

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

Thursday, February March 28, 2019

4:00pm

Grand Rapids City Hall

NOTICE IS HEREBY GIVEN, that a regular meeting of the Grand Rapids Economic Development Authority will be held in Conference Room 2A in the Grand Rapids City Hall, 420 North Pokegama Avenue, in Grand Rapids, Minnesota on Thursday, March 28, 2019 at 4:00pm.

AGENDA

1. Call to Order
2. Call of Roll
3. Setting of the Regular Agenda - *This is an opportunity to approve the regular agenda as presented or add/delete by a majority vote of the Commissioners present an agenda item.*
4. Approval of minutes from the February 28, 2019 regular meeting.
5. Consider approval of claims
6. IEDC Update – Tamara Lowney
7. Consider directing the preparation of a request to the Blandin Foundation for a Program Related Investment (PRI) to support the continued capitalization of the Commercial Building Improvement Loan (CBIL) Program
8. Updates:
 - a.
9. Adjourn

GREDA Members/terms:

Dale Christy – 12/31/2020 (with council term)

Rick Blake– 12/31/2022 (with council term)

Mike Przytarski – 3/1/21

Cory Jackson – 3/1/23

Mike Korte – 3/1/22

Chris Lynch – 3/1/19

Sholom Blake – 3/1/19

MOTION BY COMMISSIONER R. BLAKE, SECOND BY COMMISSIONER JACKSON TO APPROVE A LETTER OF SUPPORT FOR AN IEDC GRANT APPLICATION TO THE FEDERAL EDA. The following voted in favor thereof: Christy, Korte, Jackson, R. Blake, S. Blake. Opposed: None, passed unanimously

There being no further business the meeting adjourned at 5:10 p.m.

Respectfully submitted:

Aurimy Groom, Recorder

DRAFT

EDA BILL LIST - MARCH 28, 2019

DATE: 03/22/2019
 TIME: 11:08:07
 ID: AP443000.CGR

CITY OF GRAND RAPIDS
 DEPARTMENT SUMMARY REPORT

PAGE: 1

INVOICES DUE ON/BEFORE 03/28/2019

VENDOR #	NAME	AMOUNT DUE

EDA - CAPITAL PROJECTS		
AIRPORT SOUTH INDUSTRIAL PARKS		
0718060	GRAND RAPIDS HERALD REVIEW	15.25
TOTAL AIRPORT SOUTH INDUSTRIAL PARKS		15.25
TOTAL UNPAID TO BE APPROVED IN THE SUM OF:		\$ 15.25
CHECKS ISSUED-PRIOR APPROVAL		
PRIOR APPROVAL		
0205640	LEAGUE OF MN CITIES INS TRUST	8,525.00
1309170	MN DEED	1,000.00
1309199	MINNESOTA ENERGY RESOURCES	340.10
1415511	NORTHERN STAR COOPERATIVE SERV	432.29
1621130	P.U.C.	386.62
2209665	VISA	137.59
TOTAL PRIOR APPROVAL ALLOWED IN THE SUM OF:		\$ 10,821.60
TOTAL ALL DEPARTMENTS		10,836.85



REQUEST FOR GRAND RAPIDS EDA ACTION

Agenda Item # 7

Meeting Date: 3/28/19

Statement of Issue:

Consider directing the preparation of a request to the Blandin Foundation for a Program Related Investment (PRI) to support the continued capitalization of the Commercial Building Improvement Loan (CBIL) Program

Background:

In 2008, GREDA obtained a Program Related Investment (PRI) of \$175,000 from the Blandin Foundation for the recapitalization of the GREDA Commercial Building Improvement Loan (CBIL) program. In 2013, the terms of the PRI were amended to expand the allowed uses of the funds beyond the Downtown and making them available as match in support of the DEED SCDP funds awarded to the City in 2014.

A PRI is an investment of Blandin Foundation funds and not a grant to GREDA. The PRI approved in 2008 and amended in 2013 is a non-recourse loan to GREDA for use by GREDA in providing CBIL Program loans. The PRI requires that the principal and interest of these loans, received annual by GREDA, be paid to the Foundation.

The attached tables highlight the activity of CBIL Program and the positive impact it is having in the community, incentivizing and leveraging private investment in commercial buildings.

Staff has had preliminary discussions with Blandin Foundation staff about another request for PRI funds to continue this success. This initial outreach has been met with interest.

A request from GREDA would need to be submitted to allow for review by the Foundation's Finance Committee in May and would be acted on by the Board in June.

Recommendation:

Required Action:

Attachments:

- Tables:
- GREDA Capital Projects and Operating Financials
 - CBIL Loan Portfolio
 - Blandin Foundation/GREDA PRI Commercial Rehab Projects
 - CBIL Expense v Revenue History
- 2013 Amendment to 2008 PRI
2008 PRI Agreement

**CITY OF GRAND RAPIDS
ECONOMIC DEVELOPMENT AUTHORITY
CAPITAL PROJECTS FUND**

**Schedule of Changes in Revenue, Expenditures, and Fund Balance
FOR THE THREE MONTHS ENDING MARCH 31, 2019**

FUND BALANCE 1/1/19		\$ 646,199
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REVENUES:		
Taxes		-
Supplemental Aid		-
ST/MN-IRRRB Grant		-
ST/MN DEED Grant		60,556
Interest-Investments		-
Interest-Loans		1,531
Developer Asst Reimbursements		-
Pymt from Govt Unit		-
Nat'l Gas CIAC Fee		2,126
Rent - Manufacturing Hangar		6,472
Miscellaneous		-
Principal-Loan Payments		10,427
ASV Payments MIF Loan		3,000
		<hr/>
TOTAL REVENUES		84,111
EXPENDITURES:		
Commercial Building Improvement Loan Program		465
Airport South Industrial Parks		7,549
Manufacturing Hangar		7,246
Ainsworth Facility Redevelopment		143
DEED Development Programs		60,556
ASV Parts Distribution Ctr		3,000
MIRC		-
		<hr/>
TOTAL EXPENDITURES		78,959
2019 REVENUES > EXPENDITURES		5,152
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FUND BALANCE 3/31/19		651,352 (1)
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Please Note:

(1) The Fund Balance includes designations for Com Bldg Imp Loans of \$86,751

**CITY OF GRAND RAPIDS
ECONOMIC DEVELOPMENT AUTHORITY**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE THREE MONTHS ENDING MARCH 31, 2019**

With Comparative Totals for the Period Ending March 31, 2018

	2018 ACTUAL TO 3/31/18	YTD ACTUAL TO 3/31/19	2019 ANNUAL BUDGET	
Fund Balance 1/1/XX:	\$ 28,558	\$ 27,609	\$ 27,609	
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REVENUES:				
Taxes	-	-	-	0%
Supplemental Aid	-	-	-	0%
Interest - Investments	-	-	400	0%
Interest - Loans	-	-	-	0%
Mortgage Payment	-	-	-	0%
Fund Balance Usage	-	-	15,400	0%
TOTAL REVENUES	-	-	15,800	0%
EXPENDITURES:				
Supplies/Materials	-	-	50	0%
Other Services/Charges	949	18	15,750	0%
TOTAL EXPENDITURES	949	18	15,800	0%
REVENUES > EXPENDITURES	(949)	(18)	-	
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FUND BALANCE				
Fund Balance Usage	(949)	(18)	(15,400)	
FUND BALANCE 3/31/XX	\$ 27,609	\$ 27,591	\$12,209	

