the Property does not occur on or before February 1, 2019. The First Amendment corrects that date to provide that the Agreement becomes void if the conveyance of the Property does not occur on or before February 1, 2020.

LAND SALE AGREEMENT  
FIRST AMENDMENT

This First Amendment to Land Sale Agreement is entered into by and between the Duluth Economic Development Authority, an economic development authority under Minnesota Statutes Chapter 469, (“DEDA”), and S&V Holdings, LLC, a Minnesota limited liability company (“Developer”).

WHEREAS, on February 22, 2019, DEDA and Sages Prospero Management, LLC, entered into a Land Sale Agreement (the “Agreement”) for the sale of certain tax-forfeited parcels of property owned by the State of Minnesota and located at 20 West 5<sup>th</sup> Street in Duluth, Minnesota, for the purpose of rehabilitating the 6-unit building known as the Bergman Building located on the site for workforce housing; and

WHEREAS, the property is located in St. Louis County, Minnesota, and legally described as:

The westerly 1/2 of Lot 10 and the easterly 1/2 of Lot 12, West Fifth Street, Duluth Proper, First Division (the “Property”); and

WHEREAS, the Agreement was subsequently assigned to and assumed by Developer; and

WHEREAS, the Agreement inadvertently contained a statement that the Agreement becomes void if the conveyance of the Property does not occur on or before February 1, 2019; and

WHEREAS, the parties desire to correct the Agreement to provide that the Agreement becomes void if the conveyance of the Property does not occur on or before February 1, 2020.

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

1. Paragraph 2 of the Agreement entitled Developer Application Fee is hereby amended to provide that the Agreement becomes void and of no further effect if the conveyance of the Property does not occur on or before February 1, 2020.
2. Immediately upon its execution, Developer agrees to record this First

Amendment in the office of the St. Louis County Recorder and to pay all costs associated therewith. Upon recordation, Developer shall immediately submit to DEDA an executed original of this First Amendment showing the date and document numbers of record, or duly certified copies of the filed originals.

3. Paragraph 9 of the Agreement entitled Notices is hereby amended in the case of the Developer to read as follows:

In the Case of Developer:                    S&V Holdings, LLC  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: Rodney Van Baalen

4. Notwithstanding the date of execution of this First Amendment, this First Amendment shall be deemed to be effective as of January 31, 2019.

5. Except as provided in this Amendment, the terms and conditions of the Agreement remain in force and effect.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and date shown below.

DULUTH ECONOMIC DEVELOPMENT  
AUTHORITY

S&V HOLDINGS, LLC

By \_\_\_\_\_  
President

By \_\_\_\_\_  
Title \_\_\_\_\_

By \_\_\_\_\_  
Secretary

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019, by Tim McShane and Zach Filipovich, the President and Secretary respectively of Duluth Economic Development Authority, an economic development authority under Minnesota Statutes Chapter 469, on behalf of said authority.

\_\_\_\_\_  
Notary Public

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019, by Rodney Van Baalen, the \_\_\_\_\_ of S&V Holdings, LLC, a Minnesota limited liability company, on behalf of the company.

\_\_\_\_\_  
Notary Public

This Instrument Drafted By:  
Joan M. Christensen  
Assistant City Attorney  
410 City Hall  
411 West First Street  
Duluth, Minnesota 55802  
(218) 730-5490

**RESOLUTION 19D-22**

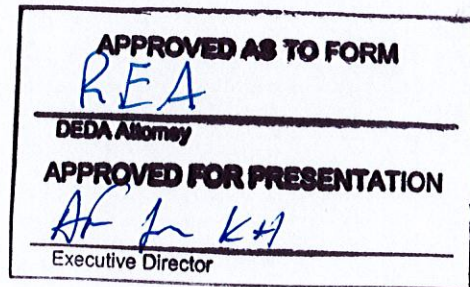
**RESOLUTION AUTHORIZING A LEASE AGREEMENT FOR THE MRO FACILITY WITH AAR AIRCRAFT SERVICES, INC.**

RESOLVED, by the Duluth Economic Development Authority ("DEDA") that the proper DEDA officials are hereby authorized to enter into a Lease Agreement (DEDA Contract No. 19-0860-XXXX) substantially similar to that attached hereto with AAR Aircraft Services Inc. ("AAR") for the leasing of DEDA's aircraft maintenance, repair and overhaul ("MRO") facilities at the Duluth International Airport for the operation thereon of a commercial aircraft maintenance facility with rents received therefrom payable to DEDA Fund 866.

Approved by the Duluth Economic Development Authority this 29th day of May, 2019.

ATTEST:

\_\_\_\_\_  
Executive Director



STATEMENT OF PURPOSE: The purpose of this resolution is to approve an amendment to the 2012 lease agreement with AAR leasing them the majority of the DEDA owned MRO facility at 4600 Stebner Road.

AAR is a publicly traded (NYSE: AIR), Illinois-based aerospace services company, providing service in four industry segments, including MRO services. AAR leads the nation in outside MRO services and is one of the top 5 MRO services companies in the world. AAR currently provides Heavy Check operations for a singular customer, United Airlines, out of the Duluth MRO facility.

In June of 2012, DEDA entered into a lease agreement with AAR leasing them 152,300 sq. ft. of the 189,000 sq. ft. MRO building that was constructed specifically to provide

commercial aircraft maintenance, repair, and overhaul services. AAR has been a reliable, quality tenant for nearly 7 years.

This amendment to the original lease agreement will extend the term for an additional twenty (20) years and will thereafter grant AAR the option to extend the term for up to three (3) additional five (5) year terms. AAR will receive a rent-free/grace period of one (1) month in consideration of execution of the amendment to lease. Thereafter, AAR will pay approximately \$2.80 per square foot. In addition, AAR will continue to cover all of the costs of operating the building and will spend up to \$100,000, reduced from \$110,000, per year on maintenance of the facility. Both the lease rate and the maintenance obligation will be subject to an annual Cost Of Living Adjustment (COA) escalation. The COA will be capped at 2%.

The amendment commits DEDA to expend \$50,000 per year of rent paid for activities related to recruitment and training of AAR employees. AAR's input will be sought but the decision as to how to best use these funds will be DEDA's. The purpose of this provision is to provide succor to AAR during a time of workforce shortage. The workforce shortage has essentially resulted in the utilization of only three of the four available maintenance bays. It is in the interest of AAR, DEDA, and Duluth to maximize the productivity and employment base of the MRO facility. The recruitment and training earmark will remain in place for 5 years and will be reevaluated annually thereafter.

This agreement will amend the 2012 lease to further refine the definition of Leased Premises to allow flexibility in rental paid as a means of accommodating AAR's growth. Payment for the use of the fourth maintenance bay, or the remaining 36,700 square feet of the facility, will be made by AAR on a month-by-month basis based on actual use. Payment will be due in months where AAR utilizes the fourth bay for Major Maintenance of client aircraft, which is defined as nose to tail maintenance of at least 20,000 labor hours.

The amendment also updates the Maintenance Services responsibilities for the fire suppression system, and maintenance responsibility and obligations by AAR. DEDA will assume responsibility for the components of that system considered Building Systems. However, the fire suppression system is a very specific requirement for an MRO. Therefore, preventative maintenance on that system, as well as replacement of normal wear and tear items, will be the responsibility of AAR

In 2012, the anticipated new job creation by AAR at the Duluth MRO facility was forecasted to be 192 positions. Currently, AAR employs 273 direct employees and an additional 70 contractors, for a total of nearly 350 mechanic, inspector, and technical support personnel positions. AAR also has 6-8 Fixed Bid subcontractors on-site at all times. There are currently 25 job openings at the facility. When the 4<sup>th</sup> bay is fully operational, it is anticipated that there will be in excess of 400 direct jobs at the MRO.

FOURTH AMENDMENT TO LEASE AGREEMENT  
DULUTH ECONOMIC DEVELOPMENT AUTHORITY

NWA MRO FACILITY

AAR AIRCRAFT SERVICES, INC.

THIS FOURTH AMENDMENT TO LEASE AGREEMENT, entered on the \_\_\_\_\_ day of \_\_\_\_\_, 2019, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as "DEDA", and AAR AIRCRAFT SERVICES, INC., a corporation created and existing under the laws of the State of Illinois, hereinafter referred to as "Lessee".

WHEREAS, the parties hereto entered into a Lease Agreement dated June 29<sup>th</sup>, 2012 bearing DEDA Contract No. 12 65 666, which Lease Agreement was amended by the First Amendment to Lease Agreement entered into on July 19, 2012, a Second Amendment to Lease entered into on January 23, 2013, and a Third Amendment to Lease entered into on September 15, 2015, which Lease Agreement, First Amendment to Lease Agreement, Second Amendment to Lease and Second Amendment to Lease are hereinafter collectively referred to as the "Lease" for the lease of the therein-defined Leased Property and Leased Premises to Lessee; and

WHEREAS, the parties are desirous of making an additional amendment to the Lease whereby the parties will extend the Term of the Lease, make the hereinafter adjustment to the Rent to be paid to DEDA, clarify certain responsibilities pertaining to the maintenance of the Building and Building Systems and provide for DEDA assistance to Lessee in the recruitment and training of employees to encourage the expansion of Lessee's capacity to perform "Major Maintenance" on client aircraft, thereby increasing employment at the Leased Property and Leased Premises.

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

1. That Article I of the Lease is hereby amended to the addition of a new Paragraph S. which reads as follows:

5. Major Maintenance: shall mean “nose to tail” maintenance of a commercial aviation jet aircraft owned by a client of Lessee requiring approximately 20,000 hours of service work.

2. That Subparagraph 5 of Paragraph A of Article III of the Lease is hereby amended to read as follows:

5. After December 31, 2017

Commencing on January 1, 2018 and continuing through and annually thereafter, subject to Subparagraph 6 and 7 below, the amount of the monthly rent payable in any year shall increase over that paid in the previous twelve (12) month period by the amount of the CPI as defined herein and as calculated hereunder; provided, however, that, commencing with the first CPI adjustment after the effective date of this Fourth Amendment to Lease, the CPI adjustment shall not exceed 2%. No later than July 1 of each such year, Lessee shall provide Lessor with a written certification certifying the CPI (the "CPI Certificate") for the twelve (12) month period. Thereafter each month's rent during said year shall be increased over that paid in the previous twelve (12) month period by an amount equal to multiplying the amount of the CPI increase on said CPI Certificate by an the monthly rent paid in the preceding twelve (12) month period; provided that in no event shall any monthly rent increase more than two (2%) percent annually; and provided further that if Lessee fails to deliver the CPI Certificate to Lessor by July 1 of any given year during the Term or if Lessee shall deliver a CPI Certificate which does not accurately represent the CPI increase from the previous twelve (12) month period, DEDA may determine a rate of CPI increase for that period which the Executive Director determines to be correct and apply the rate of CPI increase so determined.

3. That Paragraph A of Article III is hereby amended by the addition of a new Subparagraph 6 which reads as follows:

6. June, 2019

That notwithstanding the provisions of Subparagraph 5 above and Paragraph 7 below, the rent owed by Lessee for the month of June, 2019 shall be \$00.00.



4. That Paragraph A of Article III is hereby amended by the addition of a new Subparagraph 7 which reads as follows:

7. Rent-2019 and First 5 Years of 4<sup>th</sup> Amendment

The parties hereby acknowledge and agree that as of prior to January 1, 2019, Lessee's rent has been based on Lessee's occupancy and use of approximately 80% of the Main Building as hereinafter described. Notwithstanding the provisions of Subparagraph 5 above, during the first five (5) years of the term of this Fourth Amendment, ending June 30, 2024, the rent owed by Lessee pursuant to Article III Paragraph A Subparagraph 5 of the Lease, as amended, is based on 156,300 square feet of a total of 189,000 square feet in the Main Building. This produces rent of approximately 80% of what the rent would be, were the entire facility being used by Lessee. That review, as illustrated in Exhibit A hereto, included the calculation of used and unused square footage and a negotiated determination of the total space within the Main Building, 80% of the facility is still the facility's available square footage and in use by Lessee and, therefore it is appropriate for Lessee to pay 80% of the rent that would otherwise be payable for the entire facility. This 80% usage is stipulated, subject to the following paragraph, to have been in effect from January 1, 2018 and shall continue to be in effect until June 30, 2024, subject to the following unnumbered paragraph. The current rent is projected, subject to final CPI adjustment, a Rent Addendum to the Lease, at \$36,510.76 per month.

It is further agreed that, for any month during said Five (5) Year period during which Lessee is performing "Major Maintenance" on any client aircraft within Bay 4 of the MRO building as depicted on Exhibit A to this Fourth Amendment, Lessee shall pay to DEDA an additional fee equal to 1/12<sup>th</sup> of an amount equal to 20% of the rent amount applicable to the time period in which said occupancy and use falls. At the end of the aforesaid Five (5) Year period, the amount of space utilized by Lessee, as compared to the entirety of the MRO building, will again be analyzed and a negotiation of the appropriate rent based on actual square footage utilized will again be undertaken. It is provided, however, that, in no event

will the monthly rent payable during any option term be less than the rent currently payable under the Lease, as adjusted by the CPI adjustments herein.

5. That Sub-subparagraph a.) of Subparagraph 1 of Paragraph D of Article III of the Lease is hereby amended to read as follows:

a.) By Lessee

Except as provided for in Sub-subparagraphs b.) and c.) below, Lessee hereby agrees to maintain the Leased Premises and the Leased Property in a neat, clean, orderly and, where applicable, sanitary condition and to provide full maintenance, replacement and repair as necessary to the Leased Premises and to the Leased Property and to the Non-structural Surfaces and all equipment and systems located thereon and therein. Lessee shall be responsible for all general maintenance of the Buildings including routine repair of floors, walls, ceilings and glass replacement. In addition, because the fire suppression system is a very specific requirement for an MRO, ordinary maintenance on that system, e.g., lubricants, filters, routine inspections and testing, etc., as well as replacement of normal wear and tear items, e.g. gauges, hoses, valves, etc. will be the responsibility of Lessee. Lessee shall further be responsible for keeping all grass, weeds and other similar vegetative materials mowed or otherwise controlled and shall be responsible for the removal or treatment of all snow or ice on sidewalks, driveways, parking lots and aprons located on the Leased Property. In the event that Lessee fails to so maintain the Leased Premises and/or the Leased Property, DEDA may itself maintain or cause to be maintained, repaired or replaced, as the Executive Director shall determine in the exercise of his or her discretion, those portions of the Leased Premises, the Leased Property, or both 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.

Maintenance Services required by Lessee under this Sub-subparagraph will not be credited against the maintenance obligation outlined under Section c., Subparagraph 1. in Paragraph D of Article III.

6. That Sub-subparagraph b.) of Subparagraph 1 of Paragraph D of Article III of the Lease is hereby amended to read as follows:

b.) By DEDA

Except as provided for in Paragraph A of Article VI below, DEDA shall be responsible for all costs of maintenance, repair and, if necessary, replacement of the roofs on the Buildings as determined necessary by the Executive Director. In addition, as of the date of this Fourth Amendment to Lease, DEDA will assume the responsibility, for repair or replacement of those elements of the fire suppression system for the Building, as determined by an independent third party fire suppression consultant hired by DEDA to be not the subject of ordinary maintenance or ordinary wear and tear, including pumps and diesel engines. However, DEDA shall not be responsible for maintenance, repair, or replacement of said elements which arises out of or results from the negligence or intentional misconduct of Lessee, its agents, concessionaires, officers, employees, licensees, customers, invitees or contractors, in which case such maintenance shall be the responsibility of Lessee. DEDA shall further be responsible for ensuring the removal or treatment of ice and snow on Stebner Road and on airport public use facilities such as runways and taxiways.

