

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

**Monday, June 29, 2015
4:00pm
Grand Rapids City Hall**

NOTICE IS HEREBY GIVEN, that a special 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 Monday, June 29, 2015 at 4:00pm.

AGENDA

1. Call to Order
2. Call of Roll
3. Approval of minutes from the June 11, 2015 regular meeting
4. Conduct a public hearing to consider entering into a Loan/Business Subsidy Agreement with Minnesota Energy Resources Inc. and the City of Grand Rapids
5. Consider adoption of a resolution approving the loan agreement and business subsidy agreement and authorizing interfund loan for advance of certain costs in connection with natural gas infrastructure.
6. Consider approving the payment of \$264,444 to Minnesota Energy Resources, pursuant to the Loan Agreement.
7. Updates:
8. Adjourn

GREDA Members/terms:

Dale Christy – 12/31/16 (with council term)
Rick Blake– 12/31/18 (with council term)
Mike Przytarski – 3/1/21
Cory Jackson – 3/1/17
Mike Stefan – 3/1/18
Chris Lynch – 3/1/19
Sholom Blake – 3/1/19

**GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING
THURSDAY, JUNE 11, 2015
4:00 P.M.
GRAND RAPIDS CITY HALL – CONFERENCE ROOM 2A
420 NORTH POKEGAMA AVE., GRAND RAPIDS, MINNESOTA**

CALL TO ORDER: Pursuant to due notice and call thereof, a Regular Meeting of the Grand Rapids Economic Development Authority (GREDA) was called to order on Thursday, June 11, 2015 at 4:00 p.m. in Conference Room 2A of City Hall, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL: On a Call of Roll the following members were present: Commissioners: Sholom Blake, Chris Lynch, Rick Blake, Cory Jackson. Absent: Mike Przytarski, Michael Stefan, Dale Christy.

SETTING OF REGULAR AGENDA: **Approved without addition.**

APPROVAL OF MINUTES:

MOTION BY COMMISSIONER LYNCH, SECOND BY COMMISSIONER R. BLAKE TO APPROVE THE MINUTES OF THE JUNE 11, 2015 REGULAR MEETING. The following voted in favor thereof: Jackson, R. Blake, S. Blake, Lynch. Opposed: None, passed unanimously.

APPROVAL OF CLAIMS:

MOTION BY COMMISSIONER R. BLAKE, SECOND BY COMMISSIONER LYNCH TO APPROVE CLAIMS IN THE AMOUNT OF \$136.00.

Itasca County Recorder	\$46.00	Kennedy & Graven	\$90.00
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The following voted in favor thereof: Jackson, R. Blake, S. Blake, Lynch. Opposed: None, passed unanimously.

Consider adopting a resolution approving a Third Amendment to the Purchase and Development Contract with Hammerlund Properties LLC.

Hammerlund has been given their temporary certificate of occupancy they just have a few items left on their punch list before the project is complete.

MOTION BY COMMISSIONER BLAKE, SECOND BY COMMISSIONER LYNCH TO APPROVE RESOLUTION 15-02 APPROVING A THIRD AMENDMENT TO THE PURCHASE AND DEVELOPMENT CONTRACT WITH HAMMERLUND PROPERTIES LLC. The following voted in favor thereof: Lynch, Jackson, R. Blake, S. Blake. Opposed: None, passed unanimously.

Review and discuss the Feasibility Study for the Old Central School.

The consultant has prepared the feasibility study and come up with three different options. Option 1 would have the entire restaurant, kitchen, dining and bar operating in the existing

building. The parking would increase from 52 spaces to 82 due to the restaurant occupancy. Restrooms in the northwest corner could be expanded or a unisex restroom provided. Option 2 would require an addition to the north to house the kitchen and some of the dining area and bar. Parking would increase from 52 spaces to 101 due to the restaurant occupancy. Roof top dining could be provided on the roof of the ground level dining space. Option 3 is similar to option 2 in adding an addition to the north side of the building and instead of expanding restrooms a unisex restroom could be added in the restaurant area on the first level for employees. The parking with option 3 would increase from 52 spaces to 112 spaces due to the restaurant occupancy. Some of the concerns with option 2 & 3 would be the elimination of green space. The Commissioners discussed some of the different funding options and the viability of the school without an anchor tenant.

There being no further business the meeting adjourned at 4:59 p.m.