**GREDA Commercial Building Improvement Loan Program
Current Loan Portfolio**

Loan Recipient/ dba/ Business Address	Zoning	Loan \$ Applied To	Principal Loan Amount (Approved)	Loan Origination Date	Monthly Payments	Balance Due Date	Balloon Balance Amt.	Loan Security	Notes
Chris Marinucci Nuch's on the Corner 620 NE 4th St.	GB	Exterior Remodel/Furnace	\$39,146.26	13-Apr-06	\$217.58	1-May-13	\$28,294.52	Promissory Note	Refinanced/Extended
Sholem Blake Sholem Blake, CPA 46 NE 3rd St.	CBD	Interior/Exterior Remodel	\$23,000.00	1-Jul-06	\$127.57	1-Jun-13	\$46,589.42	Promissory Note	Mortgage Satisfied 4-Jan-13 \$17,060.75
Mike and Cynthia Iajze KOZY/KMFY Radio 507 SE 14th St.	I-1	Exterior Remodel	\$19,500.00	1-Jul-06	\$108.20	1-Jul-13	\$14,070.94	2nd Mortgage/Note	Mortgage Satisfied 29-Oct-11 \$15,390.81
John Ostroff/Jean Foster Brewed Awakening 24 E. 4th St.	CBD	Interior/Exterior Remodel	\$40,000.00	1-Aug-06	\$221.89	1-Jul-13	\$28,856.59	2nd Mortgage/Note	Mortgage Satisfied 17-Sep-13 \$28,484.40
Blook 37 LLC (Leased Office/Retail) 42 W. 4th St.	CBD	Exterior Remodel/New Roof	\$43,844.98	1-Aug-14	\$506.62	1-Aug-17	\$34,161.56	2nd Mortgage/Note	Mortgage Satisfied 28-Jul-17 \$34,668.18
Mike Kellin (Lease Office/Retail) 816 Pokogama Ave. S.	GB	Exterior Remodel/Sign	\$30,000.00	25-Oct-07	\$167.99	1-Dec-14	\$21,783.99	2nd Mortgage/Note	Mortgage Satisfied 1-Nov-13 \$20,455.18
Nicole Roberts Body in Balance 218 Pokogama Ave. N.	CBD	Furnace/Sign	\$3,047.99	1-Feb-08	\$25.00	15-Jan-15	\$1,448.11	2nd Mortgage/Note	Mortgage Satisfied 5/29/2015
John Ostroff/Jean Foster Brewed Awakening 24 E. 4th St.	CBD	Roofing and Window	\$25,597.50	23-Jul-10	\$166.17	1-Oct-15	\$21,269.88	2nd Mortgage/Note	Mortgage Satisfied 17-Sep-13 \$23,246.95
Frank Perendy Body in Balance 218 Pokogama Ave. N.	CBD	Exterior Remodel	\$18,582.75	10-Feb-12	\$114.62	1-Aug-17	\$15,610.18	2nd Mortgage/Note	Mortgage Satisfied 19-May-17 \$15,709.10
RL Enterprises 66310 Great River Rd. 820 NE 4th St.			\$17,716.00	1-Apr-18	\$241.35	1-Mar-25	N/A	Security Agreement	
Richard & Shaundell Wascher The Old School Pastry Co. 10 NW 5th St.	CBD	Start-up Business Costs	\$5,500.00	6-Jun-12	\$145.68	1-Jul-15	N/A	Promissory Note	\$500 Forgivable Default
David & Patricia Kellin Kellin Financial Services 501 NW 1st Ave.	CBD	Replace rolled rubber roof	\$18,379.00	23-Aug-13	\$111.50	1-Sep-18	\$15,182.18	2nd Mortgage/Note	Mortgage Satisfied 7/5/2017
Chris Marinucci Nuch's on the Corner 620 NE 4th St.	GB	Exterior Remodel/Furnace (Loan Extension) 3-yr. @ 6.42% amortized 10-yr	\$28,223.96	1-Jul-13	\$319.50	1-Jul-16	\$21,687.40	2nd Mortgage/Note	Mortgage Satisfied 3/27/2015
MRM Management (Mondry) ABM Apartments 405 NE 5th St.	CBD	New windows and awning	\$32,698.67	19-Nov-13	\$198.41	1-Dec-18	\$27,021.50	2nd Mortgage/Note	Mortgage Satisfied 12-Feb-14 \$32,562.83
Wagner, Bret & Sandy Davis Petroleum 1301 NW 4th St.	SGB	New Siding/Soffits	\$35,000.00	24-Apr-15	\$306.67	1-May-25	N/A	2nd Mortgage/Note	SCDP Special Terms 10 yr. @ 1%
Gabe and Brandi Miskovich Madden's Dutch Room 702 NW 4th St.	GB	New doors, exterior paint brick wainscoting, bathroom	\$35,000.00	14-Dec-15	\$306.54	1-Dec-25	N/A	2nd Mortgage/Note	SCDP Special Terms 10 yr. @ 1%
Itasca Co. Farm Service Assoc. 900 NW 4th St.	SGB	Front exterior renovation, mill area roof replacement	\$35,000.00	2-Dec-16	\$306.61	1-Dec-26	N/A	2nd Mortgage/Note	SCDP Special Terms 10 yr. @ 1%
Jean and Dan Anderson Pasties Plus Building 1405 NW 4th St.	SGB	Siding, soffit, roof, windows & doors	\$14,792.40	26-Oct-15	\$129.61	N/A	N/A	2nd Mortgage/Note	SCDP Special Terms 10 yr. @ 1%
First Call For Help 1007 NW 4th Street	SGB	Siding, windows, doors and furnace	\$35,000.00	14-Nov-16	\$306.50	1-Nov-26	N/A	2nd Mortgage/Note	SCDP Special Terms 10 yr. @ 1%