7. That Sub-subdivision c.) of Subparagraph 1 of Paragraph D of Article III of the Lease is hereby amended to read as follows:

c.) Building Systems

Lessee shall be responsible for performing all maintenance, repair and, if necessary, replacement of Building Systems on the Leased Premises necessary to keep such systems in substantially the same condition that they were in as of the

effective date of this Lease Agreement, subject to the following. Provided that Lessee shall present to the Executive Director for his or her prior written approval any request for approval of any such maintenance, repair or replacement for work having a total value of \$10,000 or more, which approval shall not be unreasonably withheld. The timing of such approval or disapproval shall be in a commercially reasonable time frame provided that, in the event that, the need for the work to be performed is emergency in nature, the Executive Director shall provide such approval or disapproval as expeditiously as possible under the circumstances and will take all reasonable efforts not to interfere with Lessee's business activities. If such approval is withheld, Lessee and the Executive Director shall meet and confer in good faith to determine what if any such maintenance, repair or replacement is necessary and to determine the most effective and cost effective way to accomplish such work. Lessee shall submit all invoices and other supporting documentation related to expenses that Lessee claims should be credited against its annual maintenance obligation hereinafter set forth at or before the occurrence of the quarterly maintenance review as hereinafter described in Sub-subparagraph e.) below; if any such claim is not submitted at or prior to the quarterly meeting subsequent to the performance of the work, the right to have it credited against the annual maintenance obligation shall be deemed to have been waived. And, provided further that, during the first year of the term of this Lease Agreement commencing on the effective date thereof, Lessee's obligation to pay for the cost of such maintenance, repair or replacement of Building Systems shall not exceed \$110,000. After said first year and for each succeeding year of the term of this Lease Agreement and any extensions thereof, the amount of Lessee's obligation to pay for maintenance, repair and replacement of Building Systems shall be increased over its obligation therefore in the prior twelve (12) month period in the same manner as provided for in Subparagraph 5. of Paragraph A of Article III above. Provided, however, that as of the effective date of this Fourth Amendment to Lease the amount of Lessee's annual maintenance obligation shall \$100,000 and shall thereafter be escalated as herein provided for. The amount of any such payment obligation not

expended in any twelve (12) month period shall be added to the amount available to be expended for said purposes in any succeeding period except that at the end of the Term of this Lease Agreement and at the end of the term of any Extension of said Term, any such amounts which have not been expended shall no longer be required to be made available for said purpose by Lessee. All costs for maintenance, repair or replacement of Building Systems in excess of the amounts to be paid by Lessee under this Sub-subparagraph shall be paid by DEDA.

8. That Subparagraph 1 of Paragraph D of Article III of the Lease is hereby amended by adding a new Sub-subparagraph d.) which reads as follows:

d.) Maintenance Review

The parties will cooperate in a regular review of maintenance needs for the MRO building and will meet no less than once a quarter to discuss such needs, and to determine where needs, in fact, exist, to determine their priority and to determine what is necessary to extend the life of the building. Either party may initiate said review process by providing notice to the other party as provided for in Article XVII below but the date and time of such review shall be subject to the prior agreement of the parties. DEDA will consult with AAR staff as to the needs and priorities for such maintenance funds but the decision as to how they are spent shall be solely that of DEDA.

9. That Article III of the Lease is hereby amended by adding a new Paragraph K which reads as follows:

K. DEDA Recruitment Assistance Commitment

The parties agreed to work together to develop an expanded plan for activities related to recruitment and training of airframe and/or power plant certified mechanics and other employees needed for the performance of Major Maintenance on Lessee's client aircraft. From and after the effective date of this Fourth Amendment to Lease, DEDA agreed to spend \$50,000 a year of rental received by it from Lessee for activities related to recruitment and training employees as described above for the

first five (5) years of this Amendment. Thereafter DEDA will annually review and consider, at its sole discretion, the extension of this commitment for the next year. For the purposes of this paragraph, "recruitment" may include investments in the development of housing facilities intended for use by such Lessee employees. DEDA will consult with Lessee staff as to how best to use said DEDA funds but the decision as to how they are spent shall be solely that of DEDA.

10. That Paragraph B of Article IV of the Lease is hereby amended to read as follows:

B. Lease Extension and Options

From and after the initial Term of this Lease, the Term thereof is hereby extended for an additional Term of approximately Twenty (20) Years, ending June 30, 2039 (the "Extension"), unless sooner terminated as hereinafter provided for. Thereafter Lessee shall have the option of extending the Term for up to three (3) additional Five (5) year Terms, provided that Lessee shall give DEDA written notice of its intent to exercise any such option as provided for in Article XVII below no less than One Hundred Eighty (180) days prior to the expiration of the Term of the Extension or of any previously-exercised option. Provided that at any time during the Term of this Extension or any such option term, Lessee shall have the right to terminate the Lease by giving DEDA notice as provided for in Article XVII below of its intent to do so at least One Hundred Eighty(180) Days prior to termination.

11. That Paragraph A of Article IX of the Lease is hereby amended to read as follows:

A. Generally by Lessee

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 any injury to or death of any person or from any damage to the Leased Property, the DEDA Equipment or the Leased Premises in or upon the

Leased Property, the DEDA Equipment or the Leased Premises, or growing out of or in connection with the use or non-use, condition or occupancy of the Leased Property, the DEDA Equipment or the Leased Premises or any part thereof and also, without limitation, any and all acts or operations related to the construction or installation of the Project on any portion of the Leased Property, the DEDA Equipment or the Leased Premises. Lessee's obligation hereunder shall specifically include but shall not be limited to any loss of life, personal injury, or property damage to Lessee or Lessee's client's property in the event of a fire suppression system activation or accidental release. 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. Provided that the indemnification provided for in this Paragraph shall not extend to any such liability covered by insurance provided by or for Lessee's benefit under the terms of this Lease Agreement subject to the limits of such insurance.

12. In all other respects the Lease, together with all of its terms, covenants and conditions, is hereby confirmed in its entirety.

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

DULUTH ECONOMIC DEVELOPMENT  
AUTHORITY, an economic  
development authority

AAR AIRCRAFT SERVICES, an  
INC., Illinois Corporation

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

By: \_\_\_\_\_  
its President  
"Lessee"

Attest:

By \_\_\_\_\_  
Secretary

Approved:

Countersigned:

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

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

STATE OF ILLINOIS            )  
  ) ss.  
COUNTY OF COOK            )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019, by \_\_\_\_\_, the \_\_\_\_\_ of AAR Aircraft Services Inc., an Illinois corporation, on behalf of the corporation.

\_\_\_\_\_  
Notary Public



STATE OF MINNESOTA     )

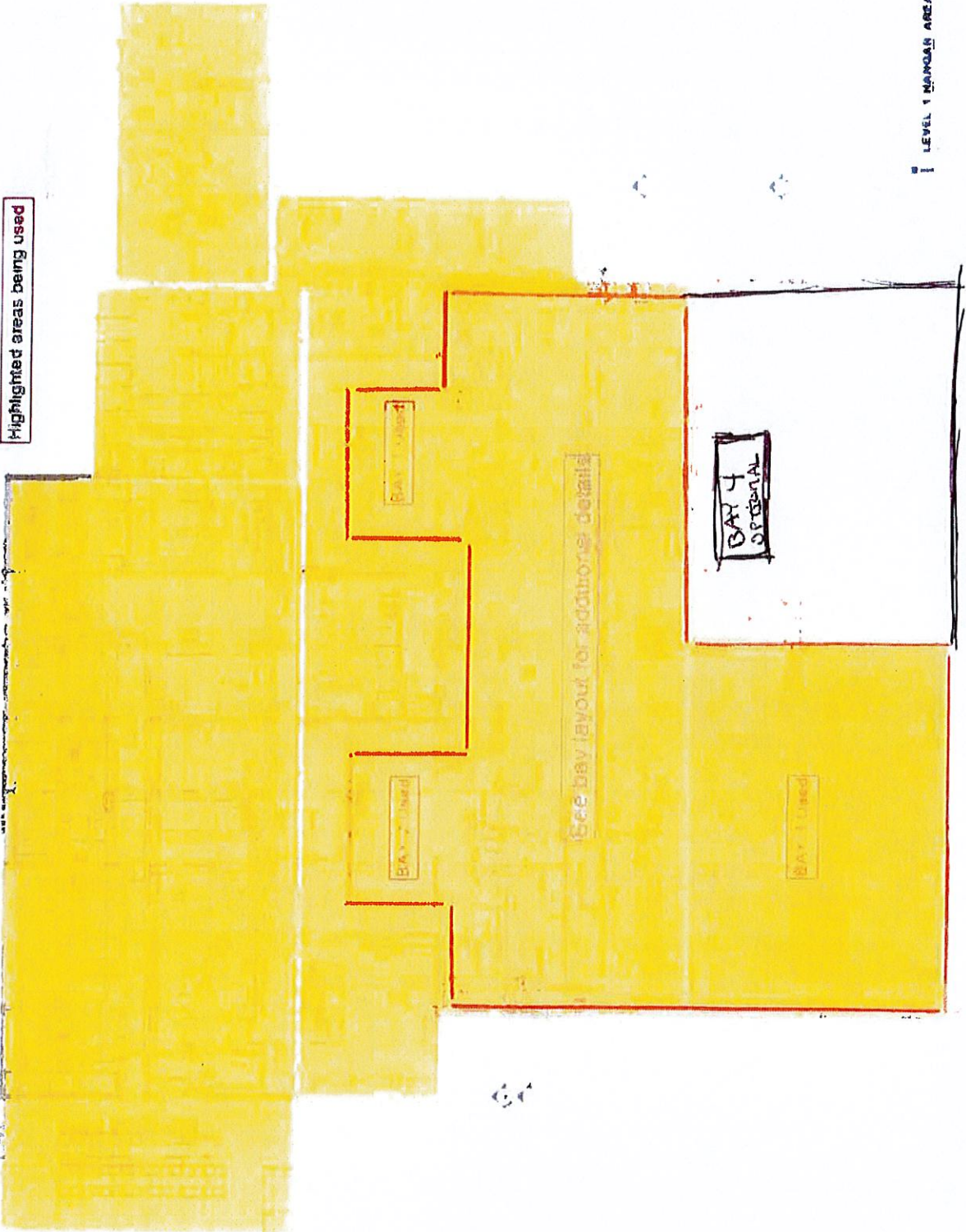
) ss.

COUNTY OF ST. LOUIS     )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2019 by Tim McShane and Zack Filipovich the President and Secretary of DEDA , an economic development authority created and existing under the Laws of the State of Minnesota, on behalf of DEDA.