Respectfully submitted:

Aurimy Groom, Recorder

DRAFT



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

REQUEST FOR GRAND RAPIDS EDA ACTION

Agenda Item # 4

Meeting Date: 6/29/15

Statement of Issue:

Conduct a public hearing to consider entering into a Loan/Business Subsidy Agreement with Minnesota Energy Resources Inc. and the City of Grand Rapids

Background:

For the past several months, the City of Grand Rapids and Minnesota Energy Resources (MERC) have been discussing the City's desire to extend natural gas service to three neighborhood areas located in the orderly annexation. Natural gas service would provide a substantial energy cost savings to those residents, which in turn will further the public objective of preventing blight and providing safe, adequate housing in the City, which are objectives GREDA is specifically authorized to pursue under the Minnesota Statute, Chapter 469.

The Minnesota PUC rules governing MERC require the upfront payment of Cost in Aid of Construction (CIAC), which represents the calculated additional cost to construct the natural gas infrastructure, not supported by MERC's rate structure.

The total amount of CIAC for this project is \$264,444. Assuming a 75% rate of connection by the 159 households in these areas, the per end user share of the CIAC is \$2,270. This, as an upfront lump sum cost to the end user, represents a financial hardship which would preclude many households from connecting to the natural gas service.

To lessen this financial obstacle for these households, the loan agreement being considered will involve the City and GREDA equally sharing in the advance payment of the total amount of the CIAC to MERC. This will allow the end users, as they connect, to finance their share of the CIAC with the City at 0% interest over a 10 year period. The proceeds of the end user payments will be used to reimburse the City and GREDA for their investment.

The advancement of these City and GREDA funds by GREDA, as a forgivable loan to MERC, constitutes a business subsidy under the Business Subsidy Act. The goals of the subsidy are to assist the expansion of MERC's natural gas infrastructure, thereby facilitating connection to natural gas services to underserved areas of the City. The creation or retention of jobs are not a goal of this business subsidy agreement.

	<p><u>Public Hearing format:</u></p> <ul style="list-style-type: none"> ▪ Entertain a motion to recess the regular meeting and open the public hearing ▪ State the purpose of the public hearing. ▪ Verify that legal notice of the public hearing has been made. ▪ Staff will present the background. ▪ Request public input on the proposed Grant/Business Subsidy Agreement with Itasca Eco Industrial Park LLC, either in favor, or in opposition, and ask that any person from the public wishing to make a statement state their name and address for the record. <p>After all public input is received, entertain a motion to close the public hearing portion and reopen the regular meeting.</p>
Recommendation:	
Required Action:	See Above
Attachments:	<ul style="list-style-type: none"> ▪ Draft Loan/Business Subsidy Agreement ▪ Resolution



**Soldiers-Strader
McGuire Area**

**Remer-DeSchepper
Area**

**Stoeke-Maxwell
Area**

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. _____

**APPROVING LOAN AGREEMENT AND BUSINESS SUBSIDY AGREEMENT, AND
AUTHORIZING INTERFUND LOAN FOR
ADVANCE OF CERTAIN COSTS
IN CONNECTION WITH NATURAL GAS INFRASTRUCTURE**

BE IT RESOLVED By the Board of Commissioners of the Grand Rapids Economic Development Authority (the “Authority”) as follows:

Section 1. Background.

1.01. The City of Grand Rapids (the “City”) and the Authority have determined that it is necessary and desirable for the prevention of blight and the facilitation of adequate, safe, and sanitary housing for City residents to facilitate the extension of natural gas infrastructure into certain areas of the City that currently do not have such infrastructure (the “Work Area”).

1.02. Pursuant to Minnesota Statutes, Sections 469.001 to 469.047 and Sections 469.090 to 469.1082, as amended (together, the “Act”), the Authority is authorized to use its redevelopment powers to prevent or eliminate blight in situations where private enterprise would not act without government participation, and to take actions to provide adequate, safe, and sanitary housing to its residents.

1.03. The Authority has reviewed a Loan Agreement (the “Loan Agreement”) between the City, the Authority, and Minnesota Energy Resources Corporation (“MERC”), pursuant to which the Authority agrees to provide a forgivable loan to MERC by advancing certain City and/or Authority funds in the maximum principal amount of \$264,444 (the “Loan”) in order to pay certain charges in aid of construction necessary for the installation of the natural gas infrastructure in the Work Area, and has determined that the Loan Agreement is in the best interests of the City and will achieve a public purpose.