Linda and Tony Budrow McAlpine Building 4 NW 3rd St.	CBD	Windows and doors	\$34,735.50	14-Dec-15	\$210.20	1-Dec-20	\$27,021.50	2nd Mortgage/Note	<i>CBIL</i> 20 yr. amort. @ 4% 5 yr. term
GRP, LLC 951 NW 4th Street	SGB	Roof and windows and furnace	\$35,000.00	10-Mar-17	\$306.54	1-Mar-27	N/A	2nd Mortgage/Note	<i>SCDP Special Terms</i> 10 yr. @ 1%
JBS Holdings, LLC 417 NW 8th Ave.	SGB	Roof, heating system, and interior remodel	\$35,000.00	14-Apr-17	\$306.50	1-Feb-21	\$563.59	2nd Mortgage/Note	<i>SCDP Special Terms</i> 10 yr. @ 1%
Andrew Klockow Klockow Brewing Co. 36 SE 10th St.	GB	Interior build-out and parking lot improvements	\$40,000.00	30-Oct-17	\$242.45	1-Nov-22	\$33,018.85	2nd Mortgage/Note	<i>CBIL</i> 20 yr. amort. @ 4% 5 year term
Ernie Jacobson Fam. Trust <i>former</i> Reed's Building 417 NW 1st Avenue	CBD	New Roof	\$35,000.00	13-Jul-18	\$306.52	1-Jul-28	N/A	2nd Mortgage/Note	<i>SCDP Special Terms</i> 10 yr. @ 1%
Pools Bay Properties, LLC 1000 Lakes Sporting Goods 331 NW 4th Street	CBD	Interior and exterior renovations	\$35,000.00	13-Jul-18	\$306.52	1-Jul-28	N/A	2nd Mortgage/Note	<i>SCDP Special Terms</i> 10 yr. @ 1%
Huso Property Management LLC. Rowe Funeral Home 510 NW 1st Avenue	CBD	Exterior Renovations and new roof	\$35,000.00	30-Nov-18	\$306.62	1-Dec-28	N/A	2nd Mortgage/Note	<i>SCDP Special Terms</i> 10 yr. @ 1%
Jeff Schrunk Northland Off-road Bldg. 910 NE 4th Street	GB	Exterior Repair: Windows, doors, insulation, roof/siding	\$35,000.00	(in process)					<i>SCDP Special Terms</i> 10 yr. @ 1%
NorthRock Development LLC Rapids Brewing Co. 214 N. Pokegama Avenue	CBD	Exterior Renovations: siding, windows & doors	\$35,000.00	(in process)					<i>SCDP Special Terms</i> 10 yr. @ 1%
Rick Harding NorthBank Prof. Bldg. 104 NE 3rd Street	CBD	Exterior Repair: painting and awning replacement	\$17,500.00	(in process)					<i>SCDP Special Terms</i> 10 yr. @ 1%
BAB Properties LLC Brad Nelson 32 NW 4th Street	CBD	Exterior Repairs & interior improvements	\$40,000.00	(in process)					<i>CBIL</i> 20 yr. amort. @ 4% 5 year term
Total Active/Approved Loans:			\$549,743.90		\$3,582.83		\$60,603.84		

Blandin Foundation/GREDA PRI Commercial Rehabilitation Projects

SCDP Project	Business/Building Owner	Address	Proposed Project	Total Estim. Proj. Cost	2014 Grant SCDP Loan	GREDA CBIL Loan	Private Funding or Equity	Update
Yes	Madden's Dutch Room/Dennis & Anita Madden	702 NW 4th St.	New doors to address code requirements, exterior painting and brick wainscoting and bathroom remodel	\$68,700.00	\$32,000.00	\$35,000.00	\$1,700.00	Project Completed
Yes	Itasca Co. Farm Service Association	900 NW 4th St.	front exterior renovation, accessibility upgrades to entrance and bathrooms, mill area roof replacement	\$108,011.00	\$32,000.00	\$35,000.00	\$41,011.00	Project Completed
Yes	Pasties Plus Bldg./Dan and Jean Anderson	1405 NW 4th St.	Siding, soffit, and fascia painting, new windows and doors and new roofing.	\$36,981.00	\$22,188.60	\$14,792.40	\$0.00	Project Completed
Yes	Davis Petroleum/Bret and Sandy Wagner	1301 NW 4th St.	New siding, roofing, extended soffits on station and warehouse	\$78,568.66	\$32,000.00	\$35,000.00	\$11,568.66	Project Completed
Yes	First Call for Help	1007 NW 4th St.	New siding, windows, doors and furnace(?)	\$76,783.00	\$32,000.00	\$35,000.00	\$0.00	Project Completed
Yes	JBS Holdings	415 NW 8th Ave., Suite B	New roof, replace heating system, insulation, floor and wall repair, plumbing.	\$68,810.00	\$24,000.00	\$35,000.00	\$9,810.00	Project Completed
Yes	GRP LLC	951 NW 4th St.	Renovation and expansion, new windows, sprinkler system.	\$150,000.00	\$16,000.00	\$35,000.00	\$99,000.00	Project Completed
No	McAlpine Building/Linda and Tony Budrow	4 NW 3rd St.	Window and Door Replacement	\$46,314.00	\$0.00	\$34,735.50	\$11,578.50	Project Completed
Subtotals:				\$634,167.66	\$190,188.60	\$259,527.90	\$174,668.16	
Available SCDP Commercial Rehab. funding:				\$192,000.00				
SCDP Fund Balance:				\$1,811.40				

Notes:

The CBIL Program Loans that are SCDP projects carry a term of 10 years at 1% interest.
 The CBIL program loans, that are non-SCDP projects, follow our normal terms which involve a 5 year term, a 20 year amortization and a 4% interest rate.
Because we have a group of loans that have two sets of terms, GREDA will issue two notes to the Foundation to claim the entire PRI amount of \$175,000.

Commercial Building Improvement Loan Expense and Revenue History

3/22/2019

Year	Transfer of P&I to Blandin Foundation on PRI funded Loans		Blandin PRI Loan to GREDA		Loan Payoff Principal	Revenue from Loan Interest Payments	Total Revenue	Annual Revenue v Expense
	Loan Disbursements	Total Expense	Loan Payments Principal	Principal				
2006	\$121,646	\$121,646	\$4,724			\$1,985	\$6,709	-\$114,937
2007	\$91,641	\$91,641	\$6,097			\$4,583	\$10,680	-\$80,961
2008	\$3,048	\$3,048	\$8,743			\$6,134	\$14,877	\$11,829
2009	\$0	\$0	\$9,078			\$5,873	\$14,901	\$14,901
2010	\$25,702	\$25,702	\$9,303			\$5,945	\$15,248	-\$10,454
2011	\$0	\$0	\$10,277	\$15,391		\$6,248	\$31,916	\$31,916
2012	\$31,807	\$31,807	\$9,903		\$89,247	\$6,220	\$16,123	-\$15,684
2013	\$59,896	\$59,896	\$9,503		\$32,562	\$6,362	\$105,112	\$45,216
2014	\$0	\$0	\$8,366		\$24,880	\$5,782	\$46,710	\$46,710
2015	\$109,952	\$109,952	\$10,509			\$6,016	\$41,405	-\$68,547
2016	\$70,000	\$70,000	\$16,883		\$61,577	\$6,464	\$23,347	-\$46,653
2017	\$115,598	\$134,242	\$25,613	\$175,000		\$5,672	\$267,862	\$133,620
2018	\$105,000	\$124,871	\$30,149			\$5,331	\$35,480	-\$89,391
2019 Estimate *	\$127,500	\$147,371	\$35,000			\$6,500	\$41,500	-\$105,871
Totals:	\$861,790	\$920,176	\$194,098	\$175,000	\$223,657	\$79,115	\$671,870	-\$248,306
Avg. Annual	\$61,556	\$65,727	\$13,864		\$44,731	\$5,651	\$47,991	-\$17,736

* Loans already approved but not disbursed, assumed disbursement in 7/2019

**Blandin Foundation Program Related Investment (PRI) Agreement with Grand Rapids
Economic Development Authority**

Second Amendment

\$175,000 Commercial Building Improvement Loan Program

THIS AGREEMENT, made and executed this 5th day of December, 2013 by and between the Charles K. Blandin Foundation ("Blandin Foundation") and Grand Rapids Economic Development Authority Mortgagee (the "Mortgagee") modifies the terms of the PRI Agreement and Note executed April 8, 2008.

TERMS AND CONDITIONS:

1. Extend the term of the original PRI Agreement to 2019;
2. Expand allowed use of fund beyond the Downtown to all commercially zoned properties eligible under this program;
3. Determine the need for a loan agreement and revenue note for small transactions and develop a simplified loan agreement for smaller transactions;
4. Expand the use of the fund, making it available as matching funds in support of the DEED Small Cities Development Program (SCDP) Commercial Rehabilitation projects.

