

BUSINESS SUBSIDY AGREEMENT

This Business Subsidy Agreement (this "Agreement") is made as of the 15th day of January, 2010, between the City of Ramsey, Minnesota, a Minnesota municipal corporation (the "Grantor") and Sophia-Ramsey, LLC, a Minnesota limited liability company, (the "Recipient"). In order to satisfy the provisions of Minnesota Statutes, Sections 116J.993 through 166J.995 (the "Act"), the Recipient acknowledges and agrees as follows:

1. Description of the Business Subsidy.

(a) *The Project.* The Recipient will be undertaking the following project within the Grantor's area of operation: The renovation/building improvements of 7900 Sunwood Drive, STE 100-400, Ramsey, MN 55303 and related site improvements in order to establish a restaurant, as defined herein (the "Project").

(b) *Type of Business Subsidy.* The Business Subsidy consists of the following assistance to the Recipient for the Project: Below market, forgivable loan to finance the Sewer Access Charges ("SAC") and Water Access Charges ("WAC") associated with the restaurant build-out for the Project (the "Business Subsidy").

(c) *Amount of the Business Subsidy.* The amount of the Business Subsidy granted to the Recipient under this agreement has a value of \$104,356.00. This is based upon a \$104,356.00 below market loan related to financing the SAC and WAC associated with the restaurant build-out for the Project.

2. **Public Purpose for the Business Subsidy.** The public purpose of this Business Subsidy is to:

(a) To increase the number and diversity of jobs that offer stable employment and attractive wages and benefits.

(b) To enhance and diversify the City's economic base.

(c) To encourage unsubsidized private development.

3. Why the Business Subsidy is needed.

The Business Subsidy is needed because the costs associated with the SAC and WAC for the project make a potential restaurant project economically unfeasible. A lease agreement with a restaurant tenant and the Recipient could not be reached without this Business Subsidy.

4. **Job and Wage Goals for the Business Subsidy.** Recipient agrees to create at least 15 full time equivalent jobs and a wage rate at least equal to or exceeding the rate outlined in the adopted business subsidy policy within two years of the benefit date. Following a public hearing the Grantor may determine that the creation or retention of jobs is not a goal of providing the Business Subsidy and the wage and job goals for the Business Subsidy are then set at zero.

5. Continued Operations. The Recipient agrees to continue the restaurant operations at the location of the Project for at least five years after the Benefit Date. As used herein "Benefit Date" means the date the Business Subsidy is received. The Business Subsidy is for improvements to property, therefore the Benefit Date refers to the earliest of either: when the improvements are finished for the entire Project; or when the Recipient occupies the property.

6. Financial Obligation of the Recipient if Recipient Does Not Fulfill this Agreement. If the Recipient does not fulfill this Agreement, the Recipient will repay all of the Business Subsidy to the Grantor plus interest ("Interest") set at the implicit price deflator defined in Minnesota Statutes, Section 275.70, Subd. 2, accruing from and after the Benefit Date, compounded semiannually. Said repayment will be pursuant to the terms and conditions of Note One.

7. Business Subsidy Contingency. The amount of the Business Subsidy is \$104,356.00 which is the total of the SAC and WAC. As a guarantee for Recipient to fulfill this Agreement, Recipient shall upon execution of this Agreement:

(a) Pay to Grantor \$29,400.00 cash as a payment on the SAC. Said payment shall be made within 15 days of the execution of Note 1 and Note 2. Grantor shall pay the balance of the SAC (\$29,400.00) to the MWCC. Said payment to the MWCC shall not be paid by the Grantor until Grantor has received Recipient's \$29,400.00 payment.

(b) Execute Note One in the principal amount of \$74,956.00. The said \$74,956.00 is the total of the Grantor's \$29,400.00 SAC payment and the City's \$45,556.00 WAC fee.