1.04. The Loan under the Loan Agreement constitutes a “business subsidy” exceeding \$150,000 within the meaning of Minnesota Statutes, Section 116J.993 to 116J.995 (the “Business Subsidy Act”).

1.05. The “business subsidy agreement” required under the Business Subsidy Act is included as one section of the Loan Agreement.

1.06. The Authority duly noticed a public hearing regarding the business subsidy agreement, and on this date held such a hearing regarding the proposed business subsidy to MERC.

1.07. The Authority finds that the execution of the Loan Agreement, including the business subsidy agreement, by the City and Authority and performance of the City's and Authority's obligations thereunder are in the best interest of the City and its residents.

1.08. Pursuant to the Act, the Authority is authorized to advance or loan money from legally available City and/or Authority funds in order to finance the Work under the Loan Agreement, and to reimburse itself for the Loan from Payment Shares paid by End Users (as such terms are defined in the Loan Agreement). Such advance of City and/or Authority funds constitutes an Interfund Loan.

1.04. The Authority hereby designates its Capital Projects Fund (the "Authority Fund") as the source of Authority funds for the Interfund Loan, and authorizes an advance of \$132,222 to MERC from such fund pursuant to the Loan Agreement. In addition, the Authority will advance \$132,222 to MERC from a fund to be designated by the City (the "City Fund"), for a maximum Interfund Loan of \$264,444.

Section 2. Loan Agreement Approved; Repayment of Interfund Loan.

2.01. The Loan Agreement as presented to the Board, including the business subsidy agreement therein, is hereby in all respects approved, subject to modifications that do not alter the substance of the transaction and that are approved by the President and Executive Director; provided that execution of the Loan Agreement by such officials shall be conclusive evidence of approval.

2.02. The President and Executive Director are hereby authorized to execute the Loan Agreement on behalf of GREDA and to carry out, on behalf of GREDA, GREDA's obligations thereunder, including without limitation execution of all documents referenced in the Loan Agreement or necessary to carry out the transactions described therein.

2.03. Pursuant to Section 116J.994, subd. 4 of the Business Subsidy Act, the Board hereby resolves and determines that the creation of jobs is not a goal of the business subsidy under the Loan Agreement, and sets the job and wage goals at zero.

2.04. To effect the Loan to MERC, the Authority hereby authorizes the advance of the Interfund Loan in the amount of \$264,444. Interest shall not accrue on the principal amount of the Interfund Loan.

2.05. Principal ("Payments") on the Interfund Loan shall be paid from time to time from Payment Shares by End Users, commencing on the first date on which the Authority receives any such Payment Share and continuing until the earlier of payment of all outstanding principal of the Interfund Loan or payment in full of Payment Shares by all End Users in the Work Area.

2.06. Payments on the Interfund Loan will be made solely from Payment Shares, defined as the portion of the Interfund Loan that is allocated to each potential End User in the Work Area on a pro rata basis. Payments shall be applied first to the Authority Fund, and then to the City Fund upon payment in full of the amount advanced from the Authority Fund.

2.07. The principal sum allocable to the City Fund under this resolution is pre-payable in whole or in part at any time by the Authority without premium or penalty.

2.08. This resolution is evidence of an internal borrowing by the Authority in accordance with the Act, and is a limited obligation payable solely from Payment Shares pledged to the payment hereof under this resolution. The Interfund Loan shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Authority and the City. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of the Interfund Loan or other costs incident hereto except out of Payment Shares. The Authority shall have no obligation to pay any principal amount of the Interfund Loan that may remain unpaid after the final Payment Date.

2.09. The Authority may at any time make a determination to forgive the outstanding principal amount on the Interfund Loan to the extent permissible under law.

2.10. The Authority may from time to time amend the terms of this Resolution to the extent permitted by law, including without limitation amendment to the payment schedule.

Section 3. Effective Date. This resolution is effective upon execution in full of the Agreement.

Adopted by the Grand Rapids Economic Development Authority _____, 2015

President

Attest:

Secretary

LOAN AGREEMENT

This Loan Agreement ("Agreement") is made this ___ day of _____, 2015, by the City of Grand Rapids, a Minnesota municipal corporation (the "City"), the Grand Rapids Economic Development Authority, a public body corporate and politic and political subdivision of the State of Minnesota ("GREDA"), and Minnesota Energy Resources Corporation, a Delaware corporation ("MERC").