All other terms of the PRI Agreement remain as stated in the original agreement and first amendment.


GREDA will continue to provide the Blandin Foundation with annual reports due May 1 of each year regarding current status of PRI funds and activities until all Notes issued have been fully repaid to the Blandin Foundation. (As stated in the April 24, 2008 agreement)

Your status as a government entity is in good standing. You agree to inform the Blandin Foundation immediately of any change in your legal status.

Any violation of the conditions set forth above may require refunding to the Charles K. Blandin Foundation of any amounts subject to the violation.

The signature of a duly elected officer of the recipient organization signifies acceptance of the terms and conditions of this Amendment.

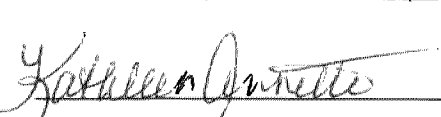
Dated this 7th day of MARCH, 2014.

By: 

Title: PRESIDENT

Grand Rapids Economic Development Authority

Dated this 7 day of FEBRUARY, 2014.

By: 

Title: PRESIDENT / CEO

Charles K. Blandin Foundation

Blandin Foundation Program Related Investment (PRI) Agreement

This Agreement is made and executed this 24th day of April, 2008, by and between the Charles K. Blandin Foundation (“Blandin Foundation”) and Grand Rapids Economic Development Authority (the “Authority”). The Blandin Foundation agrees to make a Program Related Investment (“PRI”) structured as a revolving loan of \$175,000 and the Authority agrees to accept such PRI, in accordance with the terms and conditions set forth below for the purpose of providing capital to the Commercial Building Improvement Loan program (the “CBI Loan Program”) for activities in the Grand Rapids downtown district.

Terms and Conditions:

1. The Authority hereby agrees to use the PRI funds solely for the purposes described in the application submitted to the Blandin Foundation and approved by the Board of Trustees at its April 2008 meeting (the “Proposal”), incorporated herein by reference. The Authority is required to provide immediate notification if it is unable to expend the funds for the purpose described. In addition, any portion of the funds not expended for the purpose described will be returned to the Blandin Foundation. Specific terms are as follows:
 - a. This Agreement will have a term of 10 years from the date of execution hereof. The principal of the Fund will be retained by the Blandin Foundation until any portion thereof is drawn upon by the Authority. To evidence each draw by the Authority, the Authority will issue revenue notes to the Blandin Foundation in substantially the form attached hereto as Schedule A (each a “Note”) in the principal amount, for the term of, and at the interest rate of each Developer Loan (as hereinafter defined). Developer Loans will be made subject to loan agreements (each a “Loan Agreement”) between third-party private developers (each a “Developer”) and the Authority, in substantially the form attached hereto as Schedule B, pursuant to the City’s Commercial Building Improvement Loan Program Guidelines (“Guidelines”) in effect from time to time. Notes will be issued by the Authority pursuant to and in accordance with Minnesota Statutes, Section 469.103 for the purpose of providing loans (the “Developer Loans”) to Developers for the purpose of economic development and redevelopment activities and related redevelopment costs (each a “Project”) within the City of Grand Rapids (the “City”). The Notes shall not be payable from nor charged upon any funds other than the repayment of the Developer Loans, nor shall the Authority be subject to any liability thereon or have the powers to obligate itself to pay the Notes from funds other than the repayment of the Developer Loans and no holder of the Notes shall ever have the right to compel any exercise of any taxing power of the Authority or the City or any other public body, to pay the principal of or interest on the Notes, nor to enforce

payment thereof against any property of the Authority or other public body other than that expressly pledged for payment of the Notes. Developer Loans may be made and Notes may be issued up to the date of termination of this Agreement.

- b. The principal amount of each Note will be disbursed to the Authority from the Fund to make Developer Loans as needed to complete Projects, subject to consultation with Blandin Foundation staff to ensure Projects meet the parameters set forth in the Proposal. The Fund will be used for Projects in the traditional downtown area of the City, pursuant to the Guidelines. The Authority may issue its Notes in an aggregate original principal amount not to exceed \$40,000. The term of each Note and Developer Loan shall not exceed the maximum term in effect under the Guidelines unless a longer term is mutually agreed by the Blandin Foundation and the Authority. The principal of and interest on each Note will be due and payable on the date that is five (5) business days after the maturity date of the subject Developer Loan. When an individual Note is paid or defeased in accordance with its terms, the Blandin Foundation will replenish the Fund in the principal amount of the Note. This amount will then become available for further Developer Loans, provided that all Developer Loans have been made within the term of this Agreement.
 - c. The Fund is designed to meet IRS requirements for charitable contributions by combating blight and promoting economic development in an economically depressed area.
 - d. The Authority must secure each Loan Agreement by a mortgage (“Mortgage”) on the properties subject to Developer Loans, to mitigate risk in the event a Project fails. Upon request by the Blandin Foundation, the Authority will assign its interests and rights in each Loan Agreement and Mortgage to the Blandin Foundation.
2. The Authority hereby agrees not to use any portion of the PRI to:
 - a. Carry on propaganda activities, or otherwise attempt to influence legislation within the meaning of Section 4945 (d) (1) of the Internal Revenue Code of 1986, as amended (the “Code”); or
 - b. Influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drives (within the meaning of Section 4945 (d) (2) of the Code).
 3. The Authority agrees to provide Blandin Foundation with annual reports regarding the current status of the PRI funds and activities. These reports are due by May 1 of each year beginning in 2009, until all Notes issued under this Agreement have

been fully repaid to Blandin Foundation. Status regarding the following goals should be discussed in the reports as well as financial data:

- Number of jobs retained and income levels.
 - Number of buildings improved.
 - Amount of investment leveraged for redevelopment.
 - Other positive impacts prompted by the activities of the CBI Loan Program.
4. The Authority will establish and maintain a separate CBI Loan Program Account in order to accurately record the financial transactions related to the CBI Loan Program and the Notes. Such records will be maintained for at least 10 years after each Note is paid, defeased, or terminated in accordance with its terms. The Authority further agrees to permit the Blandin Foundation, at its request, to have reasonable access to the financial records for the purpose of making financial audits, verifications or program evaluations as it deems appropriate concerning this investment.
5. The Authority is a public body corporate and politic under the laws of Minnesota. The Authority agrees to inform the Blandin Foundation immediately of any change in its legal status.

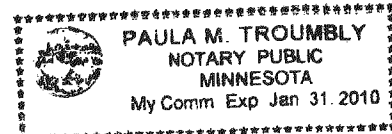
Any violation of the conditions set forth above may require refunding to the Blandin Foundation of any amounts subject to the violation. The Blandin Foundation reserves the right to discontinue, modify or withhold any payments due under this PRI, or to require a refund of any unexpended investment of PRI funds, if, in its judgment, such action is necessary to comply with the requirements of any law or regulations set forth by the Internal Revenue Code for Federal and State legislation. This Agreement is made in conformity to the PRI Notification Letter accompanying this form dated April 9, 2008. The signature of a duly elected officer of the recipient organization signifies acceptance of the terms and conditions of this Agreement.