In order to complete its agreement to provide \$104,356.00 in Business Subsidy, Grantor, as maker, will execute Note Two. Note Two is a promise by Grantor to repay to Recipient the \$29,400.00 cash it paid on the SAC fee. Note Two will be paid over a term of five (5) years at the rate of \$5,880.00/yr, be non-interest bearing and paid only if the Restaurant contingency is satisfied.

8. Reporting Requirements.

(a) The Recipient agrees to furnish to the Grantor on or before March 1 in each year the report required in Section 16J.994, Subd. 7 of the Act on forms developed by the Minnesota Department of Trade and Economic Development (the "Reports").

(b) If the Grantor does not receive the Reports, it will mail the Recipient a warning within one week of the required filing date. If within 14 days of the post marked date of the warning the Reports are not made, the Recipient agrees to pay to the Grantor a penalty of \$100 for each subsequent day until the Reports are filed up to a maximum of \$1,000.

9. Parent Corporation. There is no parent corporation for the Recipient.

10. Other Grantors. The following is a list of all financial assistance to be provided by all grantors for the Project: None.

11. Miscellaneous Provisions. The following miscellaneous provisions are a part of this Agreement.

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this

Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Governing Law. This Agreement will be governed by the laws of the State of Minnesota.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreements.

Successors and Assigns. All covenants and agreements by or on behalf of Recipient contained in this Agreement or any Related Documents shall bind Recipient's successors and assigns and shall inure to the benefit of Grantor and its successors and assigns. Recipient shall not, however, have the right to assign Recipient's rights under this Agreement or any interest therein, without the prior written consent of Grantor.

Survival of Representations and Warranties. Recipient understands and agrees that in making this Agreement, Grantor is relying on all representations, warranties, and covenants made by Recipient in this Agreement or in any certificate or other instrument delivered by Recipient to Grantor under this Agreement or the Related Documents. Recipient further agrees that regardless of any investigation made by Grantor, all such representations, warranties and covenants will survive the making of this Agreement and delivery to Grantor of the Related Documents, shall be continuing in nature, and shall remain in full force and effect until such time as Recipient's indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided herein, whichever is the last to occur.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

12. **Term of Agreement.** This Agreement will be in full force and effect until the earlier of the Recipient meeting all of its obligations hereunder or the provisions of the Act no longer apply to the Grantor, the Recipient or the Project, in which this Agreement will be terminated. The Grantor and Recipient have executed this Agreement as of the date written above.

13. **Definitions.** The following capitalized words have the following meanings when used in this Agreement.

Agreement. The word "Agreement" means this Business Subsidy Agreement as this Business Subsidy Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Subsidy Agreement from time to time.

Benefit Date. The words "Benefit Date" means the date the Business Subsidy is received.

Business Subsidy. The words "Business Subsidy" mean a below market forgivable loan to finance the SAC and WAC.

Fiscal Year. The words "Fiscal Year" mean October 1 through September 30 of the year referenced.

Grantor. The word "Grantor" means the City of Ramsey, Anoka County, Minnesota, a Minnesota municipal corporation, which City is granting the business subsidy.

Note One. The word "Note One" means the Note executed by Sophia-Ramsey, LLC as maker, in the principal amount of \$74,956.00 dated January 15, 2010, together with all renewals of, extensions of, modifications of, refinancing of, consolidations of, and substitutions for the Note One or credit agreement. The Note One shall have the following terms:

Maker	Sophia-Ramsey, LLC
Lender	City of Ramsey, a Minnesota municipal corporation
Principal Amount	\$74,956.00
Interest Rate	Three percent (3%)
Term	Five (5) Years
Annual Payments	\$16,366.98 due annually each October 1 st commencing with October 1, 2010 and continuing each October 1 st thereafter until October 1, 2014 when all interest and principal shall be due in full.
Balloon Payment	None
Payment in Lieu of Annual Payment	If a Restaurant is operated on the Site for a minimum of seven (7) full months during any Fiscal Year during the Term of Note One, the Lender will credit the principal and interest due on Note One in the amount of \$16,366.98 annually. No such credit will be given after October 1, 2014.