RECITALS

A. In consideration for the loan contemplated by this Agreement, MERC is executing and delivering to the City and GREDA this Agreement.

B. MERC is a gas utility which provides natural gas services to City residents.

C. The City and MERC desire to extend natural gas mains (the "Gas Mains") into three recently-annexed areas of the City described in Exhibit A hereto (the "Work Area") that do not currently benefit from access to natural gas services. Such extension of the Gas Mains in the Work Area is hereinafter referred to as the "Work."

D. The parties to this Agreement agree that potential residential and/or commercial customers in the Work Area (the "End Users") do not have the financial resources necessary to pay an up-front contribution in aid of construction ("CIAC"), and pursuant to MERC's tariffs, payment of the CIAC is necessary before MERC undertakes the Work.

E. In order to facilitate the Work and offer the benefit of natural gas services to the End Users, the City and GREDA have agreed to advance to MERC the total CIAC required to construct the Work in the Work Area, pursuant to the terms of this Agreement.

ACCORDINGLY, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Loan Amount.

- (a) Subject to and upon the terms and conditions of this Agreement, the City agrees to advance to GREDA from any legally available funds the sum of Two Hundred Sixty-Four Thousand, Four Hundred Forty-Four and no/100ths Dollars (\$264,444), and GREDA agrees to loan to MERC the total amount advanced from the City in accordance with this Agreement (the "Loan"). The Loan shall be evidenced by a promissory note ("Note") payable by MERC to GREDA and substantially in the form of Exhibit B attached to this Agreement, which shall be dated as of the Loan Closing Date (as hereinafter defined). Proceeds of the Loan shall be disbursed in accordance with Section 3 hereof. The City and GREDA agree that the Loan is needed to satisfy the CIAC payment as required by MERC's tariffs.

- (b) Promptly upon receipt of the Loan, MERC shall apply the Loan proceeds to diligent prosecution of the construction of the Work, which Work shall be substantially completed by November 15, 2015 (the "Completion Date").

2. Repayment of Loan; Process. The parties to this Agreement agree that the Loan shall be payable solely from Payment Shares (as defined below), and agree that the Loan shall be repaid as follows:

- (a) The total amount of the Loan shall be allocated to the estimated total number of potential End Users in the Work Area on a pro rata basis (each a "Payment Share"). The City shall calculate the Payment Share attributable to an End User and provide MERC notice of such Payment Share.
- (b) The process for End User connection to the Gas Mains and the roles and responsibilities of MERC, the City, and GREDA in that process are described in Exhibit C. In amplification of the process described in Exhibit C, upon the request of any End User in the Work Area to connect to the Gas Mains and notice by the City to MERC of City approval of such connection, MERC will apply for a Right of Way Permit for such approved End User in accordance with City Ordinance, Section 58, Article II. The City shall grant a Right of Way Permit within 15 business days after receipt of (i) the application, and (ii) an executed End User CIAC Agreement from the End User, in substantially the form attached as Exhibit D. MERC shall connect said approved End User to the Gas Main as soon as practicable after receipt of the Right of Way Permit.
- (c) The City shall collect the applicable Payment Share for any approved End User pursuant to the End User CIAC Agreement. Upon payment or provision for payment of each Payment Share to the City by each End User, the total principal amount of such Payment Share shall be credited against and shall reduce the total outstanding amount of the Loan. MERC shall not be liable for any failure by an approved End User to pay Payment Shares.
- (d) The City and/or GREDA shall provide to MERC semiannual reports as to the aggregate total of Payment Shares collected by the City.
- (e) Any portion of the Loan that remains outstanding as of December 31, 2035 shall be forgiven.

3. Disbursement of Loan Proceeds.

(a) The Loan proceeds shall be paid to MERC on July 15, 2015 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 MERC on the Loan Closing Date:

- (i) MERC having executed and delivered to GREDA, prior to the Loan

Closing Date and without expense to GREDA or the City, executed copies of this Agreement and the Note; and

(ii) MERC having provided evidence reasonably satisfactory to GREDA that MERC has established a means of segregating the Payment Shares from other MERC accounts and the Work performed for the purpose of recording the receipt and expenditure of the Loan proceeds.

