

Summary of Development Agreement for the City Council

In the Development Agreement the City represents and warrants that it has the power to execute the Development Agreement and to perform its obligations under the Development Agreement and that the contemplated development conforms with the City's Development Program for Development District No. 1. Under Article VI, the Development Agreement obligates the City to pay F & C Ramsey, LLC ("F & C") up to \$2,500,000.00 of Tax Increments together with interest thereon at the rate of 6.25% per annum on a "pay as you go" basis pursuant to the TIF Note attached to the Development Agreement as Exhibit B; provided, however, the City is not obligated to issue the TIF Note until after F & C repays the approximately \$6.825 loan ("Loan No. 2") the HRA makes to F & C when and as that loan is due.

In the Development Agreement F & C represents and warrants to the City (and the HRA) that F & C would not undertake the Project and that the Project would not be economically feasible without the assistance provided in the Development Agreement. F & C agrees to purchase the Development Property pursuant to the terms of the Purchase Agreement. F & C agrees to submit construction plans for the Project (a 230 unit, four story apartment building) to the City for approval, although the City's approval rights for purposes of the Development Agreement are limited. The Developer must commence construction of the Project within sixty (60) days after the date the HRA and the Developer close on the Developer's purchase of the Development Property from the HRA pursuant to the Purchase Agreement, and Developer must substantially complete construction of the Project on or before the date two years after the Commencement Date, subject to delays resulting from *force majeure*. The Development Agreement obligates F & C to execute an Assessment Agreement that establishes a minimum value for the Project for purposes of real estate taxation. In Section 11.4 of the Development Agreement, Developer covenants and agrees that so long as the Development Agreement is in effect, Developer will lease not less than Fifty percent (50%) of the apartment units in the Project to tenants whose family income is equal to or less than one hundred and thirty percent (130%) of the median family income as established by the United States Department of Housing and Urban Development for Anoka County. In Section 12.1 of the Development Agreement the Developer agrees to defend the City, the HRA, their governing body, officers, agents and employees and to hold such parties harmless from and indemnify such parties against third party claims arising out of the actions or inactions of the Developer pursuant to the Development Agreement. If F & C defaults, the City may terminate the Development Agreement, cancel and terminate the TIF Note and exercise any other legal or equitable rights or remedies.

All parties obligations under the Development Agreement are subject to each parties performance of its obligations under the Purchase Agreement and if the Purchase Agreement is terminated for any reason, the Development Agreement terminates.

Summary of the Purchase Agreement for the City Council

The HRA and F & C Ramsey, LLC (“F & C”) are the principal parties to the Purchase Agreement. Under Section 6 of the Purchase Agreement F & C may terminate the Purchase Agreement if the City, Met Council and County Rail Authority have not let a contract for the construction of the Rail Stop on or before June 29, 2012. The City’s obligations under the Purchase Agreement are to:

1. Substantially complete construction of an approximately 200 stall addition to the existing parking ramp on or before June 1, 2012, subject to *force majeure*;
2. Execute and record an Amendment to the Parking Improvement Use and Maintenance Agreement that grants F & C an exclusive easement to use 275 stalls in the expanded parking ramp, gives F & C a non-exclusive easement to use other parking spaces in the expanded parking ramp and allocates 25 spaces in the portion of the expanded parking ramp that is not subject to F & C’s exclusive easement to F & C for purposes of proof of parking;
3. Execute and record the final plat of COR ONE;
4. Acquire and install way finding and stall designation signage in the parking ramp, subject to reimbursement from F & C.

F & C is obligated to purchase Lot 3, Block 1, COR ONE, Anoka County, Minnesota together with the easements described above for a purchase price of \$750,000. The HRA’s conveyance of the property to F & C will be subject to a right of reverter in favor of the HRA which the HRA may exercise if F & C fails to substantially complete construction on project on or before the date two years from the Commencement Date (subject to *force majeure*).

Summary of Development Agreement for the HRA

In the Development Agreement, the HRA agrees to make two loans to F & C Ramsey, LLC ("F & C"):

1. Loan No. 1. The HRA agrees to lend F & C up to \$1,420,000.00 pursuant to the terms of the Development Agreement, a Loan Agreement to be executed between the HRA and F & C and a note ("Note No. 1"). The form of Loan Agreement and form of Note No. 1 are attached to the Development Agreement. F & C may use the proceeds of Loan No. 1 to pay hard and soft costs associated with the development of the Project. The City is not obligated to disburse the proceeds of Loan No. 1 until F & C has commenced construction of the Project and spent at least \$1,000,000.00 of equity on the Project (which includes the \$750,000.00 land acquisition cost). Loan No. 1 is an interest free loan, but the HRA is charging F & C a fee of \$120,000.00 for making the loan. The \$120,000.00 will be deemed disbursed to the HRA contemporaneously with the HRA's first Advance of loan proceeds to F & C.

F & C is obligated to make annual payments against the balance of Loan No. 1 to the HRA out of the Project's net cash flow. F & C must repay Loan No. 1 in full on April 1, 2025 or upon a sale of the Development Property. Annual payments are due on April 1 of each year commencing on April 1, 2015 and are in an amount equal to twenty percent (20%) of the net cash flow from the Project. In addition, if F & C refinances its project mortgage and receives loan proceeds in excess of the amount necessary to pay off the prior project mortgage, F & C must pay twenty percent (20%) of the excess proceeds from the new loan to the HRA. This provision does not apply if F & C is using the excess loan proceeds to complete construction of the Project. Obligation to repay the loan is guaranteed by Flaherty & Collins Construction, Inc.

2. Loan No. 2. The HRA also agrees to lend F & C up to the sum of (i) \$6,825,000.00; and (ii) the costs the City incurs to issue the tax increment bonds the proceeds of which will be used to fund this loan ("Loan No. 2") perceived to the terms of the Development Agreement, the Loan Agreement referenced in paragraph 1 above and a note ("Note No. 2"). The form of the Loan Agreement and form of Note No. 2 are attached to the Capital Agreement. F & C may use the proceeds of Loan No. 2 to pay hard and soft costs associated with the development Project. Loan No. 2 is secured by a personal guaranty of David M. Flaherty. The HRA must release the personal guaranty at such time as the loan has been fully advanced and the outstanding balance due under the loan has been paid down to \$2,500,000.00 or less. Interest accrues on Loan No. 2 at the rate of 6.27% per annum provided, however, if the Developer does not prepay a total of \$3,000,000.00 on or before the date eighteen (18) months after the first disbursement of proceeds of Loan No. 2 the interest rate increases to 8.27% per annum and remains at 8.27% per annum until at least \$3,000,000.00 has been prepaid. If the Developer prepays \$2,000,000.00 or more of the amount due under Loan No. 2 on or before the date twelve (12) months after the date of the first disbursement of proceeds of Loan No. 2 the City will forgive \$250,000.00 of the outstanding principal amount of Loan No. 2. The outstanding principal balance and all accrued, unpaid interest is due under Loan No. 2 on the earlier of June 1, 2015 or upon the sale of the Development Property. The City is not obligated to advance the proceeds of the Loan No. 2 prior to June 1, 2012, is only obligated to advance up to \$1,000,000.00 of the proceeds of Loan No. 2 between June 1, 2012 and June 30, 2012 and is only obligated to advance up to an additional \$1,000,000.00 of the proceeds of Loan No. 2

between July 1, 2012 and July 31, 2012. The HRA will provide F & C with a credit against the interest that accrues on Loan No. 2 in an amount equal to the amount of any tax increments the City receives from the Development Property in 2014.

F & C represents and warrants to the HRA (and the City) that F & C would not undertake the Project and that the Project would not be economically feasible without the assistance provided in the Development Agreement. F & C agrees to purchase the Development Property pursuant to the terms of the Purchase Agreement. F & C agrees to submit construction plans for the Project to the City for approval. Developer must substantially complete construction of the Project on or before the date two years from the Commencement Date, subject to delays resulting from *force majeure*. In Section 11.4 of the Development Agreement F & C agrees that it will lease not less than 50% of the apartment units in the Project to tenants whose family income is equal to or less than 130% of the median family income as established by the United States Department of Housing and Urban Development for Anoka County.

Summary of the Purchase Agreement for the HRA

In the Purchase Agreement the HRA agrees to sell Lot 3, Block 1, COR ONE, Anoka County, Minnesota to F & C Ramsey, LLC ("F & C") for \$750,000.00. The HRA assumes the obligation to record the final plat of COR ONE, to pay any fees Section 117 of the City's Ordinances imposes in connection with the recording of the final plat, and to pay any special assessments levied against the property as of the Date of Closing. The HRA represents that they have the legal authority to sell the property, that to the best of its knowledge, there are no tenants or other third parties in possession of any portion of the property, that the HRA has not entered into any other contracts, purchase agreements, options or rights of first refusal relating to the property and that, to the best of the HRA's knowledge, there are no hazardous substances located on the property except as may be disclosed in the Phase I report the HRA received from its seller.

F & C is obligated to purchase the property for \$750,000.00. The HRA's conveyance of the property to F & C will be subject to a right of reverter in favor of the HRA which the HRA may exercise if F & C fails to substantially complete construction on project on or before the date two years from the Commencement Date (subject to *force majeure*).

F & C's obligation to purchase is contingent upon the City, the Met Council and the Anoka County Transportation Authority letting contracts for the construction of the Rail Stop on or before June 27, 2012. If contracts for the Rail Stop are not let and F & C terminates the Purchase Agreement, the HRA must reimburse F & C for its out-of-pocket costs up to a cap of \$500,000.00.

If F & C defaults on the performance of its obligations under the Purchase Agreement, the HRA may terminate the Purchase Agreement and retain the earnest money of \$200,000.00; and may sue for a specific performance. If the HRA defaults on the performance of its obligations under the Purchase Agreement, F & C may commence an action in a court of competent jurisdiction seeking a judgment terminating the agreement and seeking damages that are limited to the lesser of F & C's actual damages or \$500,000.00. In the alternative, F & C may sue the HRA for the specific performance of the HRA's obligations under the Purchase Agreement.