Note Two. The word "Note Two" means the Note executed by the City of Ramsey, a Minnesota municipal corporation as maker, in the principal amount of \$29,400.00 dated January 15, 2010, together with all renewals of, extensions of, modifications of, refinancing of, consolidations of, and substitutions for the Note Two or credit agreement. The Note Two shall have the following terms:

Maker	City of Ramsey, a Minnesota municipal corporation
Lender	Sophia-Ramsey, LLC

Principal Amount	\$29,400.00
Interest Rate	Zero percent (0%)
Term	Five (5) Years
Annual Payments	\$5,880.00 due annually each October 1 st commencing with October 1, 2010 and continuing each October 1 st thereafter until October 1, 2014 when the principal shall be due in full. PROVIDED, HOWEVER, that Maker will not be required to pay any annual payments in the event a Restaurant is NOT operated on the Site for a minimum of seven (7) months during the Fiscal Year. No payments will be required by Maker after October 1, 2014.
Balloon Payment	None

Project. The word "Project" means the renovation/building improvements of 7293 square foot of 7900 Sunwood Drive NW, Suite 100-400, Ramsey, MN which property is located on the following legally described property:

Lot 1, Block 1, Ramsey Town Center 3rd Addition, Anoka County, Minnesota.

Recipient. The word "Recipient" means Sophia-Ramsey, LLC, a Minnesota limited liability company which LLC is receiving the business subsidy granted herein.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

Restaurant. The word "Restaurant" means an eating facility, under the control of a single proprietor or manager, where meals are regularly prepared on the premises, where full waitress/waiter table service is provided, where a customer orders food from printed menus and where the main food course is served and consumed while seated at a single location. To be a restaurant as defined by this term in this Agreement, an establishment shall have a license from the state as required by Minnesota Statutes §157.16, as it may be amended from time to time, and meet the definition of "large establishment" as defined in said Minnesota Statutes §157.16. An establishment which serves prepackaged food that receives heat treatment and is served in the package or frozen pizza that is heated and served, shall not be considered to be a Restaurant for purposes of this Agreement unless it meets the definition of "large establishment". Minnesota Statutes §157.16 is attached hereto as Exhibit A and is incorporated herein as if fully set forth at this point.

Sewer Access Charge. The words "Sewer Access Charge" ("SAC") mean the fee required to be paid to the Metropolitan Waste Control Commission for properties to connect to the Metropolitan Waste Control Commission's public sanitary sewer system. The amount of the SAC for the Project is \$58,800.00.

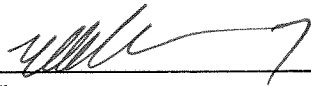
Site. The word "Site" or "the Site" means the property commonly known as 7900 Sunwood Drive NW, Suite 100-400, Ramsey, MN which property is located on the following legally described parcel:

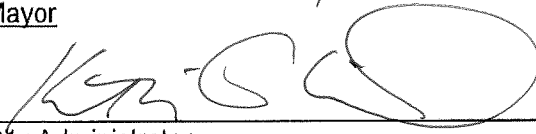
Lot 1, Block 1, Ramsey Town Center 3rd Addition, Anoka County, Minnesota.

Water Access Charge. The words "Water Access Charge" ("WAC") mean the fee required by the City of Ramsey for properties to receive municipal through the said City's municipal water system. The amount of WAC for the Project is \$45,556.00.

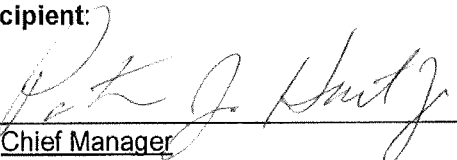
RECIPIENT ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS SUBSIDY AGREEMENT AND RECIPIENT AGREES TO ITS TERMS. THIS BUSINESS SUBSIDY AGREEMENT IS DATED January 15, 2010.

Grantor:

By 
Its Mayor

By 
Its City Administrator

Recipient:

By 
Its Chief Manager