4a. Representations and Warranties as to MERC. MERC represents and warrants to the City and GREDA that:

(a) MERC is duly authorized and empowered to execute, deliver, and perform this Agreement and to accept the Loan from GREDA.

(b) The execution and delivery of this Agreement, and the performance by MERC 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 MERC.

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

(d) MERC 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 GREDA 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 MERC 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. All such information shall be kept confidential by GREDA and the City to the extent permitted under Minnesota law, ordinance, rule or court order.

(e) MERC 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 MERC receives notice of noncompliance from any governmental entity, MERC agrees to take any necessary action to comply with the state or federal law in question.

(f) MERC warrants that it will use the proceeds of the Loan made by GREDA solely for the Work.

4b. Representations and Warranties as to the City and GREDA. The City and GREDA represent and warrant to MERC that:

(a) The City and GREDA are duly authorized and empowered to execute,

deliver, and perform this Agreement as described herein.

(b) The execution and delivery of this Agreement by the City and GREDA, and the performance by the City and GREDA of their 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 or statute, ordinance, rule or order of court binding upon the City or GREDA.

(c) The execution and delivery of this Agreement has been duly approved by all necessary actions of the City and GREDA, and this Agreement has in fact been duly executed and delivered by the City and GREDA and constitutes their lawful and binding obligation, legally enforceable against them.

(d) If at any time the City or GREDA receives notice of noncompliance from any governmental entity, the City and/or GREDA, as applicable, agrees to take any necessary action to comply with the state or federal law in question.

(e) GREDA shall timely allocate Payment Shares to reduction of the outstanding amount of the Loan.

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

(a) Connection of any End User to the Gas Mains prior to receiving notice of approval and/or the necessary Right of Way Permit as described in paragraph 2(b);

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

(c) MERC fails to pay its debts in a timely manner, 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 thirty (30) 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 thirty (30) days of the appointment;

(d) a garnishment summons or writ of attachment is issued against or served upon GREDA for the attachment of any property of MERC in GREDA's possession or any indebtedness owing to MERC, unless appropriate papers are filed by MERC 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 MERC 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 the City or GREDA has given written notice to MERC specifying such default or breach, unless the City or GREDA 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, the City or GREDA will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by MERC 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 MERC of any other agreement between MERC and GREDA or the City.

5b. Event of Default by the City or GREDA. The following shall be Events of Default under this Agreement:

(a) Failure of the City to timely approve properly filed applications by End Users as described in paragraph 2(b);

(b) Failure of the City to timely grant Right of Way Permits to MERC as described in paragraph 2(b);

(c) Failure of the City or GREDA to allocate Payment Shares to reduce the outstanding principal balance of the Loan, or to deliver the Reports to MERC as provided in paragraph 2(d);

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

(e) any breach or failure of the City or GREDA 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 MERC has given written notice to the City or GREDA specifying such default or breach, unless MERC 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, MERC will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City or GREDA within the applicable period and is being

diligently pursued until the Default is corrected;

6. Business Subsidy Agreement. The provisions of this paragraph constitute the “business subsidy agreement” for the purposes of Minnesota Statutes, Sections 116J.993 to 116J.995, as amended (the “Business Subsidy Act”).

(a) *General Terms*. The parties agree and represent to each other as follows:

(i) The subsidy provided to MERC consists of the principal amount of the Loan described in paragraph 1.

(ii) The public purposes of the subsidy are to assist in the expansion of MERC’s existing gas main infrastructure pursuant to its tariffs, thereby facilitating connection to natural gas services to underserved areas in the City and the State, in order to enhance property values in the Work Area, prevent the emergence of blight, and increase the tax base of the City and the State.

(iii) The goals for the subsidy are: to enable MERC to perform the Work in the Work Area, and to provide affordable connection to the Gas Mains by the End Users.

(iv) If the goals described in clause (iii) are not met, MERC must make the payments to GREDA described in paragraph 6(c).

(v) The subsidy is needed to induce MERC to perform the Work.

(vi) MERC must continue to offer connection to the Gas Mains and to provide service to approved End Users in the Work Area for at least five years after the Benefit Date (defined hereinafter).

(vii) MERC has a parent corporation, which is Integrys Energy Group, Inc.

(viii) MERC has not received, and does not expect to receive, financial assistance from any other “grantor” as defined in the Business Subsidy Act, in connection with the Property.