Dated this 30th day of April, 2008

By: Edward M. Zabinski
Edward Zabinski, President
Grand Rapids EDA

Dated this ___ day of ___, 2008

By: James Hoolihan
James Hoolihan, President
Blandin Foundation



SCHEDULE A

Form of Revenue Note

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF ITASCA
GRAND RAPIDS
ECONOMIC DEVELOPMENT AUTHORITY

No. R-1

TAXABLE REVENUE NOTE

\$ _____

Date
of Original Issue

_____, 200_

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic under the laws of the State of Minnesota (the "Authority") for value received, hereby promises to pay to CHARLES K. BLANDIN FOUNDATION or its successors or assigns (the "Holder"), at its designated principal office or such other place as the Holder may designate in writing, solely from the sources and to the extent hereinafter provided, the principal sum of \$ _____, with interest as hereinafter provided, in any coin or currency which at the time or times of payment is legal tender for the payment of private debts in the United States of America. The principal of and interest on this Note is payable as follows:

1. Interest on the principal of this Note from time to time outstanding will accrue from the date of issuance. Interest will be computed at the rate of __%, pursuant to the terms of the loan agreement (the "Loan Agreement") between the Authority and _____ (the "Developer"), dated as of _____, 200_. Commencing _____, 200_ and on the first day of each month thereafter until the Maturity Date (as hereinafter defined), the Authority shall pay accrued interest on the Note to the Holder. Interest shall be computed on the basis of a 360-day year consisting of twelve thirty-day months.

The Holder is entitled to all of the benefits and subject to all of the obligations provided for in that certain Program Related Investment Agreement between the Holder and Authority dated _____, 2008 (the "PRI Agreement"), or referred to in said PRI Agreement, to which PRI Agreement reference is made for a statement of the terms and conditions under which this indebtedness was incurred and the events of default under

which the due date of this Note may be accelerated. The provisions of the PRI Agreement are incorporated by reference herein with the same force and effect as if fully set forth herein.

2. All accrued and unpaid interest and the unpaid principal balance of this Note shall be due and payable on the Maturity Date, defined as the date that is five (5) business days after the maturity date of the Developer Loan, as defined in the Loan Agreement.

3. The Authority shall have the right to prepay the principal of this Note and accrued interest thereon, in whole or in part, on any date.

4. This Note is payable solely from and to the extent of repayment of the Developer Loan. This Note is further secured by that certain Mortgage given by the Developer to the Authority, dated as of _____, 200_ (the "Mortgage").

5. This Note is issued by the Authority pursuant to and in accordance with Minnesota Statutes, Section 469.103 for the purpose of providing funds to make a loan to the Developer for economic development and redevelopment activities within the City of Grand Rapids. The proceeds of this Note are to be loaned to the Developer pursuant to the PRI Agreement and the Loan Agreement. Under the terms of the Loan Agreement, the Developer has agreed to repay the Developer Loan, together with interest thereon, in installments scheduled to be sufficient to pay the principal of and interest on this Note when due.

This Note is a special limited obligation of the Authority. This Note shall not be payable from nor charged upon any funds other than the repayment of the Developer Loan, nor shall the Authority be subject to any liability hereon or have the powers to obligate itself to pay this Note from funds other than the Developer Loan repayments and no holder of this Note shall ever have the right to compel any exercise of any taxing power of the Authority or the City of Grand Rapids or any other public body, to pay the principal of or interest on this Note, nor to enforce payment thereof against any property of the Authority or other public body other than that expressly pledged for payment of the Note.

All of the agreements, conditions, covenants, provisions, and stipulations contained in the PRI Agreement or any instrument securing this Note are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein. It is agreed that time is of the essence of this Note.

6. The remedies of the Holder of this Note as provided herein, and in the PRI Agreement, shall be cumulative and concurrent and may be pursued singly, successively, or together and, at the sole discretion of the Holder of this Note, may be exercised as often as occasion therefor shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

The Holder of this Note shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder of this Note and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event. This Note may not be amended, modified, or changed except only by an instrument in writing signed by the party against whom enforcement of any such amendment, modifications, or change is sought.

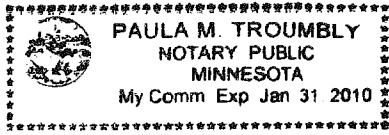
7. If any term of this Note, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Note, or the application of such term to persons or circumstances other than those to which it is invalid or unenforceable shall not be affected thereby, and each term of this Note shall be valid and enforceable to the fullest extent permitted by law.

8. IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts, and things required to exist, happen, and be performed precedent to or in the issuance of this Note do exist, have happened, and have been performed in regular and due form as required by law.

IN WITNESS WHEREOF, the Authority has caused this Note to be duly executed as of the 9th day of May, 2008.

GRAND RAPIDS ECONOMIC
DEVELOPMENT AUTHORITY

By Edward M. Zatkus
Its President



By [Signature]
Its Executive Director

SCHEDULE B

Form of Loan Agreement

LOAN AGREEMENT

This Loan Agreement (the "Agreement") is made this _____ day of _____, 200_, by _____, a Minnesota _____ (the "Borrower") and the Grand Rapids Economic Development Authority, a public body corporate and politic (the "Authority").

RECITALS

A. In consideration for the loan contemplated by this Agreement, the Borrower is executing and delivering to the Authority this Agreement.

B. The Authority agrees to loan to the Borrower the maximum amount of \$_____ to finance [describe use of funding] located on certain real property described in Exhibit A hereto (the "Property") within the City of Grand Rapids (the "City"), in connection with [complete as needed for individual project].

ACCORDINGLY, to induce the Authority to make the Loan to the Borrower, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Loan Amount. Subject to and upon the terms and conditions of this Agreement, the Authority agrees to loan to the Borrower the sum of _____ and no/100th Dollars (\$_____) (the "Loan"). The Loan shall be evidenced by a promissory note (the "Note") payable by the Borrower to the Authority and substantially in the form of Exhibit B attached to this Agreement, which shall be dated as of the date of this Agreement. Proceeds of the Loan shall be disbursed in accordance with Section 3 hereof.

2. Repayment of Loan. The Loan shall be repaid with interest as follows:

(a) Interest at the rate of _____ percent (____%) per annum shall accrue from the Loan Closing Date (as hereinafter defined) and continue on the first day of each and every month thereafter until the Loan is repaid in full. Such payments shall fully amortize the interest over _____ (____) years; provided, however, the entire balance of accrued and unpaid interest as of the first day of the _____ (____th) month following the Loan Closing Date (the "Redemption Date") shall be due and payable in full on the Redemption Date.

(b) Payments of principal shall commence on _____, 20__ and continue on the first day of each and every month thereafter until paid in full. Such payments shall fully amortize the principal over _____ (____) years; provided, however, the entire remaining unpaid balance of principal shall be due and payable in full on the Redemption Date.

3. Disbursement of Loan Proceeds.

(a) The Loan proceeds shall be paid to the Borrower on _____, 200_, or such other date as the parties hereto agree ("Loan Closing Date").