\_\_\_\_\_  
Notary Public

Highlighted areas being used



See bay layout for additional details

BAY 3 Used

BAY 3 Used

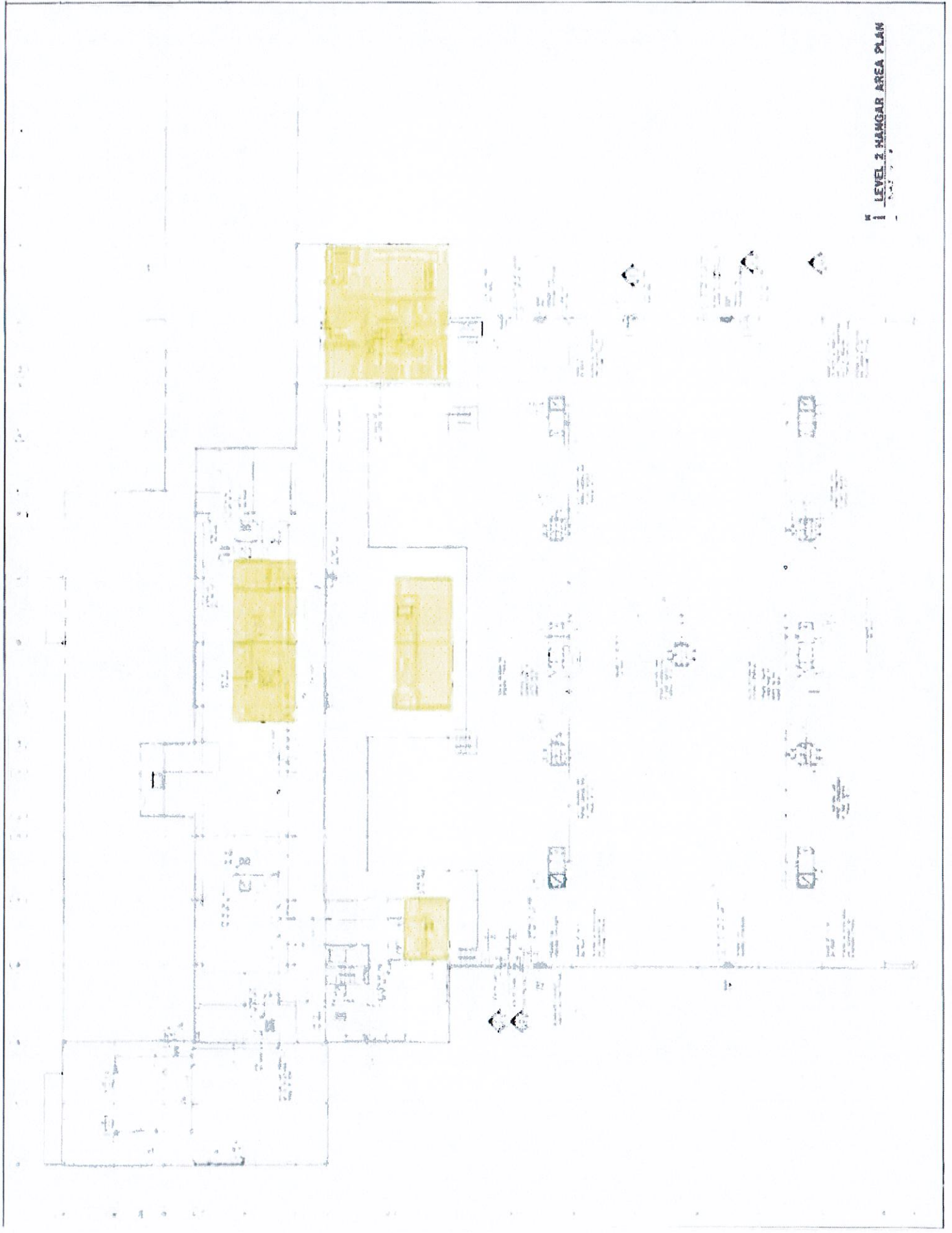
BAY 4  
Optional

BAY 3 Used

LEVEL 1 HANGAR AREA PLAN

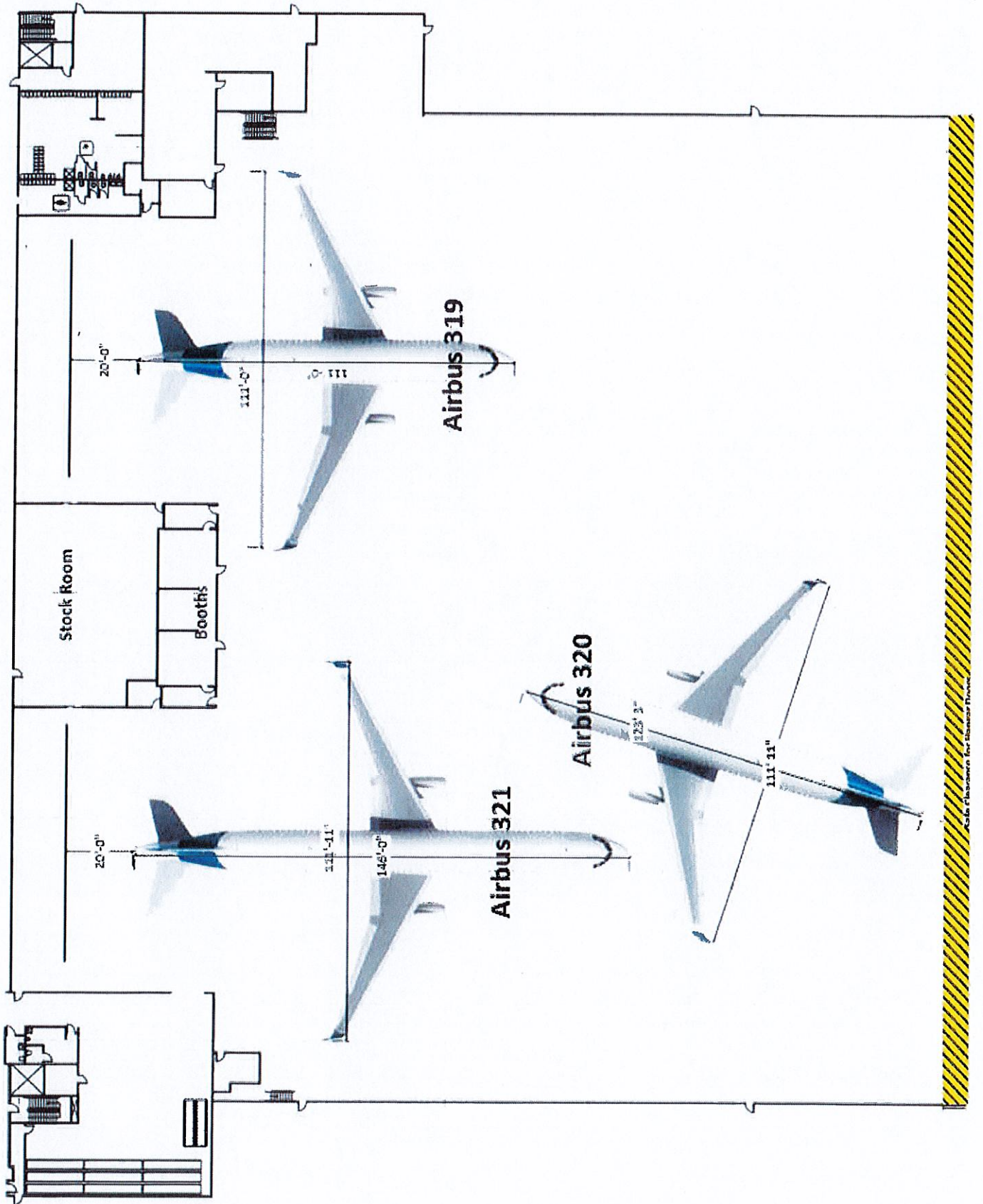
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LEVEL 2 HANGAR AREA PLAN



# AAR- Aircraft Services Duluth Hangar

(Approx. scaled)



Scale: 1/8" = 1'-0" (Approximate)

LEASE AGREEMENT

DULUTH ECONOMIC DEVELOPMENT AUTHORITY

NWA MRO FACILITY

AAR AIRCRAFT SERVICES, INC.

THIS LEASE AGREEMENT, entered on the 29<sup>th</sup> day of June, 2012, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as "DEDA", and AAR AIRCRAFT SERVICES, INC., a corporation created and existing under the laws of the State of Illinois, hereinafter referred to as "Lessee".

WHEREAS, DEDA is the owner of a heavy aircraft maintenance facility located on the hereinafter-described "Property" at the Duluth International Airport ("DIAP") originally constructed for the use of Northwest Airlines to perform maintenance on Airbus A 320 aircraft which facility NWA no longer uses or intends to use; and

WHEREAS, said facility consists of 189,000 square feet of hangar space, office space, shop space and support space; and

WHEREAS, Lessee is in need of a building and space at DIAP suitable for the operation of a maintenance, repair and overhaul facility for commercial aircraft; and

WHEREAS, the design and location of the Building is suitable for Lessee's purposes; 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 some or all of the Building and the Property to Lessee for the purposes set forth above, subject to the terms and conditions hereinafter set forth.

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

- A. Additional Space: shall mean those portions of the Main Building not leased to Lessee as of the effective date of this Lease Agreement consisting of 36,700 square fee, more or less; provided that upon the exercise of Lessee's option to lease all or any portion of the Additional Space, such Additional Space shall be deemed to be part of the Leased Premises for the purposes of this Lease Agreement unless and until Lessee terminates its lease of all or any portion thereof, at which time it shall no longer be deemed to be part of the Leased Premises.
- B. Buildings: shall mean the Main Building and the fire suppression building located to the east thereof on the Leased Property.
- C. 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, 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.
- D. City: shall mean the City of Duluth, Minnesota.
- E. CPI means the revised Consumer Price Index for All Urban Consumers (CPI-U)(not seasonally adjusted, as it appears in the Monthly Labor Review published by the U.S. Department of Labor, Bureau of Labor Statistics, Series ID CUUROOOOSAO or, if such Consumer Price Index is discontinued or no longer published, such other comparable index as DEDA shall select in the exercise of its reasonable judgment by written notice to Lessee.
- F. DEDA: shall mean the Duluth Economic Development Authority.
- G. DEDA Equipment: shall mean that equipment located in the Building or on the Leased Premises identified and described on Exhibit B attached hereto and made a part hereof which is accepted for use by Lessee as provided for in Paragraph C of Article II below.
- H. DIAP: shall mean the Duluth International Airport.
- I. Director: shall mean the Executive Director of DEDA or the person designated to act on behalf of

him/her with regard to this Lease Agreement.

- J. GAAP: shall mean generally accepted accounting principals.
- K. Ground Lease: shall mean the Ground Lease dated December 21, 1994 between the City and the DAA and DEDA.
- L. Improvements: shall mean the construction or installation of any modifications or improvements to the Leased Property or the Leased Premises which require a building permit or other construction permit from any government jurisdiction having authority to issue a permit therefore, including but not limited to the Re-commissioning Improvements and Leasehold Improvements.
- M. Leased Premises: shall mean that portion of the Buildings leased to Lessee pursuant to Article II below together with all other improvements located on the Leased Property.
- N. Leased Property: shall mean that property located in St. Louis County, Minnesota legally described on Exhibit A attached hereto and made a part hereof.
- O. Leasehold Improvements: shall mean improvements, modifications or additions made to the Leased Premises by Lessee installed or constructed on the Leased Premises and which become part of the leased Premises including equipment installed on and becoming part of the Leased Premises but not including Re-commissioning Improvements or Building Systems Improvements.
- P. Main Building: shall mean the building located on the Leased Property, being north of Runway 09-27 and west of Runway 03-21 on the DIAP consisting of 189,000 square feet, more or less, of hangar space, office space, shop space and support space.
- Q. Non-structural Surfaces: shall mean all surfaces within the confines of the Buildings including but not limited to interior lighting systems, interior surfaces of exterior walls and exterior doors, floors and flooring, interior moldings, partitions, glass doors and ceilings and also exterior lighting of the Leased Property.
- R. Re-commissioning Improvements: shall mean those Improvements shown on Exhibit C needed to prepare the Main Building for occupancy by Lessee as shown on said Exhibit C .

## ARTICLE II

### LEASED PROPERTY & PREMISES

#### A. Generally

Subject to the terms and conditions hereinafter set forth, DEDA hereby grants and leases to Lessee the Leased Property and the Leased Premises as hereinafter described in this Paragraph A and as modified as hereinafter provided for in this Article II, for operation of a maintenance, repair and overhaul facility for commercial aircraft, and for other uses related to its business, all in the ordinary course of its

business conforming in all way to applicable laws, rules and regulations. During the Term of this Lease Agreement as hereinafter set forth, Lessee shall have use of the Leased Property and 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 Property or the Leased Premises or other representation or warranty, express or implied, with respect to the condition of the Leased Property or the Leased Premises except as explicitly set forth herein. As of the effective date of this Lease Agreement, the Leased Premises shall consist of the following:

1. 152,300 square feet, more or less, of the Main Building, constituting the entirety of the ground level of said Main Building.
2. The parking lots, sidewalks, driveways, apron and aircraft parking ramp adjacent to the Main Building.
3. The fire suppression facilities located to the east of the Main Building including the building housing the fire suppression pump and related equipment, the pump and related equipment, the fire suppression water supply ponds and all equipment and utility lines related thereto.

B. Additional Space

Lessee shall have the right to lease Additional Space by adding it to the Leased Premises at its option and without regard to whether such Additional Space is then leased to a third party, subject to the terms and conditions below and to delete any Additional Space from the Leased Premises under the terms of this Paragraph; provided that the rent payable for such Additional Space added to the Leased Premises shall be that set forth in Paragraph B of Article III below.

1. If the Additional Space Lessee wishes to add to the Leased Premises is then occupied by a third party, Lessee shall be required to give notice to DEDA of its intent to so add such space not less than Ninety (90) days prior to the effective date of such addition as provided for in Article XVII below.
2. If the Additional Space Lessee wishes to add to the Leased Premises is not then occupied by a third party, Lessee shall be required to give notice to DEDA of its intent to so add such space not less than Five (5) days prior to the effective date of such addition as provided for in Article XVII below.
3. If Lessee wishes to delete any of the Additional Space previously leased by it from the Leased Premises, Lessee shall be required to give DEDA not less than Ninety (90) days prior notice of its intent to so delete such space as provided for in Article XVII below.



C. DEDA Equipment

The parties hereby acknowledge that DEDA is the owner of that equipment listed on the attached Exhibit B. DEDA hereby agrees that Lessee shall have the right to use said equipment or any portion thereof in conjunction with the permitted uses of the Leased Premises by providing to the Executive Director, within Ninety (90) days of the signing of this Lease Agreement, written notification of its desire to so use such equipment; the equipment listed in said notice shall hereinafter be referred to as the "DEDA Equipment". DEDA hereby agrees that the DEDA Equipment shall be in fully functional and working condition within tolerances contained with the manufacturer's original specifications but otherwise makes no warranties of any kind whatsoever including warranties of fitness for use or fitness for any particular purpose and agrees that the indemnification and insurance provisions of Articles IX and X below shall apply to Lessee's use of the DEDA Equipment. Lessee agrees that Lessee will continue to allow any DEDA Equipment presently stored at the Main Building which is not used by Lessee to be stored at the Main Building at no cost to DEDA and 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 use or storage of the DEDA Equipment at the Main Building in the same manner as provided for in Article IX below.

D. 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 Building, which taxiway and ramp are shown on Exhibit A attached hereto and made a part hereof.

E. DEDA Lease of Additional Space

It is contemplated by the parties that, to the extent that Lessee does not choose to lease the Additional Space, DEDA will have the right to do so and to retain any income generated therefrom. But it is also recognized that the only practical ingress and egress from the Additional Space and the only egress therefrom which will meet the requirements of applicable building codes will be through Lessee's Leased Premises. With these facts in mind, in the event that DEDA is successful in leasing any or all of the Additional Space to a third party tenant, Lessee agrees to allow such tenant and their employees and business invitees reasonable access to and from such Additional Space in a manner which is reasonable to serve the business needs of such tenant but also consistent with the reasonable security needs of the Lessee and DEDA agrees that it will be a condition of any lease with such third party tenant that such tenant's use and occupancy of such Additional Space not unreasonably interfere with Lessee's use of the Leased Premises including Lessee's reasonable security needs.

F. Grant of Easements

In the event that DEDA determines that it has a need therefore, Lessee hereby agrees to grant to

DEDA, at no cost to DEDA, such road and utility easements over the Leased Premises as DEDA shall request, provided that such easements do not materially interfere with Lessee's use of the Leased Premises without Lessee's prior written consent which shall not be unreasonably withheld. Written consent shall be available on a 24 hour basis. Upon request of the Executive Director, Lessee agrees to properly execute all easement documents evidencing such grants of easement.

G. Plating and Welding Areas and Oil-water Separator

Within Two (2) months of the effective date of this Lease Agreement, DEDA will cause the clean-up of the heavy metal residue from the plating and welding areas of the Building as identified in the report of the environmental condition of the Building by Environmental Troubleshooters, Inc. In addition, DEDA will cause the oil-water separator facilities located on the Leased Premises to be tested for integrity and functionality and, if found deficient, will cause integrity and functionality to be restored at its cost.

H. Contingencies

Substantial elements of the inducement to Lessee to enter into the Lease Agreement are a package of financial incentives which are critical elements of Lessee's ability to perform its obligations under the Lease Agreement. A list of those incentives together with the character and amounts thereof and the identities of the providers thereof are attached hereto and made a part hereof as Exhibit D. In the event that any of said incentives which are desired by Lessee are not provided to the Lessee for the project that is the subject of this Lease Agreement or that the terms of the provision thereof are of such a nature as to render this Lease to be financially not viable for Lessee, Lessee shall have the option of terminating this Lease Agreement upon Thirty (30) days prior notice to DEDA as provided for in Article XVII below or of waiving such its right to do so and proceeding under the terms of this Lease Agreement.

### ARTICLE III

#### LEASE PAYMENTS

A. Rent

As rent for the use of the Leased Premises and Leased Property as the same are defined and leased to Lessee as of the effective date of this Lease Agreement, on the first day of each month during the term of this Lease Agreement, Lessee shall pay to DEDA the amounts hereinafter set forth. 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.

1. Through August 31st:  
Commencing on the effective date of this Lease Agreement and continuing through August 31, 2012-- \$-00- per month (\$0.00 per square foot).
2. September 1, 2012-June 30, 2013:  
Commencing on September 1, 2012 and continuing through June 30, 2013, \$8,376.50 per month (\$0.66 per Square foot per year).
3. July 1, 2013-June 30, 2014  
Commencing on July, 1, 2013 and continuing through June 30, 2014, the monthly rental shall be \$8, 376.50 (\$0.66 per Square foot per year), escalated with a CPI escalation as provided for in Sub-subparagraph 5 below:
4. July 1, 2014-June 30, 2015  
Commencing on July 1, 2014 and continuing through June 30, 2015, \$32,998.33 per month (\$2.60 per Square foot per year) plus an amount equal to \$0.06 per Square foot per year.
5. After June 30, 2015  
Commencing on July 1, 2015 and continuing through June 30, 2016 and annually thereafter, the amount of the monthly rent payable in any year shall increase over that paid in the previous twelve (12) month period by the amount of the CPI as defined herein and as calculated hereunder. No later than July 1 of each such year, Lessee shall provide Lessor with a written certification certifying the CPI (the "CPI Certificate") for the previous twelve (12) month period. Thereafter each month's rent during said year shall be increased over that paid in the previous twelve (12) month period by an amount equal to multiplying the amount of the CPI increase on said CPI Certificate by the monthly rent paid in the preceding twelve (12) month period; provided that in no event shall any monthly rent increase more than three (3%) percent annually; and provided further that if Lessee fails to deliver the CPI Certificate to Lessor by July 1 of any given year during the Term or if Lessee shall deliver a CPI Certificate which does not accurately represent the CPI increase from the previous twelve (12) month period, DEDA may determine a rate of CPI increase for that period which the Executive Director determines to be correct and apply the rate of CPI increase so determined.

B. Rent for Additional Space

In the event that, at any time from the effective date of this Lease Agreement and through June 30, 2019, Lessee leases any of the Additional Space from DEDA as provided for in Paragraph B of Article II above, the monthly rent therefore shall be in this Paragraph B below:

1. July 1, 2012-June 30, 2013:  
Commencing on July 1, 2012 and continuing through June 30, 2013, \$0.08333 per

square foot per month (\$1.00 per Square foot per year.)

2. July 1, 2013-June 30, 2014

Commencing on July 1, 2013 and continuing through June 30, 2014, the monthly rental shall be \$0.08333 per square foot per month (\$1.00 per Square foot per year.), escalated with a CPI escalation as provided for in Sub-subparagraph 5 of Paragraph A above.

3. July 1, 2014-June 30, 2015

Commencing on July 1, 2014 and continuing through June 30, 2015, \$32,998.33 per month (\$2.60 per Square foot per year).

4. After June 30, 2015

Commencing on July 1, 2015 and continuing through June 30, 2016 and annually thereafter, the amount of the monthly rent payable in any year shall increase over that paid in the previous twelve (12) month period by the amount of the CPI as set forth in Sub-subparagraph 5. of Paragraph A above.

C. Ground Lease

In addition to the obligations of Lessee to DEDA under this Lease Agreement, Lessee shall be bound to perform all obligations of DEDA under the Ground Lease when and in the same manner as DEDA is obligated to perform them except to the extent that by their nature Lessee is unable to perform any of them, in which case Lessee shall be obligated to provide all possible assistance to DEDA in the performance of the same by DEDA. Provided that the obligations of this Paragraph shall not apply to any obligation of DEDA to pay rent.

D. Miscellaneous Payments and Services

1. Maintenance Services

a.) By Lessee

Except as provided for in Sub-subparagraphs b.) and c.) below, Lessee hereby agrees to maintain the Leased Premises and the Leased Property in a neat, clean, orderly and, where applicable, sanitary condition and to provide full maintenance, replacement and repair as necessary to the Leased Premises and to the Leased Property and to the Non-structural Surfaces and all equipment and systems located thereon and therein. Lessee shall be responsible for all general maintenance of the Buildings including routine repair of floors, walls, ceilings and glass replacement. Lessee shall further be responsible for keeping all grass, weeds and other similar vegetative materials mowed or otherwise controlled and shall be responsible for the removal or treatment of all snow or ice on sidewalks, driveways, parking lots and aprons located on the Leased

Property. In the event that Lessee fails to so maintain the Leased Premises and/or the Leased Property, DEDA may itself maintain or cause to be maintained, repaired or replaced, as the Executive Director shall determine in the exercise of his or her discretion, those portions of the Leased Premises, the Leased Property, or both 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.

b.) By DEDA

Except as provided for in Paragraph A of Article VI below, DEDA shall be responsible for all costs of maintenance, repair and, if necessary, replacement of the roofs on the Buildings as determined necessary by the Executive Director. In addition, DEDA shall be responsible for ensuring the removal or treatment of ice and snow on Stebner Road and on airport public use facilities such as runways and taxiways.

c.) Building Systems

Lessee shall be responsible for performing all maintenance, repair and, if necessary, replacement of Building Systems on the Leased Premises necessary to keep such systems in substantially the same condition that they were in as of the effective date of this Lease Agreement, subject to the following. Provided that Lessee shall present to the Executive Director for his or her prior written approval any expense for any such maintenance, repair or replacement for work having a total value of \$10,000 or more, which approval shall not be unreasonably withheld. The timing of such approval or disapproval shall be in a commercially reasonable time frame provided that, in the event that, the need for the work to be performed is emergency in nature, the Executive Director shall provide such approval or disapproval as expeditiously as possible under the circumstances and will take all reasonable efforts not to interfere with Lessee's business activities. If such approval is withheld, Lessee and the Executive Director shall meet and confer in good faith to determine what if any such maintenance, repair or replacement is necessary and to determine the most effective and cost effective way to accomplish such work. And, provided further that, during the first year of the term of this Lease Agreement commencing on the effective date thereof, Lessee's obligation to pay for the cost of such maintenance, repair or replacement of Building Systems shall not exceed \$110,000. After said first year and for each succeeding year of the term of this Lease Agreement and any extensions

thereof, the amount of Lessee's obligation to pay for maintenance, repair and replacement of Building Systems shall be increased over its obligation therefore in the prior twelve (12) month period in the same manner as provided for in Subparagraph 5. of Paragraph A of Article III above. The amount of any such payment obligation not expended in any twelve (12) month period shall be added to the amount available to be expended for said purposes in any succeeding period except that at the end of the Term of this Lease Agreement and at the end of the term of any Extension of said Term, any such amounts which have not been expended shall no longer be required to be made available for said purpose by Lessee. All costs for maintenance, repair or replacement of Building Systems in excess of the amounts to be paid by Lessee under this Sub-subparagraph shall be paid by DEDA.

2. DEDA Equipment-Maintenance and Replacement

Pursuant to Paragraph C of Article II above, DEDA has granted to Lessee the right to use the DEDA Equipment in conjunction with its use of the Leased Premises and the Leased Property. DEDA hereby represents to Lessee that, as of the date of occupancy of the Leased Premises and the Leased Property by Lessee, the DEDA Equipment is in good condition and working order, subject to normal wear and tear. Lessee hereby agrees to maintain and repair all of the DEDA Equipment and keep it in good condition and working order and to provide all parts and labor necessary for such maintenance and repair at no cost to DEDA. In the event that any piece of the DEDA Equipment is damaged, destroyed or worn so as to make such maintenance or repair unreasonable or impractical, Lessee may request written authorization from the Executive Director to abandon or replace said piece of DEDA Equipment with a piece of equipment of similar or better type, character and quality which is either new or is used but in a condition similar to that of the equipment at the commencement of this Lease Agreement. Upon receipt of such written authority, Lessee shall purchase with its own funds the piece of replacement equipment and may dispose of the piece of equipment, to be replaced. Upon such acquisition, said replacement piece of equipment shall become and thereafter be DEDA Property and shall be governed by the terms and conditions of this Lease Agreement. Lessee shall provide to the Executive Director in writing a description of the replacement equipment including the company of manufacture, the name of the equipment the model of the equipment, the model number of the equipment and the serial number of the equipment.

3. Refuse and Garbage

Lessee shall have all responsibility for the disposal of refuse and garbage generated by its

operations on the Leased Premises and the Leased Property and agrees to absorb all costs related thereto.

4. Utilities

Lessee shall pay any and all charges for utilities furnished to the Leased Premises or the Leased Property, including but not limited to new or additional hook-up charges and assessments related to all utilities past-due, including but not limited to fuel oil, heat, air conditioning, if any, water, sewer, gas, telephone, cable TV and electrical power.

E. Taxes

Subject to the provisions of Minnesota Statutes Section 469.315(5) (JOBZ), Lessee shall promptly pay or cause to be paid all lawful taxes and governmental charges, including real estate taxes and fees or taxes in lieu of real estate taxes at any time levied upon or against it for the Leased Premises or the Leased Property. Lessee shall further be obligated to pay any sales and use taxes imposed by any governmental entity entitled to impose such taxes on or before the date they are due and to file all required reports and forms in proper form related thereto on or before their due date; 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 Lease Agreement or result in a lien being placed on the Leased Property, the Leased Premises or both.

F. Assessment Fees and Charges

Lessee shall pay or cause to be paid when due or payable all special assessments levied upon or with respect to the Leased Property or of the Leased Premises; and to pay all fees, charges and rentals for utilities, service or extensions for the Leased Property or of the Leased Premises and all other charges lawfully made by any governmental body for public improvements; 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 Lease Agreement or result in a lien being placed on the Leased Property, the Leased Premises or both. Lessee shall also be entitled to avail itself of the most advantageous terms of payment, in Lessee's judgement, made available by the assessing authority to pay any such assessment.

G. Other Costs of Building or 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, arising out of the occupancy of the Leased Property or 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 Lease Agreement.

H. Payment by DEDA

Should Lessee fail to pay any such costs, fees or charges set forth above or otherwise necessary to the preservation and use of the Leased Property or 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 XI of this Lease Agreement.

I. 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. Provided however, that in the event that the Building is so damaged or destroyed by any cause arising out of events not resulting from the intentional or grossly negligent acts or omissions of Lessee or its officers, agents, servants or employees and the damage is so extensive that Lessee is unable to substantially carry on its business in the Building, Lessee shall be relieved of paying any rent to DEDA during the time required to repair or rebuild the Building to the point where Lessee can resume conduct of its business in the Building.

J. Time for Payment and Manner of Payment

All Rent payments and Rent for Additional Space 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 Lease Agreement shall be due and payable thirty (30) days from the date of DEDA's invoice to Lessee for said payments and reimbursements.

ARTICLE IV

TERM

A. Initial Term

The Term of this Lease Agreement shall be deemed to commence on the date first above shown and shall run through June 30, 2019, unless sooner terminated as hereinafter provided for.

B. Options

After the initial term of this Lease Agreement, Lessee shall have the option of extending the Term hereof for five (5) additional Five (5) year terms. No later than January 1, 2019, Lessee may give



notice to DEDA as provided for In Article XVII below of its desire to extend the Term of this Lease Agreement for an additional Five (5yrs) year period. If such option is exercised, no later than January 1, 2024, Lessee may give notice to DEDA as provided for in Article XVII below of its desire to extend the Term of this Lease Agreement for a second additional Five (5yrs) year period. Upon exercise of one or both of the options herein granted, the period thereof shall be deemed to be part of the Term of this Lease Agreement.

C. Termination

In the event that Lessee reasonably determines that continued leasing of the Leased Premises and the Leased Property is not commercially viable for Lessee, including the inability to secure a commitment from one or more customers of aircraft maintenance, repair and overhaul services sufficient to make retention of the Leased Property and Leased Premises and operation of it maintenance, repair and overhaul business therein financially viable, despite its best efforts to do so, Lessee agrees to provide to the Executive Director the reasons therefore in writing. Thereafter, Lessee shall have the right to terminate this Lease Agreement upon One Hundred Eighty (180) days prior notice to DEDA as provided for in Article XVII below. In such eventuality, the following provisions of this Lease Agreement shall continue to apply: Paragraphs E, F, G and H of Article III; Paragraphs D and E of Article V; Article VII; Article VIII, Article IX; Article X; Article XI; Article XV; Article XVII; and Article XVIII.

## ARTICLE V

### Development Goals/Reporting Obligations

A. Definitions.

For the purposes of determining whether the goals set forth in Paragraph B have been met, the following terms shall have the meanings herein after ascribed to them.

1. "Reporting Period" shall mean that calendar year, from January 1<sup>st</sup> of any year through December 31<sup>st</sup> of that calendar year, prior to the year in which a report referred to in Paragraph C below is required.
2. "Subsidy Amount" shall mean the difference between the market rent per square foot for the Leased Property and the Leased Premises which is stipulated to be \$2.00 per square foot per year and the amount of Rent and Rent for Additional Space actually paid by Lessee between the commencement date of this Lease Agreement and June 30, 2014 for those months during which Lessee leases the Leased Property and the Leased Premises pursuant to the provisions of Paragraphs A and B of Article III above.

B. Business Subsidy

It is acknowledged that, as a result of this Lease Agreement, Lessee will receive a "Business Subsidy" as that term is defined in Minnesota Statutes 116J.994. The purpose of providing said subsidy is to relieve DEDA as a governmental agency of the costs of maintaining an expensive asset and to generally stimulate economic development in the economy of Northeastern Minnesota. The subsidy is needed because, based on its ownership of the property since before 2005 and its unsuccessful efforts to secure a long-term tenant for the facility, DEDA has determined that, without the Business Subsidy re-utilization of the Leased Property and the Leased Premises would not occur in the foreseeable future. A list of all financial assistance by all grantors is attached hereto as Exhibit D.

C. Development Goals

As a substantial element of the consideration to DEDA for the performance of its obligations under this Lease Agreement and as a necessary condition thereof, Lessee has agreed and committed to DEDA that it will pay and thereby relieve DEDA and the public of certain substantial operating and maintenance costs of the Leased Premises and the Leased Property, subject to the limitations of Paragraph D.1.c. of Article III above

D. Reporting Requirement

On or before March 31st of each year following the signing of this Lease Agreement and until no longer required to do so as set forth below in this Paragraph, Lessee shall file with DEDA reports on forms approved in advance in writing by the Executive Director setting forth Lessee's progress in meeting the goals described in Paragraph C above during the preceding Reporting Period. Said report shall be accompanied by such documentation as the Executive Director shall request. All such reports shall contain the following legend immediately above the signature block for each report:

**"All data and information furnished on this report, attached to this report or furnished with or in conjunction with this report or the requirement to file it is true and correct to the best of my ability to discern the same after diligent inquiry on my part and my signature hereon shall be deemed to bind both the Lessee and myself personally to the veracity of the information so furnished."**

All such reports shall be signed on behalf of Lessee by Lessee's President or group Vice President if Lessee is a corporation, by a general partner of Lessee if Lessee is a general or a limited partnership or by all persons having an interest in Lessee or the Property or both if Lessee is other than a corporation or a partnership.

E. Additional Enforcement

In addition to the provisions of Article XI below, in the event that Lessee shall fail for any reason whatsoever to meet the reporting requirements of Paragraph D above fully and completely and in a timely manner as required in said Paragraph D or shall have failed to (i.) pay when due all operating and maintenance costs of the Building and the Leased Premises as described in Paragraph D of Article III above or (ii.) shall have failed to have performed the Initial Improvements as described in Paragraph A of Article VI below in accordance with the terms thereof, said failure shall be deemed to be a material breach of the terms and conditions of said Article XI and of this Lease Agreement in general and, in addition to the rights and remedies available to DEDA pursuant to said Article, DEDA shall be entitled to recover the net Subsidy Amount as set forth in Exhibit G attached hereto and made a part hereof received by Lessee. In addition DEDA shall further be entitled to withhold any payment of any kind whatsoever due from DEDA to Lessee, whether under this Lease Agreement or arising from any other source whatsoever and to withhold the performance of any obligation owed by DEDA to Lessee, whether under this Lease Agreement or arising from any other source whatsoever, until Lessee's reporting obligations pursuant to Paragraph D above and Lessee's increased rent obligations under this Paragraph have been fully complied with. Furthermore, DEDA shall be entitled to reimbursement for any costs whatsoever, direct or indirect, including the value of staff time and attorneys' fees and costs, incurred by DEDA to secure Lessee's compliance with the said Reporting requirements. All amounts owed to DEDA under this Article shall bear interest from the date payable at a rate equal to the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States department of Commerce for the 12-month period ending March 31 of the previous year. Provide that DEDA may, in the exercise of its sole discretion extend the times for performance of Lessee's obligations hereunder as authorized pursuant to Minnesota Statutes Section 116J.994 Subd. 6.

ARTICLE VI

CONSTRUCTION OR ALTERATION

Subject to Paragraph A below, Lessee shall not make, construct or cause to be made or constructed any improvements to the Leased Property or to the Leased Premises without the prior written consent of the Executive Director. The process for requesting and receiving such consent is that set forth in this Article.

A. Initial Improvements

Upon the signing of this Lease Agreement, Lessee hereby agrees that it will promptly undertake, commence and complete the construction and installation of the Re-commissioning Improvements as

shown on Exhibit C and those Leasehold Improvements set forth in Exhibit E. attached hereto and made a part hereof. The minimum out-of-pocket cost of said Leasehold Improvements shall equal or exceed \$150,000 and shall be in addition to the cost of the Re-commissioning Improvements. It is anticipated that the costs of the Re-commissioning Improvements will be funded through a BID conditional grant from DEDA and that Lessee will itself fund the cost of all Leasehold Improvements shown on said Exhibit E. The Director will use his or her good offices to assist Lessee in securing permits from the City for the Re-commissioning Improvements and the Leasehold Improvements to the extent of his authority to do so. Said Re-commissioning Improvements and said Leasehold Improvements shall be constructed and installed in accordance with the terms of this Article.

B. Plans, Specifications and Elevations

1. Initial Plans:

No less than thirty (30) days prior to the commencement of construction of any such proposed Improvements, Lessee shall submit working drawings, specifications and architectural elevations if relevant for modification or alteration together with detailed site, grading, utility and landscaping plans and elevations, as the Executive Director reasonably deems necessary, to the Executive Director for approval. All such plans, specifications and elevations shall be in conformity with this Lease Agreement, and with all applicable laws, ordinances, rules, regulations and requirements of the City, State of Minnesota and United States of America Authorities. The Executive Director shall accept or reject said plans within ten (10) days of receipt thereof. If the Executive Director rejects such plans, specifications and elevation in whole or in part as not being in compliance with the foregoing requirements, and upon notification to Lessee of said rejection together with the reason or reasons therefore, Lessee shall submit new or corrected plans, specifications and elevations meeting said objections within thirty (30) days of said notice. The provisions of this Subparagraph relating to approval, rejection and resubmission of corrected plans hereinabove provided for with respect to the originally submitted plans, specifications and elevations shall continue to apply until said plans, specifications and elevations have been approved by the Executive Director. The Executive Director's acceptance of Lessee's plans, specifications and elevations shall not constitute a waiver of building code or ordinance or other developmental duties imposed in the future upon Lessee by law. Lessee expressly agrees to be solely responsible for all costs, including architectural fees connected with said plans, specification and elevations and any revisions thereto.

2. Changes After Initial Approval

Any changes made to plans by Lessee after initial approval of the Executive Director

reasonably deemed to him or her to be material or substantial shall be submitted to him or her for acceptance in the same manner provided for in Paragraph A above.

C. Construction Documents

Prior to the commencement of any construction under this Article, Lessee shall furnish to the Executive Director a construction contract with one or more contractors licensed to do business in the State of Minnesota and competent to construct the work shown in the Plans approved pursuant to Paragraph A above, which plans shall be for the construction of all of the improvements or modifications shown in said Plans. All such contracts and bonds shall be approved in writing by the Executive Director prior to the commencement of such construction.

D. Construction of Improvements

Upon approval of the plans and specifications as provided for in Paragraphs A and B above, Lessee shall promptly commence construction of the Improvements in conformance with the plans as so approved and shall complete construction thereof as expeditiously as is practical.

E. Lessee to Bear All Costs

Subject to the terms and conditions of this Lease Agreement, Lessee specifically guarantees and agrees to bear all costs related to the construction and installation of said Improvements.

E. Progress Reports

Until construction of the Improvements has been completed, Lessee shall make reports in such detail and at such times as may reasonably be requested by DEDA as to the actual progress of such construction.

F. Certificate of Completion

Promptly upon completion by Lessee, in accordance with this Lease Agreement, of the construction of any such Improvements, DEDA shall furnish to Lessee an appropriate certificate so certifying. No such certification shall be issued until all elements of the construction have been completed. Such certification by DEDA shall constitute a conclusive determination of satisfaction of construction obligations of Lessee undertaken pursuant to this Lease Agreement.

## ARTICLE VII

### SURRENDER OF POSSESSION

A. General

Upon the expiration or other termination of this Lease Agreement, Lessee's rights to use the Leased Property 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 Leased Property or the Leased Premises demised herein, other than those improvements approved as herein provided for, Lessee covenants to return the same to the condition they were in at the time of the signing of this Lease Agreement or, in the alternative, to pay DEDA for the cost of returning them to said condition unless waived by the Executive 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 Leased Property 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 Lease 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 Lease 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 Lease Agreement.

B. Environmental Conditions

Incorporated by reference into this Lease Agreement as Exhibit F thereto, which shall be deemed to be a part hereof, is a report on the environmental condition of the Leased Property and the Leased Premises to be prepared by TETRA TECH environmental engineers which incorporates an earlier report prepared for DEDA by Environmental Troubleshooters, Inc. (the "Environmental Report") to be agreed upon by Lessee and DEDA as representing the environmental condition of the Leased Property and Leased Premises as of the commencement of the Term of this Lease Agreement but it is acknowledged by the parties that the "Environmental Report" is not comprehensive in scope and conditions may exist on the Leased Premises that are not adequately described in the Environmental Report. Upon termination of this Lease Agreement for any reason whatsoever, Lessee shall restore the Leased Property and the Leased Premises to as good an environmental condition and state as it was at the time of such commencement of the Lease Agreement as evidenced by the Environmental Report. Lessee shall pay all costs associated therewith including costs of clean-up if any, costs of environmental testing of any kind, costs of the preparation of any reports required as part of any such process and the costs, if any, associated with reviews and approvals required by any governmental agency having jurisdiction to conduct such reviews, along with any other costs associated therewith. The Environmental Report shall be presumed to represent the known environmental condition of the Leased Premises at the time of the commencement of the Lease Agreement. In addition to the foregoing, Lessee shall cause to be prepared and delivered to DEDA a report similar to the Environmental Report evidencing that the conditions of this Paragraph have been met. Provided, however, that nothing herein shall require

Lessee to perform clean-up with regard to conditions on or in the Leased Property or the Leased Premises which (i.) Lessee establishes existed thereon upon the commencement of this Lease Agreement, (ii.) which arise out of the acts or omissions of DEDA or its officers, agents, employees or contractors or (iii.) which have their source in the acts or omissions of a third party arising on or from property other than the Leased Property or the Leased Premises and which have migrated onto the Leased Premises by virtue of run-off, percolation or other natural means.

ARTICLE VIII  
PROVISION AGAINST LIENS

A. Provision Against Liens

Except for encumbrances permitted pursuant to Paragraph B below, the 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 Property, the Leased Property or any part thereof which would materially or adversely affect the DEDA's interest in this Lease Agreement during the term of this Lease Agreement, provided that if Lessee shall first notify DEDA of its intention to do so, 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 Lease Agreement to be subject to foreclosure by reason of such context.

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

The parties hereto acknowledge that DEDA is relying upon the qualifications and identify of Lessee to operate the Leased Property and the Leased Premises. Therefore, except for the purposes of obtaining financing as hereinafter described or otherwise approved by this Lease Agreement, 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 Leased Property, the Leased Premises, the Lessee, this Lease 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 Executive 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 IX  
INDEMNIFICATION

A. Generally by Lessee

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 any injury to or death of any person or from any damage to the Leased Property, the DEDA Equipment or the Leased Premises in or upon the Leased Property, the DEDA Equipment or the Leased Premises, or growing out of or in connection with the use or non-use, condition or occupancy of the Leased Property, the DEDA Equipment or the Leased Premises or any part thereof and also, without limitation, any and all acts or operations related to the construction or installation of the Project on any portion of the Leased Property, the DEDA Equipment 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. Provided that the indemnification provided for in this Paragraph shall not extend to any such liability covered by insurance provided by or for Lessee's benefit under the terms of this Lease Agreement subject to the limits of such insurance.

B. Environmental Indemnification.

In addition to the generality of the foregoing, Lessee hereby agrees that for itself, its successors and assigns that it will indemnify and save the DEDA and its officers, agents, servants and employees and any person who controls the DEDA within the meaning of the Securities Act of 1933 harmless from and against all liabilities, losses, damages, costs, expenses, including reasonable attorneys' fees and expenses, causes of action, suits, claims, demands and judgments arising out of any condition existing on the Leased Property, the DEDA Equipment or the Leased Premises arising out of Lessee's use and occupancy of the Leased Premises or the Leased Property, the DEDA Equipment or both and that indemnification granted hereby shall include all costs of required clean-up, remediation, together with the costs incurred in proceedings before any court of law or administrative agency, including attorneys' fees, expenses, the fees and expenses of persons providing technical expertise addressing such problems, including expert witnesses, the costs of preparing and securing approval of Response Action Plans, as defined by the foregoing agencies, as may be necessary to meet the requirements of said agencies and any other costs and expenses of any kind whatsoever arising out of conditions existing on



the Leased Property, the DEDA Equipment or the Leased Premises

C. Generally by Lessor

Notwithstanding the foregoing, DEDA will to the fullest extent permitted by law, protect, indemnify and save Lessee and its officers, agents, servants, employees and any person who controls Lessee 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 any injury to or death of any person or damage to property in or upon the Leased Property or the Leased Premises arising out of and to the extent of the intentional or negligent acts or omissions of DEDA and its officers, agents, employees and contractors and for environmental conditions identified in the Environmental Report or established by Lessee as existing on the Leased Premises as of the commencement of this Lease Agreement.

D. Indemnification Procedures

Promptly after receipt by the indemnitee of notice of the commencement of any action with respect to which the indemnitor is required to indemnify such person under this Article, indemnitee shall notify the indemnitor in writing of the commencement thereof, and, subject to the provisions as hereinafter stated, the indemnitor 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 indemnitee with respect to which indemnity may be sought against the indemnitor, indemnitee 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 indemnitor.

ARTICLE X  
INSURANCE

Except for the permanent property insurance provided for in Subparagraph 1 of Paragraph B below, Lessee shall procure and continuously maintain insurance covering all risks of injury to or death of persons or damage to the Leased Property or the Leased Premises arising in any way out of or as a result of Lessee's occupancy of or use of the Leased Property or Leased Premises, carried in the names of the Lessee, any subtenant and the DEDA as their respective interests may appear, as follows:

A. Insurance During Construction

Lessee, prior to entering on the Leased Property for construction work, shall procure or cause to be procured and maintain or require all contractors to procure and maintain insurance of the type and in the

amounts determined by the Executive Director to be appropriate to the construction work to be performed by Lessee and adequate to protect DEDA, Lessee and the Building, the Leased Property and the Leased Premises from liability arising therefrom:

1. Property Insurance

Lessee shall provide property insurance meeting the requirements set forth above.

2. Public Liability Insurance

Public Liability Insurance written on an "occurrence" basis under a Comprehensive General Liability Form with "Broad Form" property damage liability coverage, with XCU exclusion removed, in limits of not less than Five Million and 00/100ths (\$5,000,000.00) Dollars aggregate per occurrence for personal injury, bodily injury and death, and limits of One Million Five Hundred Thousand and 00/100ths (\$1,500,000.00) Dollars for property damage liability. If per person limits are specified, they shall be for not less than One Million Five Hundred Thousand and 00/100ths (\$1,500,000.00) Dollars per person and be for the same coverages. Contractor shall also require such liability coverage of its subcontractors unless they be insured under contractor's policies. Contractor's and subcontractors' liability coverages shall include:

- a. Contractors' public liability--premises and operations;
- b. Independent contractors' protective contingent liability;
- c. Personal injury;
- d. Owned, non-owned, and hired vehicles;
- e. Contractual liability covering customary construction contract and subcontract indemnify provisions; and
- f. Workers' Compensation coverage in required statutory limits. Policy shall carry an "all states" endorsement. In addition, employers liability coverage shall be maintained in limits of One Hundred Thousand and 00/100ths (\$100,000.00) Dollars per employee.

B. Permanent Insurance

1. Property Insurance

During the entire Term of the Lease Agreement, the Leased Premises, including all fixtures, equipment and machinery which are or become a part of the Leased Premises and the DEDA Equipment, shall be insured to the full replacement value thereof against all risk of Direct Physical Loss, by DEDA. Lessee agrees to reimburse DEDA for its costs of securing such

insurance and that such reimbursement is included in the Rent as provided for in Paragraph A. of Article III above. DEDA agrees that all rights of subrogation are waived against Lessee and its officers, agents, servants and employees with regard thereto.

2. Liability Insurance

The Lessee shall procure and maintain continuously in force Public Liability Insurance written on an "occurrence" basis under a Comprehensive 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—protective contingent liability.
- 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. Property of Others.

3. Workers' Compensation

Workers' Compensation Coverage in statutory amounts with "all states" endorsement.

Employees liability insurance shall be carried in limits of One Hundred Thousand and No/100 (\$100,000.00) Dollars per employee.

C. Excess Coverage

In addition to the foregoing, Lessee shall secure and provide an "umbrella" insurance policy in the amount of not less than Five Million Dollars (\$5 Million) providing coverage in excess of that provided for in Paragraphs A and B above

D. Requirements for All Insurance

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

E. Policies

The Lessee shall be required to supply to the DEDA certificates of insurance evidencing that Lessee has insurance meeting the requirements of this Lease Agreement. Lessee agrees to use its best efforts to

supply such certificates in a form which will require the insurer to give the DEDA thirty (30) days' written notice prior to cancellation or modification of said insurance.

## ARTICLE XI

### LESSEE DEFAULTS AND REMEDIES THEREFORE

#### A. General Defaults and Remedies

##### 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 Lease Agreement to which the remedies set forth in Subparagraph 2 below shall be applicable.

- a. Lessee shall fail to pay, after receiving written notice, 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. Except as otherwise specifically permitted herein, Lessee shall permit any liens on the Leased Property or the Leased Premises with the exception of assignments approved pursuant to the terms of this Lease Agreement or liens contested in accordance with Article VIII above.
- 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 is 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 Lease 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 Property and the Leased Premises from Lessee, subject to rights conferred on Lessee by applicable State Statute.
- b. Seek and be entitled to monetary damages from Lessee for 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 Lease 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. Non-Waiver

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

C. 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.

D. 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 XII  
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 Lease 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 XIII  
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 Lease 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 Lease Agreement or in any transactions concluded in connection with this Lease Agreement.
- D. DEDA shall do such things as are necessary to cause any information, document, certificate, statement in writing, or report required under this Lease Agreement or otherwise delivered to any third parties under this Lease Agreement to be true, correct and complete in all material respects.

## ARTICLE XIV

### 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 Illinois, 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 Property and the Leased Premises under all laws, rulings, regulations and ordinances of any governmental authority having jurisdiction and that it agrees to comply with all applicable State and Federal 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 Property or 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 Lease 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 XV

### RUNS WITH THE LAND

This Lease Agreement shall be deemed to run with the land and shall enure to the benefit of the parties hereto and to their successors and assigns.

## ARTICLE XVI

### SALE OF DEDA EQUIPMENT

Notwithstanding anything in the foregoing to the contrary, the Executive Director may, at any time and in the exercise of his or her discretion, determine to sell any or all of the DEDA equipment as he or she deems it to be in the best interest of DEDA. IF the DEDA Equipment is not being used by Lessee in the course of its

aircraft maintenance, repair and overhaul business, the Executive Director's decision may be at the request of Lessee or may be of his or her own initiation. If Lessee is using any such DEDA equipment in the course of business, the Executive Director may sell said DEDA Equipment only with the prior written approval of Lessee. The manner and method of such sale shall be determined by the Executive Director and shall be intended to produce the highest return to DEDA. If the Executive Director requests Lessee's assistance in selling any such equipment, Lessee shall be entitled to compensation in an amount commensurate with the market value of the services provided by Lessee

## ARTICLE XVII

### NOTICES

Any notice, demand or other communication under this Lease 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:

AAR Aircraft Services, Inc.  
c/o AAR Corp.  
1100 N. Wood Dale Road  
Wood Dale, IL. 60191  
Attn: General Counsel



APPLICABLE LAW

This Lease 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  
AUTHORITY, an economic  
development authority

AAR AIRCRAFT SERVICES, INC., an  
Illinois Corporation

By Nancy Bronson  
Its President  
Vice

By: [Signature]  
its President  
"Lessee"

Attest:  
By [Signature]  
Secretary

Approved:  
[Signature]  
Assistant City Attorney

Countersigned:  
  
City Auditor

STATE OF ILLINOIS )  
) ss.  
COUNTY OF ~~COOK~~ DuPage

The foregoing instrument was acknowledged before me this 21 day of June, 2012, by TIMOTHY ROMENESKO, the PRESIDENT of AAR Aircraft Services Inc., an Illinois corporation, on behalf of the corporation.

[Signature]  
Notary Public

STATE OF MINNESOTA )

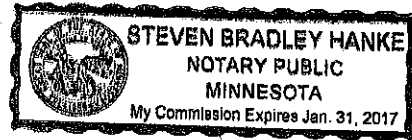


) ss.  
COUNTY OF ST. LOUIS )

The foregoing instrument was acknowledged before me this 27 th day of June, 2012, by Nancy Aranson and Emily Larson <sup>Not Vice</sup> the President and Secretary of DEDA, an economic development authority created and existing under the Laws of the State of Minnesota, on behalf of DEDA. -Not

SBH  
Notary Public

This Lease Drafted by:  
Robert E. Asleson  
Attorney for the DEDA of Duluth  
Room 410 DEDA Hall  
Duluth, MN 55802  
(218) 730-5490



LEASE AGREEMENT

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DULUTH ECONOMIC DEVELOPMENT AUTHORITY

NWA MRO FACILITY

AAR AIRCRAFT SERVICES, INC.

**EXHIBITS**

- Exhibit A— Leased Property Legal Description
- Exhibit B— DEDA Equipment list
- Exhibit C— Recommissioning
- Exhibit D— Financial Assistance/Grantors
- Exhibit E— Leasehold Improvements
- Exhibit F— Environmental Report
- Exhibit G— Business Subsidy Recovery Schedule

Exhibit A

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.

## Exhibit B

**DEDA EQUIPMENT**

<b>INSTALLED - GROUND FLOOR</b>	
1	JBI Spray Booth
2	Able Howe 2 Ton 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 GI)
28	Two (2) Industrial Quality Electric Cord Reel

**DEDA EQUIPMENT**

<b>INSTALLED - GROUND FLOOR (Continued)</b>	
28	9,000 Pound Rotary Vehicle Lift
32	Cat Emergency Power Generator
40/41	Vertical Storage/Retrieval Unit
40/41	Vertical Storage/Retrieval Unit
40/41	Vertical Storage/Retrieval Unit
40/41	Vertical Storage/Retrieval Unit
40/41	Vertical Storage/Retrieval Unit
40/41	Vertical Storage/Retrieval Unit
40/41	Vertical Storage/Retrieval Unit
45	Front Desk, Monitoring/Security
	Acetylene Tank Storage Cage
	IS/Computer Room Equipment

<b>OTHER - GROUND FLOOR</b>	
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 Top Workbench
30	Fuse Cabinet with Spare 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
<b>INSTALLED - UPPER LEVEL</b>	
35	JBI Spray Booth
36	Torit Booth
38	Trane MCC Air Conditioner Unit
<b>OTHER - UPPER LEVEL</b>	
10	Sewing Machine Consew
33	Cafeteria Chairs and Tables
37	Conference Table and Chairs
<b>OUTSIDE</b>	
34	Docking System

Exhibit C

<b>Recomissioning</b>	
1	Startup on plumbing, mechanical, electrical, motors, doors, etc.
2	Mechanical check all compressors, air handlers, change filters
3	Crane testing to check all cables, wiring harnesses, controls and load test
4	Roof and transition leaks. Identify, evaluate, replace
5	Operational test and repair of A-320 aircraft docking
6	Move docking into aircraft ready position
7	Generator - test full load bank
8	Replace all batteries in facility to include but not limited to generator, fire pumps and compressors
9	Fire pump inspection under full load. Results of testing, maintenance and repair of any non operating items
10	Pond for fire protection, clean in and around pond area
11	Outside lighting for ramp and parking areas make sure sufficient and on timers
12	Mechanical for server room
13	Fire extinguishers to be checked for charge, replace or add as necessary
14	Elevator inspection and annual maintenance
15	Floor pit doors in hangar (Manholes) to be cleaned and patched for water seepage
16	Walkways, emergency exit striping to be stripped and repainted as required by local safety requierments
17	Exit Emergency lights check to make sure all meet current requirements
18	Painting to include interior of all offices specified for AAR use, restrooms.
19	Ceiling tiles to be replaced as necessary. Worn, stained or damaged tiles to be replaced.
20	Carpet, tile, repaired/ cleaned/ replaced for all offices specified for AAR use, restrooms.
21	Concrete floors to be cleaned and buffed
22	Concrete joint to be cleaned out and re-caulked on hangar floor where needed
23	Painting exterior canopy structural and any other required areas
24	Painting handrails (exterior)
25	Aircraft defueling system to be decomissioned
26	Shop/hangar hot water heater check and put in service - replace if necessary
27	Construction cleaning
28	Lighting in hangar to have switches instead of using breaker panel
29	Replace all lighting in facility with T-8/T-5 technology fixtures
30	Parking lot fill cracks, seal lot, re-stripe as needed

Exhibit D

Financial Assistance / Grantors

All of the following forms of assistance have been proposed for this project:

1. Duluth Economic Development Authority (DEDA) Lease Subsidy, maximum - \$443,700
2. DEDA Conditional Grant for Substantial Rehabilitation of the Facility - \$350,000
3. State of Minnesota JOBZ tax abatement benefit, estimated - \$2,167,850
4. City of Duluth Tax Abatement, estimated - \$161,000
5. St. Louis County Tax abatement, estimated - \$320,000
6. State of Minnesota, Minnesota Investment Fund Forgivable Loan - \$500,000  
((\$250,000 of the Forgivable Loan will be supported by short-term loan guarantees of \$50,000 each to be provided by DEDA, the Duluth Airport Authority, the Northland Foundation, Minnesota Power, and St. Louis County)
7. State of Minnesota, Minnesota Investment Fund Loan - \$500,000
8. Duluth 1200 Fund Loan - \$500,000
9. Arrowhead Regional Development Commission Loan - \$250,000
10. Northland Foundation Loan - \$450,000
11. Minnesota Community Capital Fund Loan - \$1,500,000
12. State of Minnesota, Minnesota Job Skills Partnership - \$400,000



Exhibit E

	<b>Leashold Improvements</b>
1	New UPS
2	Badge access door locks
3	Operating Security camera system
4	Certify existing cabling (Cat 5 ,6 and fiber)
5	New wireless access points
6	Install phone system
7	Re-key all doors
8	Gate at entrance and landscape at entry
9	Signage for building, front and large signage facing airport side
10	Test and activate vertical parts storage system

**Exhibit F**

**PHASE II  
ENVIRONMENTAL SITE  
ASSESSMENT**

**Duluth Maintenance Base  
4600 Stebner Road  
Duluth, MN**

**Prepared For:**

**Mr. Thomas D. Cotruvo  
Duluth Economic Development Authority  
402 City Hall  
Duluth, MN 55802**

**Prepared By:**

**Environmental Troubleshooters, Inc.  
3825 Grand Avenue  
Duluth, MN 55807**

**ET# 07-0518**

**February 2008**

## **TABLE OF CONTENTS**

- 1.0 Introduction**
  - 1.1 Purpose
  - 1.2 Limitations and Exceptions of Assessment
- 2.0 Building Assessment Report**
- 3.0 Phase II Activities**
  - 3.1 Oil/water Separators and Fuel Transfer Pump
  - 3.2 Welding and Plating Areas
  - 3.3 Office Mold
- 5.0 Conclusions**
- 6.0 Recommendations**

### **Tables**

Table 1                      Wipe Sampling Analytical Results

### **Figures**

Figure 1                    Site Location Map  
Figure 2                    Site Plan View

### **List of Appendixes**

Appendix A    Soil Boring Logs and MDH Well and Boring Sealing Record  
Appendix B    Laboratory Analytical Reports  
Appendix C    ET Standard Methods and Procedures

## 1.0 INTRODUCTION

Environmental Troubleshooters, Inc. (ET) has completed a Phase II Environmental Site Assessment (ESA) for the Duluth Economic Development Authority (DEDA) at the Duluth Maintenance Base located at 4600 Stebner Road in Duluth, Minnesota, hereafter referred to as the "subject site" (see Figure 1). The building formerly housed the Northwest Airlines (NWA) - Airbus Maintenance Facility.

### 1.1 Purpose

The purpose in conducting the Phase II ESA was to evaluate operating areas identified during a Building Assessment (conducted by ET in June of 2007) as they relate to past NWA operations and the liability for future lessees. The operating areas evaluated during this assessment included the following:

- **Oil/water Separators:** Conducting soil borings adjacent to each of the separators to determine whether petroleum products captured by the units may have been released to the soil or groundwater.
- **Fuel Transfer Pump:** Conducting a soil boring adjacent to the fuel transfer pump to determine if petroleum products were released to the soil or groundwater.
- **Plating Area:** Collecting wipe samples in the plating area to confirm that heavy metals have been adequately removed.
- **Welding Area:** Collecting wipe samples in the welding area to confirm that heavy metals have been adequately removed.
- **Mold:** Collecting mold samples in one (1) of the three (3) offices documented to have past water leak(s) (i.e. ceiling tiles) to determine if there is a presence of mold.

### 1.2 Limitations and Exceptions of Assessment

This report is intended for the sole use of *Duluth Economic Development Authority (DEDA)*, its assigns and *ET* for its intended purpose only. The report may be unsuitable for other uses, and reliance on its contents by anyone other than the organizations stated above is not allowed without the express written consent of the parties listed. Should any of the parties above consent to reliance on the ESA by a third party, the reliance will be limited to this transaction and only for a limited period of time. ET accepts no responsibility for application or interpretation of the results by anyone other than those listed above.

The Phase II ESA procedure and the report have been developed with consideration of the American Society of Testing Materials (ASTM) Standard Guide for Environmental Site Assessments: Phase II Environmental Site Assessment Process (Designation: E 1903-97) and applying various federal, state, and local regulations. However, there are no specific regulations

that govern the performance of the assessment process. Therefore, ET can make no representation that this ESA will meet the requirements of any such law or regulation.

## 2.0 BUILDING ASSESSMENT REPORT

ET conducted a Building Assessment for DEDA at the Duluth Maintenance Base, formerly known as the NWA - Airbus Maintenance Facility. The purpose of this assessment was to evaluate the condition of the facility as it relates to past NWA operations and the liability for future lessees.

The Building Assessment was based on a limited electronic records review, a visual survey of the subject site, and a records review at the NWA facility in Minneapolis, Minnesota and multiple client meetings and contacts.

ET determined that, overall, the facility appeared to have been well maintained as noted by the cleanliness of the operating areas and detailed facility record keeping. Review of US Environmental Protection Agency (USEPA) and Minnesota Pollution Control Agency (MPCA) electronic records did not reveal release incidents or conditions at the subject site, which appear to represent significant risk of impact to the subject site.

During the site walk and interview process, select operating areas were identified as potentially requiring additional investigation. With the exception of the items summarized below, ET did not identify any potentially significant environmental issues at the subject site.

- **Oil/water Separators:** Veit and Safety-Kleen, as necessary, pumped the steel oil/water separators installed in 1995. Unlike the aboveground chemical storage tanks at the site, the separators are constructed below ground and are not actively monitored for spills or releases. Based on this information, ET recommended drilling soil borings adjacent to each of the separators to determine whether petroleum products captured by the units might have been released to the soil or groundwater.
- **Plating Area:** Due to the nature of the chemicals handled and processes performed, ET recommended conducting limited wipe sampling in the area to confirm heavy metals have been adequately removed.
- **Welding Area:** Due to the welding process, ET recommended conducting limited wipe samples in the area to confirm heavy metals have been adequately removed.
- **Mold:** Three (3) offices were documented to have past water leak(s) (i.e. ceiling tiles). ET recommended that samples be collected to determine if there is a presence of mold.

### **3.0 PHASE II ESA ACTIVITIES**

#### **3.1 Oil/water Separators and Fuel Transfer Pump**

Veit and Safety-Kleen, as necessary, pumped the steel oil/water separators installed on the west and southeast areas of the building in 1995. Unlike the aboveground chemical storage tanks at the site, the separators are constructed below ground and are not actively monitored for spills or releases. Based on this information, ET recommended drilling soil borings adjacent to each of the separators to determine whether petroleum products captured by the units might have been released to the soil or groundwater. The laboratory reports are presented in Appendix A.

##### **Soil Sampling**

Two soil borings were conducted on the north and south end of the oil water separator (OWS) located on the west side of the facility (see Figure 2). Soil samples were screened in the field for the presence of organic vapors in two (2) foot intervals. The field screening was conducted with a photoionization detector (PID). The soil vapor reading from soil borings W-OWS-N and W-OWS-S ranged from 0.3 to 0.6 parts per million (ppm). Soil samples were collected from borings W-OWS-N and W-OWS-S at ten (10) and nine (9) feet below ground surface (bgs), respectively. Each soil sample was submitted to the laboratory for diesel range organics (DRO) and volatile organic compounds (VOCs) analysis.

Analytical results of the soil samples indicated a DRO concentration of 1.8 milligrams per kilogram (mg/kg) in W-OWS-S. No other compounds were detected above the laboratory detection limits.

Two soil borings were conducted on the east and west end of the OWS located south of the east side of the building (see Figure 2). The positive soil vapor readings from soil borings E-OWS-1 and E-OWS-2 ranged from 0.2 to 0.6 ppm. Soil samples were collected from borings E-OWS-1 and E-OWS-2 at ten (10) feet bgs. Each soil sample was submitted to the laboratory for DRO and VOCs analysis.

Analytical results of the soil samples indicated DRO concentrations of 4.4 mg/kg (E-OWS-1) and 4.5 mg/kg (E-OWS-2). No other compounds were detected above the laboratory detection limits.

One soil boring (FU-1) was conducted immediately adjacent to the remote fuel pump located at the southeastern corner of the building (see Figure 2). The soil vapor readings from soil boring FU-1 ranged from 0.2 to 0.5 ppm. The soil sample collected from boring FU-1 at eight (8) feet bgs was submitted to the laboratory for gasoline range organics (GRO) and VOCs analysis. Analytical results of the soil sample indicated a GRO concentration of 5.7 mg/kg, however, the laboratory report states that approximately 4.5 mg/kg of the GRO value is due to the addition of 8260 surrogate standards. No other compounds were detected above the laboratory detection limits.

##### **Groundwater Sampling**

Groundwater samples were collected from each of the OWS locations to evaluate potential groundwater impacts. Each of the temporary wells was constructed out of one (1) inch PVC with a screen intervals ranging from six (6) to sixteen (16) feet bgs. A bailer was used to collect ground water from the temporary well for analysis. One groundwater sample was collected from boring W-OWS-S and one groundwater sample was collected from E-OWS-1 and was submitted to the laboratory for DRO and VOCs analysis.

Analytical results of the groundwater sample collected from boring W-OWS-S did not indicate compounds above the laboratory detection limits, except acetone at 6.4 micrograms per liter ( $\mu\text{g/l}$ ). Acetone is commonly known as a laboratory contaminant.

### **3.2 Welding and Plating Areas**

#### **Wipe Sampling in Welding Area**

On December 28, 2007 ET collected three (3) wipe samples (WW-1, WW-2 and WW-3) from random floor and wall areas within the welding area and submitted the samples to the laboratory for Resources Conservation Recovery Act (RCRA) heavy metals (Arsenic, Barium, Cadmium, Chromium, Lead, Mercury, Selenium, Silver) to determine if the removal/cleaning conducted by NWA was sufficient when the plant shutdown. The sampling method consisted of wiping a one (1) foot square area where a potential existed for heavy metal contamination. The wipe samples were sent under chain of custody to Pace Analytical, Minnesota Department of Health (MDH) certified laboratory) for RCRA metal analysis.

Analytical results of the wipe samples collected indicated positive detections for all eight (8) heavy metals, except WW-3 that was below detection limit for mercury (Table 1).

After reviewing the Occupational Safety and Health Act (OSHA) Technical Manual Sampling for Surface Contamination and the MDH standard for lead, ET has concluded the following:

- ET was only able to find a published wipe standard for lead. This standard was published by the MDH and is 40  $\mu\text{g}/\text{ft}^2$
- The 40  $\mu\text{g}/\text{ft}^2$  lead result in sample WW-3 is equal to the MDH lead wipe standard.

#### **Wipe Sampling in Plating Lines Area**

On December 28, 2007 ET collected three (3) wipe samples (WP-1, WP-2 and WP-3) from random floor and wall areas within the plating area and submitted the samples to the laboratory for cyanide analysis to determine if the removal/cleaning conducted by NWA was sufficient when the plant shutdown. The sampling method consisted of wiping a one (1) foot square area where a potential existed for cyanide contamination. The wipe samples were sent under chain of custody to Pace Analytical, Minnesota Department of Health (MDH) certified laboratory) for cyanide metal analysis.

Analytical results of the wipe samples collected indicated cyanide concentrations ranging from 3.2 to 8.6 micrograms per wipe ( $\mu\text{g}/\text{wipe}$ ).

### **3.3 Office Mold**

During the site walk-through on June 4, 2007, ET observed water staining on the ceiling in Room 180. NWA personnel informed ET that a water leak had occurred and the subsequent water stain resulted. While no mold growth was observed in relation to the water staining, ET

recommended that a mold air sample be collected to insure elevated mold spores were not present. On December 31, 2007, ET collected an indoor air mold sample in Room 180 and a background exterior air sample for comparison. The collected samples were submitted under chain-of-custody to a certified laboratory for analysis.

ET personnel collected two (2) air samples: one (1) air sample was from Room 180 and one (1) air sample was from the outside air as a background. Air samples were collected by drawing air through an air-o-cell cassette where particles, such as mold spores, pollen, insect parts, skin cell fragments, fibers, etc., become impacted on a sampling substrate. The collected samples are then submitted under chain-of-custody documentation to a certified laboratory for analysis. The air was pulled through the cassette using a high-flow pump field calibrated to a volumetric flow rate of fifteen (15) liters per minute (lpm). The background and indoor air samples were collected over a duration of five (5) minutes, for a total volume of seventy-five (75) liters.

Analytical results presented in the table below indicated that there are mold spores present in low concentrations in Room 180 and in the exterior background sample (Attachment 1 Laboratory Results). The results also indicate that no toxic mold spores were present. The results indicate that the mold concentrations and species are what would be typically observed in commercial buildings and homes with health air quality.

Spore Types	Room 180 Sample 12746833	Outside Background Sample 12746888
Agrocybe/Coprinus	42	--
Ascospores	42	--
Aspergillus/Penicillium	--	84
Basidiospores	84	--
Cladosporium	168	--
Epicoccum	--	13
Unidentified Spores	42	--

"--" = No spores present

A brief description of the nature of the identified spores and the potential threat posed by each type is summarized below.

- *Agrocybe/Coprinus* is a form of mushroom commonly found outdoors and is generally not considered a threat to human health.
- *Ascospores* are a large category of spores (produced in a sac-like structure) that are found everywhere in nature and include more than 3000 genera. This mold is commonly found in nature and wet building materials. These mold genera are not very well studied, but some are known as allergens.
- *Aspergillus and Penicillium* have similar attributes and are indistinguishable on non-cultured samples. *Aspergillus/Penicillium* is generally considered a nuisance mold and



should pose limited health affects unless a person is allergic to the mold or it is found in extremely high concentrations.

- *Basidiospores* develop from over wintered telia of on fallen willow leaves germinate to produce yellowish basidia and basidiospores in spring. This mold is commonly found in forests and gardens. This mold is designated as a Type I allergen and can cause Type III Hypersensitivity Pneumonitis.
- *Cladosporium* is the most commonly identified outdoor fungus. This mold is a common allergen. It is usually found in higher concentrations outdoors than indoors, and concentrations decrease significantly during the winter months. Indoor growth is very widespread, occurring on textiles, wood, moist windowsills, and most commonly associated with refrigerated foods. *Cladosporium* is not toxic and should be considered a nuisance mold.
- *Epicoccum* is widely distributed mold that is commonly isolated from air, soil and foodstuff. Spores are also found in some animals and textiles. It is the common causative agent of leaf spots of various plants. There are no documented cases of *Epicoccum* infection in humans or animals and has not been documented as a pathogen.

## 5.0 CONCLUSIONS

Based on the information collected during the Phase II ESA, ET concluded the following:

- There does not appear to be any significant soil or groundwater impacts in the OWS or Fuel transfer pump areas. Although concentrations of DRO were detected in the soil samples ranging from 1.8 to 4.5 mg/kg, the field organic vapor readings ranged from only 0.2 to 0.6 ppm. In addition, the laboratory reports stated for each soil DRO result that "late eluting hump along with diesel range peaks were present in the chromatogram". This is a common issue with DRO soil results when naturally occurring organic interferences (e.g. peat) are present.
- Cleaning performed by NWA and/or their contractor did not remove the extent of heavy metal residue.
- Based on the laboratory results, ET concludes that low levels mold spores are present in Room 180. The mold spore concentrations are consistent with the concentration observed in the background air sample. The mold concentrations and species are what are commonly observed in typical commercial building and homes with health air quality. Based on the mold concentrations and mold species observed, ET does not recommend any further action.

## 6.0 RECOMMENDATIONS

ET does not recommend any additional assessments of the areas investigated during the Phase II ESA, the following is recommended to limit any potential exposure to metals identified in the wipe samples collected in the welding and plating areas:

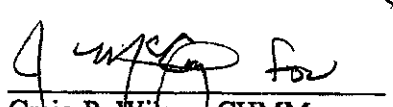
- Reclean the area to insure the heavy metal residue is removed.
- If recleaning is not feasible, the area(s) may be encapsulated to insure heavy metal contamination is not transported to other areas or exposes workers.
- Resample the area(s) to insure the cleaning/encapsulating is sufficient.
- Review more regulations to determine if other standards exist for the other eight (8) heavy metals.

This report has been prepared in accordance with generally accepted engineering and hydrogeologic principles and practices of this time and location. Interpretations and recommendations in this report are based on available data, and additional data may result in revised interpretations and recommendations. This report is intended for use by the client, its designated agents and ET for its intended purpose only at the time of preparation. The report may be unsuitable for other uses, and reliance on its contents by anyone other than the client is done at the sole risk of the user. ET accepts no responsibility for application or interpretation of the results by anyone other than the client. Environmental Troubleshooters, Inc prepared this Phase II report.

I declare that, to the best of my professional knowledge and belief, I meet the definition of Environmental Professional as defined in 312.10 of 40 CFR 312.

  
Christine M. McCarthy, PG  
Senior Project Manager

2/14/08  
Date

  
Craig P. Wilson, CHMM  
Industrial Hygienist

2/14/08  
Date

Exhibit G

Business Subsidy Recovery Schedule

Pursuant to Article V, E., the following calculation may be required in the event that it is determined that DEDA is entitled to recover the net Subsidy Amount received by Lessee:

Monthly Market Value of the Lease:

Square Footage Leased	X		152,300
Market Value - Monthly Lease Rate	=	\$	0.1667
Market Value of the Lease		\$	25,383.33

Number of Months Where Lessee Has Not Demonstrated Payment of All Operating and Maintenance Costs of the Building and Leased Premises			<u>6</u>
--	--	--	----------

Net Subsidy Amount - Lease Subsidy		\$	152,300.00
------------------------------------	--	----	------------

Minimum Value of Initial Improvements:			\$500,000.00
Documented Value of Initial Improvements:			<u>450,000.00</u>

Net Subsidy Amount - Failure to Perform Initial Improvements			<u>\$50,000.00</u>
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Net Subsidy Recovery Amount		\$	<u>202,300.00</u>
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Note: This calculation assumes 6 months of utility and maintenance non-payment, plus a \$50,000 shortfall Initial Improvement Spending.

**CERTIFIED RESOLUTION OF THE DULUTH ECONOMIC DEVELOPMENT  
AUTHORITY OF THE CITY OF DULUTH, MINNESOTA**

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**RESOLUTION 12D-30**

**ADOPTED June 12, 2012**

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**RESOLUTION AUTHORIZING A LEASE  
AGREEMENT WITH AAR AIRCRAFT SERVICES, INC**

RESOLVED, by the Duluth Economic Development Authority ("DEDA") that the proper DEDA officials are hereby authorized to enter into a Lease Agreement (DEDA Contract No. 12 865 666) substantially similar to that attached hereto with AAR Aircraft Services Inc. for the leasing of DEDA's aircraft maintenance, repair and overhaul facilities at the Duluth International Airport for the purpose of facilitating their operation thereon of a commercial aircraft maintenance facility with rents received therefrom payable to DEDA Fund 865.

Vote: Approved Unanimously (5-0)  
Yeas -Aronson Norr, Fosle, Hartman, Heino, Larson

---

I, Heidi Timm-Bijold, Interim Executive Director of the Duluth Economic Development Authority, do hereby certify that I have compared the foregoing Resolution passed by the Board of Commissioners of the Duluth Economic Development Authority on the 12th day of June, 2012, with the original in my custody as Executive Director of said Authority, and that the same is a true and correct transcript therefrom.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of said Duluth Economic Development Authority, this 27th day of June, 2012.

**DULUTH ECONOMIC DEVELOPMENT AUTHORITY**

By *Heidi Timm-Bijold*  
Heidi Timm-Bijold, Interim Executive Director

CERTIFIED COPY OF RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DULUTH, MINNESOTA

RESOLUTION 12-0307

ADOPTED: JUNE 25, 2012

RESOLVED, that the city council of the city of Duluth does hereby approve the lease agreement on file in the office of the city clerk as Public Document No. 12-0625-08, between the Duluth economic development authority (DEDA) and AAR Aircraft Services, Inc. (AAR).

Resolution 12-0307 was unanimously adopted.

Approved June 25, 2012

DON NESS, Mayor

I, JEFFREY J. COX, city clerk of the city of Duluth, Minnesota, do hereby certify that I have compared the foregoing resolution passed by the city council on the 25th day of June, 2012, with the original in my custody as city clerk of said city and that the same is a true and correct transcript therefrom.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of said city of Duluth, this 26th day of June, 2012.

JEFFREY J. COX  
City Clerk

by

  
Assistant

CITY OF DULUTH, MINNESOTA

FIRST AMENDMENT TO LEASE AGREEMENT

DULUTH ECONOMIC DEVELOPMENT AUTHORITY

NWA MRO FACILITY

AAR AIRCRAFT SERVICES, INC.

THIS FIRST AMENDMENT TO LEASE AGREEMENT, entered on the 19<sup>th</sup> day of July, 2012, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as "DEDA", and AAR AIRCRAFT SERVICES, INC., a corporation created and existing under the laws of the State of Illinois, hereinafter referred to as "Lessee".

WHEREAS, the parties hereto entered into a Lease Agreement dated June 29<sup>th</sup>, 2012 bearing DEDA Contract No. 12—865 666 (the "Lease") for the lease of the therein-defined Leased Property and Leased Premises to Lessee; and

WHEREAS, the parties are desiring of making certain amendments to the Lease.

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

1. That Paragraph C of Article III of the Lease his hereby amended to read as follows:

C. Ground Lease

In addition to the obligations of Lessee to DEDA under this Lease Agreement, Lessee shall be bound to perform all obligations of DEDA under the Ground Lease when and in the same manner as DEDA is obligated to perform them except to the extent that by their nature Lessee is unable to perform any of them, in which case Lessee shall be obligated to provide all possible assistance to DEDA in the performance of the same by DEDA. Provided that the obligations of this Paragraph shall not apply to any obligation of DEDA to pay rent. Provided further that nothing herein shall be deemed to prevent DEDA and Lessors under the Ground Lease from amending, modifying or restructuring the Ground Lease without the consent of Lessee as long as such amendments or modifications do not increase the obligations of Lessee hereunder, impose any additional costs

upon Lessee or otherwise increase the burdens of Lessee in operating its business on the Leased Premises.

2. That Article III of the Lease is hereby amended by the addition of new Paragraph K which reads as follows:

K. Limitation on Assessments and Costs

For the purposes of Paragraph F above and of this Paragraph K, it is understood that the City can and does allow assessments to be paid over a term of years and that, as used in this Lease Agreement, the term, "Assessment Payment" shall mean the minimum amount required to be paid with regard to any assessment levied against the Leased Premises in any one calendar year. Nothing to the contrary in Paragraphs F and G above withstanding, in no event shall Lessee's obligation for the amount of any Assessment Payment, any other payment payable in any Lease Year pursuant to Paragraph F above and any payment or payments payable in said Lease Year pursuant to Paragraph G above exceed in the aggregate Three Percent (3 %) of the annual rent payment payable in that Lease Year. For the purposes of this Paragraph, a "Lease Year" shall mean a 12 month period commencing on July 1<sup>st</sup> of any year and ending on the following June 30<sup>th</sup>; the first Lease Year shall be deemed to commence on July 1, 2012.