(b) *Job and Wage Goals*. The City and GREDA have determined after a duly noticed public hearing that the creation or retention of jobs is not a goal of this Agreement, and accordingly the job and wage goals pursuant to this Agreement are set at zero.

(c) *Remedies*. If MERC fails to meet the goals described in paragraph 6(a)(iii) by a date which is five years after the Completion Date (the “Benefit Date”), MERC shall repay to the Lender upon written demand from the Lender a “pro rata share” of the outstanding principal amount of the Loan as provided in Section 116J.994, subdivision 6 of the Business Subsidy Act. The term “pro rata share” means percentages calculated as follows: if the failure relates to the failure of MERC to make available connection by End Users to the Gas

Mains in the Work Area in accordance with the terms of this Agreement, 60 less the number of months of availability of such connection in the Work Area (where any month in which connection to the Gas Mains is available for at least 15 days constitutes a month of use), commencing on the Completion Date and ending with the date the connection to the Gas Mains ceases to be available to End Users, divided by 60.

Nothing in this paragraph shall be construed to limit GREDA's remedies under paragraph 7 hereof. In addition to the remedy described in this paragraph and any other remedy available to GREDA for failure to meet the goals stated in paragraph 6(a)(iii), MERC agrees and understands that it may not receive a business subsidy (as defined in the Business Subsidy Act) from GREDA or any grantor (as defined in the Business Subsidy Act) for a period of five years from the date of the failure or until MERC satisfies its repayment obligation under this paragraph, whichever occurs first.

(d) *Reports.* Pursuant to Section 116J.994, Subd. 7 of the Business Subsidy Act, MERC shall provide GREDA with a list of the End Users connected to the Gas Mains within the past 12-month period by no later than February 1 of each year, commencing February 1, 2016 and continuing until the later of (i) the date the goals stated Section 6(a)(iii) are met; (ii) 30 days after expiration of the period described in Section 6(a)(vi); or (iii) if the goals are not met, the date the subsidy is repaid in accordance with Section 6(c). If MERC fails to timely file any information required under this Section, GREDA will mail MERC a warning within one week after the required filing date. If, after 14 days of the postmarked date of the warning, MERC fails to provide a report, MERC must pay to GREDA a penalty of \$100 for each subsequent day until the report is filed. The maximum aggregate penalty payable under this Section is \$1,000.

7. City or GREDA Remedies upon MERC's Default. Upon an Event of Default by MERC and after provision by the City and GREDA of written notice, the City and GREDA shall have the right to exercise any or all of the following remedies (and any other rights and remedies available to them):

(a) declare the current outstanding amount of the Loan (i.e. the Loan less the aggregate Payment Shares received or constructively received pursuant to paragraph 2(c)) to be immediately due and payable upon providing written notice to MERC;

(b) suspend their performance under this Agreement;

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

(d) exercise their rights under the Business Subsidy Agreement.

8. Costs of Enforcement of Agreement. If an Event of Default has occurred as provided herein, then upon final judgment as to liability under this Agreement, the prevailing party shall receive reimbursement from the party found liable in the amount of all reasonable expenses, including all attorneys fees and expenses incurred in connection with the enforcement of such

judgment.

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 MERC, the City, and GREDA. 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 MERC and its successors and assigns and shall inure to the benefit of the City, GREDA and their successors and assigns. All rights and powers specifically conferred upon the City and GREDA may be transferred or delegated by the City or GREDA to any of its successors and assigns. MERC's rights and obligations under this Agreement may be assigned only when such assignment is approved in writing by the City and GREDA. Nothing herein shall be construed to require any written approval related to an assignment in the context of (i) a change in the ownership and control of MERC due to sale of substantially all MERC's assets, or (ii) merger.

(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, certified mail, return receipt requested, to the following addresses (or such other addresses as either party may notify the other):

To City: City of Grand Rapids
 420 N. Pokegama Avenue
 Grand Rapids, MN 55744
 Attn: City Administrator

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

To MERC: Minnesota Energy Resources Corporation

Attn: _____

(f) Termination. If the Loan is not disbursed pursuant to this Agreement by December 31, 2015, this Agreement shall terminate and no party shall have any further obligation to the others, except that if the Loan is not disbursed because MERC has failed to use reasonable efforts to comply with the conditions set forth in Section 3 of this Agreement then MERC shall pay to the City all reasonable attorneys' fees, costs, and expenses incurred by the City in connection with preparation of this Agreement and the Note.