(b) The following events shall be conditions precedent to the payment of the Loan proceeds to Borrower on the Loan Closing Date:

(i) Borrower having executed and delivered to Authority, prior to the Loan Closing Date and without expense to Authority, executed copies of this Agreement, the Note, and a mortgage in substantially the form set forth at Exhibit C hereto (the "Mortgage");

(ii) Borrower having provided evidence satisfactory to the Authority that the Borrower has established a separate accounting system for the exclusive purpose of recording the receipt and expenditure of the Loan proceeds;

(iii) Borrower having paid to Authority the full amount of the legal fees incurred by Authority in the negotiation and preparation of this Agreement and any other agreement or instrument securing the Loan (and Authority shall provide to Borrower an invoice for such legal fees promptly upon receipt);

(iv) Borrower having provided evidence satisfactory to Authority that Borrower has obtained adequate financing to complete all activities related to Borrower's undertakings on the Property;

4. Representations and Warranties. Borrower represents and warrants to Authority that:

(a) Borrower is duly authorized and empowered to execute and deliver this Agreement, perform all obligations hereunder, and to borrow money from Authority.

(b) The execution and delivery of this Agreement, and the performance by Borrower of its obligations hereunder, do not and will not violate or conflict with any provision of law and do not and will not violate or conflict with, or cause any default or event of default to occur under, any agreement binding upon Borrower.

(c) The execution and delivery of this Agreement has been duly approved by all necessary action of Borrower, and this Agreement has in fact been duly executed and delivered by Borrower and constitutes its lawful and binding obligation, legally enforceable against it.

(d) Borrower warrants that it shall keep and maintain books, records, and other documents relating directly to the receipt and disbursements of Loan proceeds and that any duly authorized representative of Authority shall, at all reasonable times, have access to and the right to inspect, copy, audit, and examine all such books, records, and other documents

of Borrower pertaining to the Loan until the completion of all closeout procedures and the final settlement and conclusion of all issues arising out of this Loan.

(e) Borrower warrants that it has fully complied with all applicable state and federal laws pertaining to its business and will continue to comply throughout the terms of this Agreement. If at any time Borrower receives notice of noncompliance from any governmental entity, Borrower agrees to take any necessary action to comply with the state or federal law in question.

(f) Borrower warrants that it will use the proceeds of the Loan made by Authority solely for the costs of the Project.

(g) Borrower warrants that it will not create, permit to be created, or allow to exist any liens, charges, or encumbrances prior to the obligation created by this Loan Agreement, except as otherwise authorized in writing by Authority.

5. Event of Default by Borrower. The following shall be Events of Default under this Agreement:

(a) failure to pay any principal or interest on the Loan when due;

(b) any representation or warranty made by Borrower herein or in any document, instrument, or certificate given in connection with this Agreement, the Note, or the Mortgage that is false when made;

(c) Borrower fails to pay its debts as they become due, makes an assignment for the benefit of its creditors, admits in writing its inability to pay its debts as they become due, files a petition under any chapter of the Federal Bankruptcy Code or any similar law, state or federal, now or hereafter existing, becomes "insolvent" as that term is generally defined under the Federal Bankruptcy Code, files an answer admitting insolvency or inability to pay its debts as they become due in any involuntary bankruptcy case commenced against it, or fails to obtain a dismissal of such case within sixty (60) days after its commencement or convert the case from one chapter of the Federal Bankruptcy Code to another chapter, or be the subject of an order for relief in such bankruptcy case, or be adjudged a bankrupt or insolvent, or has a custodian, trustee, or receiver appointed for, or has any court take jurisdiction of its property, or any part thereof, in any proceeding for the purpose of reorganization, arrangement, dissolution, or liquidation, and such custodian, trustee, or receiver is not discharged, or such jurisdiction is not relinquished, vacated, or stayed within sixty (60) days of the appointment;

(d) a garnishment summons or writ of attachment is issued against or served upon Authority for the attachment of any property of Borrower in Authority's possession or any indebtedness owing to Borrower, unless appropriate papers are filed by Borrower contesting the same within thirty (30) days after the date of such service or such shorter period of time as may be reasonable in the circumstances;

(e) any breach or failure of Borrower to perform any other term or condition of this Agreement not specifically described as an Event of Default in this Agreement and such breach or failure continues for a period of thirty (30) days after Authority has given written notice to Borrower specifying such default or breach, unless Authority agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Borrower within the applicable period and is being diligently pursued until the Default is corrected, but no such extension shall be given for an Event of Default that can be cured by the payment of money (i.e., payment of taxes, insurance premiums, or other amounts required to be paid hereunder);

(f) any breach by Borrower of any other agreement between Borrower and Authority.

6. Authority's Remedies upon Borrower's Default. Upon an Event of Default by Borrower and after provision by Authority of written notice, Authority shall have the right to exercise any or all of the following remedies (and any other rights and remedies available to it):

(a) declare the principal amount of the Loan and any accrued interest thereon to be immediately due and payable upon providing written notice to Borrower;

(b) suspend its performance under this Loan Agreement;

(c) take any action provided for at law to enforce compliance by Borrower with the terms of this Agreement and the Note; and

(d) exercise its rights under the Mortgage.

Interest will continue to accrue on any amount due until the date on which it is paid to Authority, and all such interest will be due and payable at the same time as the amount on which it has accrued.

7. Authority's Costs of Enforcement of Agreement. If an Event of Default has occurred as provided herein, then upon demand by Authority, Borrower shall pay or reimburse Authority for all expenses, including all attorneys fees and expenses incurred by Authority in connection with the enforcement of this Agreement and the Note, or in connection with the protection or enforcement of the interests and collateral security of Authority in any litigation or bankruptcy or insolvency proceeding or in any action or proceeding relating in any way to the transactions contemplated by this Agreement.

8. Indemnification.

(a) Borrower shall and does hereby agree to protect, defend, indemnify, and hold Authority, and its officers, agents, and employees, harmless of and from any and all liability, loss, or damage that it may incur under or by reason of this Agreement, and of and

from any and all claims and demands whatsoever that may be asserted against Authority by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained herein.

(b) Should Authority, or its officers, agents, or employees incur any such liability or be required to defend against any claims or demands pursuant to Section 9, or should a judgment be entered against Authority, the amount thereof, including costs, expenses, and attorneys fees, shall bear interest thereon at the rate then in effect on the Note, shall be secured hereby, shall be added to the Loan, and Borrower shall reimburse Authority for the same immediately upon demand, and upon the failure of Borrower to do so, Authority may declare the Loan immediately due and payable.

(c) This indemnification and hold harmless provision shall survive the execution, delivery, and performance of this Agreement and the creation of any indebtedness to Authority, and shall terminate upon payment of all indebtedness to Authority. Borrower waives notice of the acceptance of this Agreement by Authority.

(d) Nothing in this Agreement shall constitute a waiver of, limitation on any immunity from, or limitation on liability to which Borrower is entitled under law.

9. Miscellaneous.

(a) Waiver. The performance or observance of any promise or condition set forth in this Agreement may be waived, amended, or modified only by a writing signed by Borrower and Authority. No delay in the exercise of any power, right, or remedy operates as a waiver thereof, nor shall any single or partial exercise of any other power, right, or remedy.

(b) Assignment. This Agreement shall be binding upon Borrower and its successors and assigns and shall inure to the benefit of Authority and its successors and assigns. All rights and powers specifically conferred upon Authority may be transferred or delegated by Authority to any of its successors and assigns. Borrower's rights and obligations under this Agreement may be assigned only when such assignment is approved in writing by Authority.

(c) Governing Law. This Agreement is made and shall be governed in all respects by the laws of the State of Minnesota. Any disputes, controversies, or claims arising out of this Agreement shall be heard in the state or federal courts of Minnesota, and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

(d) Severability. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications that can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby.