3. That Article XI of the Lease is hereby amended to read as follows:

ARTICLE XI

LESSEE DEFAULTS AND REMEDIES THEREFORE

A. General Defaults and Remedies

1. Lessee General Events of Default

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

- a. Lessee shall fail to pay, after receiving written notice, 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. Except as otherwise specifically permitted herein, Lessee shall permit any

liens on the Leased Property or the Leased Premises with the exception of assignments approved pursuant to the terms of this Lease Agreement or liens contested in accordance with Article VIII above.

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 is 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 Lease 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 Property and the Leased Premises from Lessee, subject to rights conferred on Lessee by applicable State Statute.
- b. Seek and be entitled to monetary damages from Lessee for direct 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 Lease 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. DEDA Default & Lessee Remedies

DEDA shall be deemed to be in default of its obligations under this Lease Agreement if DEDA 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 DEDA pursuant to this Lease Agreement or shall have failed to make rent payments due under the Ground Lease and such failure shall continue for a period of thirty (30) calendar days after Lessee has, pursuant to the provisions of this Lease 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, Lessee, without waiving any other rights hereunder or available to Lessee at law or in equity, may perform DEDA obligations under the Lease or make the rent payment required under the Ground Lease, and DEDA shall, within thirty (30) days of receipt of Lessee's invoice and reasonable evidence of the amount thereof, reimburse Lessee for the reasonable cost thereof.

CB. Non-Waiver

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

DC. 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.

ED. 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.

4. That in all other respects, the Lease, together with all of its terms, covenants and conditions, is hereby confirmed in its entirety.

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

DULUTH ECONOMIC DEVELOPMENT  
AUTHORITY, an economic  
development authority

By: 

AAR AIRCRAFT SERVICES, INC., an  
Illinois Corporation

By: 



(218) 730-5490

SECOND AMENDMENT TO LEASE AGREEMENT

DULUTH ECONOMIC DEVELOPMENT AUTHORITY

NWA MRO FACILITY

AAR AIRCRAFT SERVICES, INC.

THIS SECOND AMENDMENT TO LEASE AGREEMENT, entered on the 23<sup>rd</sup> day of January, 201~~2~~<sup>3</sup>, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as "DEDA", and AAR AIRCRAFT SERVICES, INC., a corporation created and existing under the laws of the State of Illinois, hereinafter referred to as "Lessee".

WHEREAS, the parties hereto entered into a Lease Agreement dated June 29<sup>th</sup>, 2012 bearing DEDA Contract No. 12 65 666, which Lease Agreement was amended by the First Amendment to Lease Agreement entered into on July 19, 2012, which Lease Agreement and First Amendment to Lease Agreement are hereinafter referred to as the "Lease" for the lease of the therein-defined Leased Property and Leased Premises to Lessee; and

WHEREAS, the parties are desirous of making certain amendments to the Lease.

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

1. That Paragraph A of Article III of the Lease his hereby amended to read as follows:
  1. Through August 31st:  
Commencing on the effective date of this Lease Agreement and continuing through December 31, 2012-- \$-00- per month (\$0.00 per square foot).
  2. January 1, 2013-June 30, 2014:  
Commencing on January 1, 2013 and continuing through June 30, 2014, \$4,188 per month (\$0.33 per Square foot per year).

3. July 1, 2014-December 31, 2016  
Commencing on July 1, 2014 and continuing through December 31, 2016, \$25,383.33 per month (\$2.00 per Square foot per year) plus an amount equal to \$0.06 per Square foot per year.
4. January 1, 2017-December 31, 2017  
Commencing on January 1, 2017 and continuing through December 31, 2017, \$33,760 per month (\$2.60 per Square foot per year plus an amount equal to \$0.06 per Square foot per year) increased by the amount by which the CPI increased during calendar year 2014, which amount shall be further increased by the amount by which the CPI was increased during calendar year 2015, which amount shall be increased by the amount by which the CPI was increased during calendar year 2016. The intent of this subparagraph is that the rent payable in 2017 shall be equal to an amount as if the rent amounts as set in this Subparagraph above had been increased each year from 2014 through 2016 by the CPI. The CPI calculations shall be in conformance with the language therefore set forth in Subparagraph 5. Below.
5. After December 31, 2017  
Commencing on January 1, 2018 and continuing through and annually thereafter, the amount of the monthly rent payable in any year shall increase over that paid in the previous twelve (12) month period by the amount of the CPI as defined herein and as calculated hereunder. No later than July 1 of each such year, Lessee shall provide Lessor with a written certification certifying the CPI (the "CPI Certificate") for the twelve (12) month period. Thereafter each month's rent during said year shall be increased over that paid in the previous twelve (12) month period by an amount equal to multiplying the amount of the CPI increase on said CPI Certificate by the monthly rent paid in the preceding twelve (12) month period; provided that in no event shall any monthly rent increase more than three (3%) percent annually; and provided further that if Lessee fails to deliver the CPI Certificate to Lessor by July 1 of any given year during the Term or if Lessee shall deliver a CPI Certificate which does not accurately represent the CPI increase from the previous twelve (12) month period, DEDA may determine a rate of CPI increase for that period which the Executive Director determines to be correct and apply the rate of CPI increase so determined.

2. That in all other respects, the Lease, together with all of its terms, covenants and conditions, is hereby confirmed in its entirety.

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

DULUTH ECONOMIC DEVELOPMENT  
AUTHORITY, an economic  
development authority

AAR AIRCRAFT SERVICES, INC., an  
Illinois Corporation

By [Signature]  
Its President

By: [Signature]  
its President

"Lessee"

Attest:  
[Signature]  
By \_\_\_\_\_  
Secretary

Approved:  
[Signature]  
Assistant City Attorney

STATE OF ILLINOIS )  
) ss.  
COUNTY OF ~~COOK~~ DuPage

The foregoing instrument was acknowledged before me this 10th day of January, 2013  
by Timothy J. Pomereke, the President of AAR Aircraft Services Inc., an Illinois corporation, on  
behalf of the corporation.

[Signature]  
Notary Public  
OFFICIAL SEAL  
JO-ELLEN KIDDIE  
NOTARY PUBLIC STATE OF ILLINOIS  
MY COMMISSION EXPIRES FEB 3 2014



THIRD AMENDMENT TO LEASE AGREEMENT

DULUTH ECONOMIC DEVELOPMENT AUTHORITY

NWA MRO FACILITY

AAR AIRCRAFT SERVICES, INC.

THIS THIRD AMENDMENT TO LEASE AGREEMENT, entered on the 15<sup>th</sup> day of September, 2015, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as "DEDA", and AAR AIRCRAFT SERVICES, INC., a corporation created and existing under the laws of the State of Illinois, hereinafter referred to as "Lessee".

WHEREAS, the parties hereto entered into a Lease Agreement dated June 29<sup>th</sup>, 2012 bearing DEDA Contract No. 12 65 666, which Lease Agreement was amended by the First Amendment to Lease Agreement entered into on July 19, 2012 and a Second Amendment to Lease entered into on January 23, 2013, which Lease Agreement, First Amendment to Lease Agreement and Second Amendment to Lease are hereinafter collectively referred to as the "Lease" for the lease of the therein-defined Leased Property and Leased Premises to Lessee; and

WHEREAS, the parties are desirous of making an additional amendment to the Lease whereby DEDA will financially assist Lessee to make the hereinafter-described improvements to the Leased Premises, which improvements will become part of the Leased Premises and remain with the Leased Premises upon any termination of the Lease.

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

1. That Subparagraph 3 of Paragraph A of Article III of the Lease his hereby amended to read as follows:

- 3 July 1, 2014-December 31, 2016  
Commencing on July 1, 2014 and continuing through December 31, 2016, \$25,383.33 per month (\$2.00 per Square foot per year) plus an amount equal to \$0.06 per Square foot per year; provided however, notwithstanding the foregoing, in consideration of Lessee's performance of its obligations under this Second Amendment to Lease, DEDA hereby agrees that the for the months of August,



2015, September 2015 and October 2015, the rent to be paid by Lessee shall be abated and the rent payable to DEDA those months shall be \$--00--.

2. That Article VI is hereby amended by the addition of a new Paragraph G thereto which reads as follows:

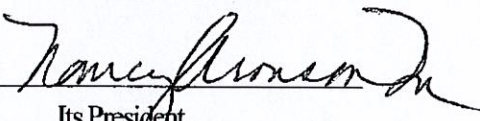
G. Bridge Crane—Leasehold Improvements

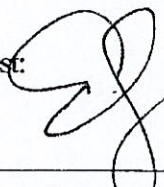
Pursuant to this Second Amendment to Lease, Lessee hereby agrees that it will purchase and have installed on the Leased Premises on Twin City American single girder patented track dual motor bridge crane, 1-ton capacity in accordance with that quotation from Sharrow Lifting Products bearing quotation No. 051415-2CB dated May 14, 2015, a copy of which is attached to this Second Amendment to Lease as Second Amendment Exhibit A and made a part hereof. The provisions of this Article VI shall govern the installation of said crane on the Leased Premises, provided that the Executive Director may reduce or waive in writing time requirements pertaining to the submission of plans and specifications for the installation of the crane. Upon satisfactory completion of installation of said crane, title to said crane shall pass to DEDA, said crane shall be deemed to be part of the Leased Premises and, upon termination of the Lease, the crane shall remain a part of the Leased Premises. Upon termination of the Lease, all warranties guaranties shall remain with DEDA. Provided, however, that during the term of the Lease, Lessee shall be solely and exclusively responsible for all maintenance, operation and replacement of said crane. Lessee agrees that installation of said crane shall be completed no later than November 1, 2015.

3. That in all other respects, the Lease, together with all of its terms, covenants and conditions, is hereby confirmed in its entirety.

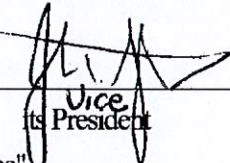
IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first shown above.

DULUTH ECONOMIC DEVELOPMENT  
AUTHORITY, an economic  
development authority

By   
Its President

Attest:  
  
By \_\_\_\_\_  
Secretary

AAR AIRCRAFT SERVICES, INC., an  
Illinois Corporation

By:   
Vice  
Its President  
"Lessee"

Approved:

*[Signature]*  
Assistant City Attorney

STATE OF ILLINOIS        )  
  ) ss.  
COUNTY OF COOK        )

The foregoing instrument was acknowledged before me this 1st day of Sept. 2015, by John C. Fortson, the Vice President of AAR Aircraft Services Inc., an Illinois corporation, on behalf of the corporation.



*Joyce C. Tangorra*  
Notary Public

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

The foregoing instrument was acknowledged before me this 15th day of September, 2015, by Nancy Nov and Emily Larson, the President and Secretary of DEDA, an economic development authority created and existing under the Laws of the State of Minnesota, on behalf of DEDA.

*Bronwyn Lipinski*  
Notary Public

This Lease Drafted by:  
Robert E. Asleson  
Attorney for the DEDA of Duluth  
Room 410 DEDA Hall  
Duluth, MN 55802  
(218) 730-5490

Exhibit A

# ***SHARROW LIFTING PRODUCTS***

301 COUNTY ROAD E2 WEST NEW BRIGHTON, MN 55112  
(651) 489-1341 Fax (651) 489-1534

10786 TIMBERLOST ROAD LITTLE FALLS, MN 56345  
(320) 632-1578 Fax (320) 632-1710

AAR Corporation  
4600 Stebner Road  
Duluth, MN 55811  
Attn: Mark Ketterer

May 14<sup>th</sup> 2015  
Quotation#051415-2CB  
Phone: 218-355-5616  
E-mail: [mark.ketterer@aarcorp.com](mailto:mark.ketterer@aarcorp.com)

We are pleased to offer the following equipment & installation for review and approval:

- (1) Twin City American single girder patented track dual motor bridge crane
  - 1-ton capacity
  - 85' 0" approximate span
  - 1-ton capacity
  - Bridge crane will carry (1) 2,000-lb Harrington trolley
  - 100-fpm max bridge speed controlled by variable frequency drive
  - 128" wheel base end trucks
  - End trucks to have flangeless wheels, side guide rollers & rubber bumpers
  - 2- 1/2-hp drive motors with adjustable electric motor brakes
  - C-track power & control flat cable festoon system included
  - Enrange FLEX series wireless radio control included
  - Radio control includes 2-transmitters, padded case & retractable belt clip
  - Selector switch to isolate between pendant & radio control included
  - 8-button traveling push button station suspended from separate C-track
  - Manual fused & magnetic mainline disconnects included
  - Thermal overload protection
  - 4-sliding shoe collectors for use with new runway conductor bar
  - 460-3-60 power supply
  - 115-volt control
  - Completely assembled, test run & painted yellow enamel
  - Crane will meet or exceed CMAA service class C requirements
  
- (1) Harrington electric chain hoist
  - Model number: NERM010LD-SD-60
  - 1-ton capacity
  - Will be installed on bridge crane above
  - 60' available lift
  - 14-fpm max lifting speed variable frequency control
  - 80-fpm max trolley speed variable frequency control
  - Trolley will ride on patented track bridge girder above
  - #SC055 steel chain container for slack end chain included
  - Upper & lower limit switches included
  - 460-3-60 power supply
  - 115-volt control

*A Division of C.C. Sharrow Co., Inc.*  
**EMPLOYEE OWNED SINCE 1994**

# ***SHARROW LIFTING PRODUCTS***

301 COUNTY ROAD E2 WEST NEW BRIGHTON, MN 55112  
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10786 TIMBERLOST ROAD LITTLE FALLS, MN 56345  
(320) 632-1578 Fax (320) 632-1710

- (Lot) New Twin City American patented track runway system  
Will carry 1-ton 85' span crane  
315' runway supported from building on 31' 6" centers  
Runway will be supported in similar fashion as existing 120' span crane runway  
Includes all rail, hangers, brackets, threaded rods, splice plates, hardware, sway bracing, end stops, & conductor bar  
Runway & accessories will be painted TC/American grey/green
- (Lot) Installation of above equipment  
We will have clear uninterrupted access to entire work area upon arrival  
We will work from smooth finished floor  
Work will be conducted in start to finish manner in one mobilization  
Runway rail will be installed & aligned  
Conductor bar system will be installed  
Bridge crane & hoist will be installed  
Power supply to conductor bar by others  
We will provide our own lifts & scissor lifts  
Work will be completed M-F during regular business hours  
We will perform all field wiring & start up on cranes as required  
We will perform OSHA inspection upon completion & release to production

Total equipment & installation cost= \$152,750.00

## Option

Freight cost on above material shipping to Duluth, MN 55811= \$2,000.00  
Total= \$154,750.00  
Total with freight & sales tax= \$168,894.95

Delivery will be approximately 10-weeks after order. Bridge crane & runway will ship via dedicated carrier from Waite Park, MN. Our terms are 30% at time of order, 50% prior to shipment & remainder net 30-days after completion of installation with approved credit. Quote is valid for 30-days.

*A Division of C.C. Sharrow Co., Inc.*  
**EMPLOYEE OWNED SINCE 1994**

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(320) 632-1578 Fax (320) 632-1710

We appreciate this opportunity to assist you with your material handling requirements.  
Please let me know if you have any further questions or concerns.

Thank you for your consideration.  
Sincerely,

Craig Bohnsack  
800-306-2847 office  
320-632-1710 fax  
320-630-1871 cell  
E-mail: [cbohnsack@ccsharrow.com](mailto:cbohnsack@ccsharrow.com)

*A Division of C.C. Sharrow Co., Inc.*  
**EMPLOYEE OWNED SINCE 1994**