(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 intentionally left 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.

CITY OF GRAND RAPIDS

By: _____

Its Mayor

By: _____

Its City Administrator

[SIGNATURE PAGE TO LOAN AGREEMENT –CITY]

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

By: _____

Its President

By: _____

Its Executive Director

[SIGNATURE PAGE TO LOAN AGREEMENT – GREDA]

MINNESOTA ENERGY RESOURCES CORPORATION

By: _____

Title: _____

[SIGNATURE PAGE TO LOAN AGREEMENT – MERC]

EXHIBIT A
WORK AREA

EXHIBIT B
PROMISSORY NOTE

\$264,444

_____, 2015

Minnesota Energy Resources Corporation, a Delaware corporation (“Maker”), for value received, hereby promises to pay to the Grand Rapids Economic Development Authority, a public body corporate and politic under the laws of Minnesota 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 Two Hundred Sixty-Four Thousand, Four Hundred Forty-Four and no/100ths Dollars (\$264,444) or so much thereof as may be advanced under this Note, 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. This Note shall not bear interest. Capitalized terms shall have the meanings provided in the Loan Agreement between the Maker, the Holder, and the City of Grand Rapids, dated _____, 2015 (the “Loan Agreement”), unless the context requires otherwise. The principal of this Note is payable as follows:

1. The total amount of the Loan shall be allocated to the estimated total number of potential End Users in the Work Area on a pro rata basis (each a “Payment Share”) as described in the Loan Agreement.
2. Upon payment or provision for payment of each Payment Share to the City by each End User, such Payment Share shall be credited against and shall reduce the total outstanding amount of the Loan.
3. Any portion of the Loan that remains outstanding as of December 31, 2035 shall be forgiven.
4. This Note is given pursuant to the Loan Agreement. If the Loan Agreement is 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 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 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 outstanding principal balance of this Note (as reduced by any Payment Shares pursuant to the Loan Agreement), 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 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 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.

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 _____ day of _____, 2015.

MINNESOTA ENERGY RESOURCES CORPORATION

By: _____

Title: _____

[SIGNATURE PAGE FOR PROMISSORY NOTE – MERC]

EXHIBIT C

PROCESS, ROLES AND RESPONSIBILITIES

1. The City will provide MERC with a list of addresses within the Work Area, which MERC will use as a master list of potential End Users.
2. City will notify potential End-Users in the Work Area of the potential availability of connection with MERC's Gas Mains. The City or MERC will provide potential End-Users in the Work Area with an informational packet explaining the Work to occur in the Work Area and the process by which a potential End-User may be connected to MERC's Gas Mains, along with a joint application for service, requiring the End User to complete MERC's Site Sketch and Waiver form, execute a Liability Waiver, and authorize the City to bill the End User for the Payment Share by executing an End User CIAC Agreement.
3. Upon receipt of a completed application for service from a potential End User, MERC will follow its standard process for extending service to customers residing along existing Gas Mains, pursuant to MERC's current tariffs.
4. MERC will design the service for the potential End User, and will move forward with scheduling and applying for a Right of Way Permit in accordance with City Ordinance, Section 58, Article II for the potential End-User.
5. If the End User's residence is located more than 75 feet from the property line, MERC will calculate an excess footage charge, not to exceed the amount allowed pursuant to MERC's current tariffs, and will inform the potential End-User of the excess footage charge [which will be payable to MERC]. If the potential End User agrees to the excess footage charge, MERC will move forward with scheduling and applying for a Right of Way Permit for the potential End-User as described in paragraph 4.
6. If a potential End User completes an application for service, but does not submit an executed End User CIAC Agreement to the City, the City will withhold the Right of Way Permit and will notify MERC and the End User that the End User CIAC Agreement must be received before the City grants the Right of Way Permit.
7. At least monthly, MERC and the City will make a good faith effort to reconcile their records of End Users who connect to the Gas Mains in the Work Area.

EXHIBIT D

END USER CIAC AGREEMENT

This End User CIAC Agreement (this "Agreement") is made this ____ day of _____, 2015, by and between the City of Grand Rapids, a Minnesota municipal corporation (the "City") and _____, [an individual] [married to each other] (the "Owner").