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

To Authority: Grand Rapids Economic Development Authority
420 N. Pokegama Avenue
Grand Rapids, Minnesota 55744
Attn: Executive Director

To Borrower: _____

(f) Termination. If the Loan is not disbursed pursuant to this Agreement by _____, this Agreement shall terminate and neither party shall have any further obligation to the other, except that if the Loan is not disbursed because Borrower has failed to use its best efforts to comply with the conditions set forth in Section 3 of this Agreement then Borrower shall pay to Authority all reasonable attorneys fees, costs, and expenses incurred by Authority in connection with this Agreement and the Note and any accompanying documents.

(g) Entire Agreement. This Agreement, together with the Exhibits hereto, which are incorporated by reference, constitutes the complete and exclusive statement of all mutual understandings between the parties with respect to this Agreement, superseding all prior or contemporaneous proposals, communications, and understandings, whether oral or written, concerning the Loan.

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

(The remainder of this page is left intentionally blank.)

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the proper officers thereunto duly authorized on the day and year first written above.

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

By: Edward M. Zupinski
President

By: _____
Executive Director

[Signature page to Loan Agreement-Grand Rapids EDA, Grand Rapids, Minnesota]

BORROWER

By: _____
Its _____

[Signature page to Loan Agreement-Borrower]

EXHIBIT A OF LOAN AGREEMENT

DESCRIPTION OF PROPERTY

EXHIBIT B OF LOAN AGREEMENT

PROMISSORY NOTE

\$ _____, 200__
3%

_____, a Minnesota _____ (“Maker”), for value received, hereby promises to pay to the Grand Rapids Economic Development Authority, Grand Rapids, Minnesota (the “Authority”), a public body corporate and politic or its assigns (Authority and any assigns are collectively referred to herein as “Holder”), at its designated principal office or such other place as the Holder may designate in writing, the principal sum of _____ and no/100th Dollars (\$ _____), with interest as hereinafter provided, in any coin or currency that at the time or times of payment is legal tender for the payment of private debts in the United States of America. The principal of and interest on this Note is payable in installments due as follows:

1. Interest at the rate of three percent (3%) per annum shall accrue from the Loan Closing Date, as defined in the loan agreement of even date between Maker and Holder (“Loan Agreement”) until the Loan is repaid in full. Such payments shall fully amortize the interest over _____ () years; provided, however, the entire balance of accrued and unpaid interest as of the first day of the _____ ()th month following the Loan Closing Date (the “Redemption Date”) shall be due and payable in full on the Redemption Date.

2. Payments of principal shall commence on _____, 20__, and continue on the first day of each and every month thereafter until paid in full. Such payments shall fully amortize the principal over _____ () years; provided, however, the entire remaining unpaid balance of principal shall be due and payable in full on the Redemption Date.

3. The Maker shall have the right to prepay the principal of this Note, in whole or in part, on any date.

4. This Note is given pursuant to the Loan Agreement and is secured by a mortgage of even date herewith (the “Mortgage”). If the Loan Agreement or Mortgage are found to be invalid for whatever reason, such invalidity shall constitute an Event of Default hereunder.

All of the agreements, conditions, covenants, provisions, and stipulations contained in the Loan Agreement, the Mortgage, or any other instrument securing this Note are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein. It is agreed that time is of the essence of this Note. If an Event of Default occurs under the Loan Agreement, the Mortgage, or any other instrument securing this Note, then the Holder of this Note may at its right and option, without notice, declare immediately due and payable the principal balance of this Note and interest accrued thereon, together with reasonable attorneys fees and expenses incurred by the Holder of this Note in collecting or enforcing payment hereof, whether by lawsuit or otherwise, and all other sums due hereunder or any instrument securing this Note. The

Maker of this Note agrees that the Holder of this Note may, without notice to and without affecting the liability of the Maker, accept additional or substitute security for this Note, or release any security or any party liable for this Note or extend or renew this Note.

5. The remedies of the Holder of this Note as provided herein, and in the Loan Agreement, the Mortgage, or any other instrument securing this Note shall be cumulative and concurrent and may be pursued singly, successively, or together, and, at the sole discretion of the Holder of this Note, may be exercised as often as occasion therefor shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

The Holder of this Note shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event. This Note may not be amended, modified, or changed except only by an instrument in writing signed by the party against whom enforcement of any such amendment, modifications, or change is sought.

6. If any term of this Note, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Note, or the application of such term to persons or circumstances other than those to which it is invalid or unenforceable shall not be affected thereby, and each term of this Note shall be valid and enforceable to the fullest extent permitted by law.

7. It is intended that this Note is made with reference to and shall be construed as a Minnesota contract and is governed by the laws thereof. Any disputes, controversies, or claims arising out of this Note shall be heard in the state or federal courts of Minnesota, and all parties to this Note waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

8. The performance or observance of any promise or condition set forth in this Note may be waived, amended, or modified only by a writing signed by the Maker and the Holder. No delay in the exercise of any power, right, or remedy operates as a waiver thereof, nor shall any single or partial exercise of any other power, right, or remedy.

9. IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts, and things required to exist, happen, and be performed precedent to or in the issuance of this Note do exist, have happened, and have been performed in regular and due form as required by law.

IN WITNESS WHEREOF, the Maker has caused this Note to be duly executed as of the
__th day of _____, 200__.

By: _____
Its _____

[Signature page for Promissory Note – Maker]

EXHIBIT C OF LOAN AGREEMENT

MORTGAGE

THIS MORTGAGE (the "Mortgage") is made as of the ____ day of _____, 200__ by _____, a Minnesota _____, with its principal place of business located at _____ (hereinafter designated as the "Mortgagor"), in favor of the Grand Rapids Economic Development Authority, a public body corporate and politic whose address is 420 N. Pokegama Avenue, Grand Rapids, Minnesota, 55744 (hereinafter designated as the "Authority").

WITNESSETH:

Mortgagor owes Authority the principal sum of \$_____. This debt is evidenced by a promissory note of even date herewith (the "Note"). This Mortgage secures to Authority: (a) the repayment of the debt evidenced by the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, advanced to protect the security of this Mortgage; (c) the performance of Mortgagor's covenants and agreements under this Mortgage and the Note; and (d) is subject to the terms and conditions of that certain Loan Agreement between Mortgagor and Authority and dated as of _____. For this purpose, Mortgagor does hereby mortgage, grant and convey to Authority, with power of sale, the property located in Itasca County, Minnesota and fully described in the attached Exhibit A, together with all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Mortgage. All of the foregoing is referred to in this Mortgage as the "Property".

MORTGAGOR COVENANTS that Mortgagor will warrant and defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

Mortgagor and Authority agree as follows:

1. PAYMENT OF PRINCIPAL AND INTEREST; LATE CHARGES. Mortgagor shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any late charges due under the Note.
2. SUBORDINATION. [to be completed per terms of individual agreement]
3. HAZARD OR PROPERTY INSURANCE. Mortgagor shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire and any other hazards for which Authority requires insurance. This insurance shall be maintained in the amounts and for the periods that Authority reasonably requires. The insurance carrier providing the insurance shall be chosen by Mortgagor subject to Authority's approval, which shall not be unreasonably withheld or delayed. If Mortgagor fails to maintain coverage described above, Authority may, at Authority's option, obtain coverage to protect Authority's rights in the Property in accordance with paragraph 5.

All insurance policies and renewals shall be reasonably acceptable to Authority and shall include a standard mortgage clause. If Authority requires, Mortgagor shall promptly give to Authority all receipts of paid premiums and renewal notices. In the event of loss, Mortgagor shall give prompt notice to the insurance carrier and Authority. Authority may make proof of loss if not made promptly by Mortgagor.

If under paragraph 15 the Property is acquired by Authority, Mortgagor's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Authority to the extent of the sums secured by this Mortgage immediately prior to the acquisition.

4. PROTECTION OF THE PROPERTY. Mortgagor shall not destroy or damage the Property or commit waste on the Property. Mortgagor shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Authority's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Mortgage or Authority's security interest. Mortgagor may cure such a default and reinstate, as provided in paragraph 13, by causing the action or proceeding to be dismissed with a ruling that, in Authority's good faith determination, precludes forfeiture of the Mortgagor's interest in the Property or other material impairment of the lien created by this Mortgage or Authority's security interest. Mortgagor shall also be in default if Mortgagor gave materially false or inaccurate information or statements to Authority in connection with the loan evidenced by the Note.

5. PROTECTION OF AUTHORITY'S RIGHTS IN THE PROPERTY. If Mortgagor fails to perform the covenants and agreements contained in this Mortgage, or there is a legal proceeding that may significantly affect Authority's rights in the Property (such as a proceeding in bankruptcy, condemnation or forfeiture), Authority may do and pay for whatever is necessary to protect the value of the Property and Authority's rights in the Property. Authority's actions may include paying any sums secured by a lien which has priority over this Mortgage, appearing in court, paying reasonable attorneys fees and entering on the Property to make repairs. Although Authority may take action under this paragraph 5, Authority is not required to do so.

Any amounts disbursed by Authority under this paragraph 5 shall become additional debt of Mortgagor secured by this Mortgage. Unless Mortgagor and Authority agree to other terms of payment, these amounts shall bear interest from the date of disbursement at a rate equal to the interest rate on the Note and shall be payable, with interest, upon notice from Authority to Mortgagor requesting payment.

6. INSPECTION. Authority or its agent may make reasonable entries upon and inspections of the Property.

7. CONDEMNATION. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Authority.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Mortgage, whether or not then due, with any excess paid to Mortgagor. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Mortgage immediately before the taking, unless Mortgagor and Authority otherwise agree in writing, if any, the sums secured by this Mortgage shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Mortgagor. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Mortgagor and Authority otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Mortgage whether or not the sums are then due.

8. FORBEARANCE BY AUTHORITY NOT A WAIVER. Any forbearance by Authority in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

9. SUCCESSORS AND ASSIGNS BOUND. The covenants and agreements of this Mortgage shall bind and benefit the successors and assigns of Authority and Mortgagor.

10. LOAN CHARGES. If the loan secured by this Mortgage is or becomes subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Mortgagor which exceeded permitted limits will be refunded to Mortgagor. Authority may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Mortgagor. If a refund reduces principal, the reduction will be treated as a partial prepayment under the Note.

11. NOTICES. Any notice to Mortgagor provided for in this Mortgage shall be given by delivering it personally or by mailing it by first class United States mail, postage prepaid, return receipt requested. The notice shall be directed to the Mortgagor at _____, with a copy to _____ or any other address Mortgagor designates by notice to Authority. Any notice to Authority shall be given or mailed to City Hall, 420 N. Pokegama Avenue, Grand Rapids, Minnesota 55744, Attn: Executive Director, or any other address Authority designates by notice to Mortgagor. Any notice provided for in this Mortgage shall be deemed to have been given to Mortgagor or Authority when given as provided in this paragraph.

12. GOVERNING LAW; SEVERABILITY. This Mortgage shall be governed by the law of the state of Minnesota. In the event that any provision or clause of this Mortgage or the Note conflicts with applicable law, such conflict shall not affect other provisions of this

Mortgage or the Note which can be given effect without the conflicting provision. To this end, the provisions of this Mortgage and the Note are declared to be severable.

13. MORTGAGOR'S RIGHT TO REINSTATE. If Mortgagor meets certain conditions, Mortgagor shall have the right to have enforcement of this Mortgage discontinued at any time prior to the earlier of: (a) 5 days before sale of the Property pursuant to any power of sale contained in this Mortgage; or (b) entry of a judgment enforcing this Mortgage. Those conditions are that Mortgagor: (a) pays Authority all sums which then would be due under this Mortgage and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Mortgage, including, but not limited to, reasonable attorneys fees; and (d) takes such action as Authority may reasonably require to assure that the lien of this Mortgage, Authority's rights in the Property and Mortgagor's obligation to pay the sums secured by this Mortgage shall continue unchanged. Upon reinstatement by Mortgagor, this Mortgage and the obligations secured hereby shall remain fully effective as if no acceleration had occurred.

14. HAZARDOUS SUBSTANCES. Mortgagor shall not cause or permit the presence, use, disposal, storage, or release of any hazardous substances on or in the Property, except those solvents, oils, cleaning materials, and other substances as are used in the ordinary course of Mortgagor's business. Mortgagor shall not do, and will use its best efforts not to allow anyone else to do, anything affecting the Property that is in violation of any environmental law.

Mortgagor shall promptly give Authority written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any hazardous substance or environmental law of which Mortgagor has actual knowledge. If Mortgagor learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any hazardous substance affecting the Property is necessary, Mortgagor shall promptly take all necessary remedial actions in accordance with that environmental law.

As used in this paragraph 14, "hazardous substances" are those substances defined as toxic or hazardous substances by environmental law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 14, "environmental law" means federal or state laws that relate to environmental protection.

15. ACCELERATION: REMEDIES. Authority shall give notice to Mortgagor prior to acceleration following Mortgagor's breach of any covenant or agreement in this Mortgage. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Mortgagor by which the default must be cured, provided, however, if Mortgagor is diligently pursuing a cure, Mortgagor shall have such additional time as is reasonably necessary to complete the cure; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Mortgage and sale of the Property. The notice shall further inform Mortgagor of the right to reinstate after acceleration and sale. If the default is not cured on or before the date

specified in the notice, Authority at its option may require immediate payment in full of any sums secured by this Mortgage without further demand and may invoke the power of sale and any other remedies permitted by law. Authority shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 15, including, but not limited to, reasonable attorneys fees.

If Authority invokes the power of sale, Authority shall cause a copy of a notice of sale to be served upon any person in possession of the Property. Authority shall publish a notice of sale, and the Property shall be sold at public auction in the manner prescribed by law. Authority or its designee may purchase the Property at any sale. The proceeds of the sale shall be applied in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorneys fees; (b) to all sums secured by this Mortgage; and (c) any excess to the person or persons legally entitled to it.

16. RELEASE OF MORTGAGE. Upon payment of all sums secured by this Mortgage, Authority shall discharge this Mortgage without charge to Mortgagor. Mortgagor shall pay any recordation costs.

IN WITNESS WHEREOF, Mortgagor has caused this Mortgage to be duly executed as of the day and year first above written.

MORTGAGOR:

By: _____

Its: _____

STATE OF MINNESOTA)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20__, by _____, the _____ of _____, a Minnesota _____, on behalf of the _____.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:

Kennedy & Graven, Chartered
200 South Sixth Street, Suite 470
Minneapolis, Minnesota 55402

EXHIBIT A
TO MORTGAGE

PROPERTY