RECITALS

WHEREAS, the Owner is the fee owner of certain land in the City of Grand Rapids, Minnesota, with an address of _____, legally described on Exhibit A attached hereto (the "Property"); and

WHEREAS, the City has entered into an agreement with Minnesota Energy Resource Corporation ("MERC") to pay the Charges in Aid of Connection ("CIAC") required for construction of a gas main (the "Project") in the area of the Property (the "Work Area"); and

WHEREAS, a condition of connection to the gas main by each residential or commercial property owner ("End User") in the Work Area is that such End User agree to the imposition of the End User's share of the CIAC (the "End User CIAC"); and

WHEREAS, the City is willing to allow End Users to pay the End User CIAC over a period of years subject to the execution by individual End Users of this Agreement; and

WHEREAS, the Owner has agreed to pay the City for 100 percent of its End User CIAC, and has requested that payment to the City of the End User CIAC be financed by the City's public utilities commission ("PUC") by adding a CIAC fee to the monthly utility bill for the Property which will be payable to the City in installments over ten years; and

WHEREAS, were it not for the assurance and covenants hereinafter provided, the City would not provide for the payment of the End User CIAC in installments.

NOW, THEREFORE, on the basis of the mutual covenants and agreements hereinafter provided, it is hereby agreed by and between the parties hereto as follows:

1. The Owner hereby requests that the City provide the necessary right-of-way permits to allow connection by the Owner to the gas main. The connection will be constructed by MERC and/or its contractor in conjunction with the Project.
2. The Owner represents and warrants that the Owner is the owner of 100 percent of the Property, that the Owner has full legal power and authority to encumber the Property as herein provided, and that as of the date hereof, the Owner has fee simple absolute title in the Property.

3. The cost of the End User CIAC is \$ _____. The Owner agrees to pay this amount in connection with Owner's connection to the gas main.
4. The Owner agrees that the End User CIAC will be payable in monthly installments over ten years. No interest shall accrue on the unpaid principal of the End User CIAC. The Owner may prepay the End User CIAC on any date, in whole or in part, without penalty.
5. The Owner further agrees that payment of the End User CIAC will continue to be the Owner's personal obligation until it is paid. If the Owner conveys the Property to a third party before collection in full of the End User CIAC, any outstanding amount of the End User CIAC shall be immediately due and payable to the City in full.
11. The City makes no warranties, express or implied, regarding the Project. In no event shall the City be liable to the Owner for consequential, special or indirect damages of any kind.
12. The Owners agree to indemnify, defend, and hold harmless the City, its officials, employees, agents, and contractors from and against any action, claim, damage, liability, loss, costs, or expenses in connection with any claim or liability arising in any manner from the Project.
13. This Agreement shall be construed and enforced according to the laws of Minnesota.
14. This Agreement and its exhibits attached hereto, evidence the entire agreement between the parties relating to the subject matter addressed herein and supersedes all other prior agreements and understandings, written or oral, between the parties.
15. Any alterations, variations, modifications, or waivers of provisions of this Agreement shall only be valid when they have been reduced to writing as an amendment to this Agreement signed by the parties hereto or their successors.
16. It is the intent of the parties hereto that this Agreement be in a form which is recordable by the City among the land records of Itasca County, Minnesota; and they agree to make any changes in this Agreement which may be necessary to effect the recording and filing of this Agreement against the title of the Property.
17. This Agreement shall terminate upon the final payment of the CIAC charged against the Property.

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

OWNER

By:

By:

STATE OF MINNESOTA)
) ss.
COUNTY OF ITASCA)

The foregoing instrument was acknowledged before me this _____ day of _____, 2015, by _____, [an individual] [married to each other].

Notary Public

CITY OF GRAND RAPIDS

By:

Dale Adams
Its: Mayor

By:

Tom Pagel
Its: City Administrator

STATE OF MINNESOTA)
)ss.
COUNTY OF ITASCA)

The foregoing instrument was acknowledged before me this ____ day of _____, 2015, by Dale Adams and Tom Pagel, the Mayor and City Administrator, respectively, of the City of Grand Rapids, a municipal corporation under the laws of Minnesota, on behalf of the City.

Notary Public

This document was drafted by:

Kennedy & Graven, Chartered (MNI)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402
(612) 337-9300

EXHIBIT A to END USER CIAC AGREEMENT

Legal Description of the Property

PID: