

## LOAN AGREEMENT

**American Print and Digital, LLC and Zap Properties, LLC as Co-Borrowers**

**LOAN: \$72,500.00 TERM LOAN**

### **PART 1. PARTIES, DATE, TERM AND PURPOSE**

1.1 **Parties.** The parties to this Agreement (this "Agreement") are as follows:

**The City of Ramsey, Minnesota, a public body corporate and politic under the laws of Minnesota** whose business address is 7550 Sunwood Dr NW, Ramsey, MN 55303, (hereinafter referred to as "Lender");

Lender administers a loan program to facilitate development and redevelopment in Ramsey, Minnesota.

**Zap Properties LLC LLC, a Minnesota limited liability company**, whose registered address is 13950 Radium St NW, Suite 400 Ramsey, MN 55303, (the "Borrower").

**American Print and Digital LLC, a Minnesota Limited Liability Company**, whose registered address is 13950 Radium St NW, Suite 400 Ramsey, MN 55303, (the "Co-Borrower");

**Jason Farrell**, whose address is \_\_\_\_\_ (the "Personal Guarantor"); and

**Guarantors**, the personal Guarantor may hereinafter be referred to collectively as (the "Guarantor").

1.2 **Date of this Agreement.** The date of this Agreement is \_\_\_\_\_, 2017 and said date is the date of closing on the loan ("the Date of Closing").

1.3 **Term of this Agreement.** The term of this Agreement shall be from the date of this Agreement set forth above and continue thereafter until all indebtedness has been paid in full.

1.4 **Purpose of this Agreement.** Borrower has requested credit accommodations from Lender, to which Lender has agreed. Lender has granted to Borrower the following credit accommodations, on the conditions set forth herein:

- a. **Term Loan** of Seventy Two Thousand Five Hundred Dollars (\$72,500.00) (the "Loan") to be used for the purchase of real estate and minor renovations which real estate is commonly known as 6320 Highway 10, Ramsey, MN, 55303 and having Anoka County, Minnesota PID 35-32-25-32-0037 (the "Property").

## PART 2. LOAN TERMS AND REPAYMENT

2.1 **Promissory Note.** In consideration of the receipt of the (“Loan”), Borrower shall repay to the Lender the Loan pursuant to the terms of the Promissory Note of even date (the “Note”), the form of which is attached hereto as **Exhibit A** and which terms include the following: interest at a rate of 3.0 %per annum (the “Rate”); Principal and Interest payments of [REDACTED] per month beginning [REDACTED], 2017 and continuing on the first day of each month thereafter, until [REDACTED], 2027, (the “Loan Maturity Date”). Borrower shall pay the principal of and interest rate then in effect over the term of the Note. Said payments to continue each month thereafter until the Loan Maturity Date on which date the entire remaining principal balance plus accrued interest shall be due and payable in full.

2.2 **Interest From Date of Closing.** Interest at the Initial Rate on the Note principal shall commence to accrue on the Date of Closing and all accrued interest from said date through [REDACTED], 2017 shall be paid in advance to Lender in full on the Date of Closing. Said amount is calculated to be \$ [REDACTED].

## PART 3. LOAN DISBURSEMENT OF LOAN PROCEEDS

3. **Disbursement of Loan Proceeds.** The Loan proceeds shall be disbursed to Borrower upon satisfaction of the following conditions:

- a. Borrower having executed and delivered to Lender, without expense to Lender:
  - (1) executed copies of the following documents:
    - i. this Loan Agreement;
    - ii. the Note;
    - iii. Combination Mortgage, Security Agreement and Fixture Financing Statement granting Lender a Third priority Mortgage on the Property subject only to Permitted Encumbrances as set forth on **Exhibit B** attached hereto; (the “Mortgage”);
    - iv. **Potential mention of the Mtg on Residential RE if they plan on doing that set forth on Exhibit C attached hereto; (the “Mortgage”);**
    - v. The Guarantee executed by the Guarantor.

The Note, the Loan Agreement, the Mortgage and the Guarantee executed by the Guarantor are collectively herein after referred to as the “Loan Documents.”

- b. The Borrower having acquired marketable title to the Property in accordance with the terms of this Agreement, and Borrower having provided evidence satisfactory to Lender that Borrower has incurred costs in at least the amount of the Loan so disbursed, which evidence shall include closing statements, paid invoices or comparable evidence of expenditures;
- c. Borrower having paid the Lender an origination fee of \$ [REDACTED]; and

- d. Borrower having delivered evidence to the Lender that Borrower has contributed a minimum cash equity for the acquisition of the Property in at least the amount of \$72,500.00.
- e. Borrower having closed on a loan from The Bank of Elk River in an amount not to exceed \$722,000.00.
- f. Borrower having closed on a loan from US Small Business Administration c/o MBFC in an amount not to exceed \$577,000.00.
- g. Borrower having delivered to Lender articles of organization/incorporation and operating agreements/bylaws for the Borrower and the Corporate Guarantor.
- h. Borrower having delivered evidence satisfactory to Lender that there has been no materially adverse change to the financial condition of the Borrower, Co-Borrower or the Personal Guarantor prior to the Date of Closing.
- i. Borrower having paid to or reimbursed the Lender for any and all costs and expenses, including, without limitation, attorneys' fees, paid or incurred by the Lender in connection with (i) review, negotiation, preparation, and approval of the Loan Documents and any other document or agreement related thereto or the transactions contemplated hereby; (ii) the review, negotiation, preparation, and approval of any amendments, modifications or extensions to any of the foregoing documents, instruments or agreements, and the preparation and consummation of any and all documents necessary or desirable to effect such amendments, modifications or extensions; (iii) any appraisals, environmental assessments or other reports relating to the Property which the Lender is authorized to seek, order or prepare pursuant to the Loan Documents or any other instrument evidencing or securing the Loan or is required to seek, order or prepare pursuant either to applicable laws or regulations or the Lender's policies or procedures generally applicable to commercial mortgage loans by the Lender; (iv) any reasonable fees or costs charged to the Lender by an architect or other design professional engaged by the Lender to, among other things, inspect the construction of any approved improvements to the Property, or verify compliance thereof with applicable building and zoning laws; (v) all title insurance premiums, filing and recording fees and mortgage registration tax paid or payable in connection with the consummation of the transaction contemplated hereby; and (vi) the enforcement by the Lender during the term hereof or thereafter of any of the rights or remedies of the Lender under any of the foregoing documents, instruments or agreements or under applicable law, whether or not suit is filed with respect thereto (attorneys fees and costs are limited to reasonable fees and costs).

## PART 4. LOAN SECURITY AND GUARANTY

4.1 **Secured Collateral.** Collateral securing all advances made on all loan accommodations described in this Agreement shall be as follows:

a. **Third Mortgage.** The Borrower grants Lender a Third priority mortgage on the Property. The legal description of the Property is:

THAT PRT OF LOTS 4 & 5 AUD SUB NO 96 DESC AS FOL: COM AT MEAN COR ON W LINE OF SEC 35 SD COR BEING 620.5 FT S OF W1/4 COR OF SD SEC (SD W LINE TO BE CONSIDERED TO BE A TRUE MERIDAN), TH S 55 DEG 12MIN E 375.4 FT, TH S 68 DEG 17 MIN E 106 FT, TH N PRLL/W W LINE OF SD SEC 560.6 FT TO POB, TH CONT N ON SD PRLL LINE 169.4 FT, TH N 24 DEG 21 MIN E 105.6 FT TO S LINE OF ST HWY NO 10, TH NWLY ALG SD S LINE TO A PT 394 FT SELY OF INTER OF SD S LINE WITH W LINE OF SD SEC AS MEAS ALG SD S LINE (SD PT BEING HEREAFTER REFERRED TO AS PT A), TH SWLY AT AN ANG OF 60 DEG 20 MIN FROM A LINE DRAWN PRLL/W NLINE OF GOVT LOT I & PASSING THROUGH PT A 123 FT +/- TO A PT 308.5 FT E OF W LINE OF SD SEC (AS MEAS PRLL/W N LINE OF SD GOVT LOT), TH S PRLL/W SD W LINE TO INTER/W A LINE DRAWN W AT RT ANG TO SD PRLL LINE FROM POB, TH E TO POB EX RDS, SUBJ TO EASE OF REC

b. **The Collateral.** The Property and the Third Mortgage proceeds are hereinafter referred to collectively as (the "Collateral".)

4.2 **Ownership and care of Collateral.** Borrower and Guarantor covenant that this Agreement and any security agreement/mortgage taken in connection with this Agreement will vest in Lender a second priority security interest/mortgage upon the Collateral named, and that the Collateral is free from all liens, security interests and encumbrances except those listed on **Exhibit B** attached hereto and made a part hereof (the "Permitted Encumbrances"). Borrower warrants it has good marketable title to the Collateral subject to no security interest or lien except as described herein.

4.3 **Documentation required to maintain valid lien.** Borrower and Guarantors covenant that upon request of Lender they will execute such financing statements, security agreements, lien documents, and other perfection and security instrumentation as will ensure that Lender creates and maintains a valid and perfected second security interest/mortgage lien on the Collateral.

4.4 **Flood and Hazard Insurance Coverage.** During the term of the Loan, Borrower shall maintain the following insurance coverages:

a. **Flood Insurance.** Based on the Standard Flood Hazard Determination (FEMA Form 81-93): If any portion of a building that is collateral for the Loan is located in a special flood hazard area, Borrower must obtain flood insurance for the building under the NFIP. Insurance coverage must contain a MORTGAGEE CLAUSE (or substantial equivalent) in favor of Lender and CMDC. This clause must provide that any action or failure to act by Borrower, the mortgagor or owner of the insured Property will not invalidate the interest of Lender and CMDC. The policy or endorsements must provide for at least 10 days prior written notice to Lender and CMDC of policy cancellation.

b. **Real Estate Hazard Insurance** coverage on all real estate that is collateral for the Loan in the amount of the full replacement cost. If full replacement cost insurance in

not available, coverage must be for the maximum insurable value. Insurance coverage must contain a MORTGAGEE CLAUSE (or substantial equivalent) in favor of the City of Ramsey. This clause must provide that any action or failure to act by Borrower, the mortgagor or owner of the insured Property will not invalidate the interest of the City of Ramsey. The policy or endorsements must provide for at least 10 days prior written notice to the City of Ramsey of policy cancellation.

- 4.5 **Guaranty.** Guarantors herein covenant that they guaranty payment of all loan accommodations referred to in this Agreement and repayment of all advances made thereunder, together with interest and costs of collection, if any, including reasonable attorney fees not prohibited by law. Said guaranty is of payment and is a continuing, absolute, and unconditional guaranty.
- 4.6 **Use of Proceeds.** Borrower warrants that it will use the proceeds of the Loan made by Lender solely for costs of the purchase and renovation of the Property.

#### **PART 5. DOCUMENTS FURNISHED PERIODICALLY BY BORROWER AND GUARANTORS AND INSPECTIONS ALLOWED BY BORROWER**

- 5.1 **Documents to be furnished periodically.** Borrower and Guarantors will furnish to Lender the following documents at the times indicated throughout the term of this Agreement:
- a. As a condition precedent to closing of this Agreement and upon request of Lender thereafter, evidence satisfactory to Lender that Borrower and the Corporate Guarantor are able and authorized to enter into and consummate the credit transactions referred to in this Agreement shall be provided. Such evidence shall include, but is not necessarily limited to, the following: Borrower's and Corporate Guarantor's articles of organization; certificate of good standing from the state; company authorization resolutions; company minutes; and if Lender requests in a separate writing, an opinion of Borrower's and Corporate Guarantor's counsel to the foregoing effect.
  - b. As a condition precedent to closing of the Loan and upon request of the Lender thereafter, appropriate loan documents to support the credit accommodations in this Agreement, including, as appropriate, promissory notes, mortgages, lease assignments, subordination agreements, other perfection documents, insurance and other Collateral assignments, insurance certificates identifying Lender as loss payee, setoff disclosures, and any and all other documents and instruments which in the opinion of Lender are necessary to validate and consummate the credit transactions referred to in this Agreement will be received by Lender.
  - c. Income Tax returns of Borrower and Corporate Guarantor certified by each respective entity, to be received by Lender within 120 days after each fiscal year end.
  - d. Annual personal financial statement of each Individual Guarantor, to be submitted concurrently with the Borrower's statement required above.

- e. Annual personal income tax returns (including all schedules and K-1's) of the Individual Guarantors, to be submitted concurrently with the Borrower's statement required above.

5.2 **Borrower and Co-Borrower record keeping and Lender inspection of Collateral and records.** Borrower and Co-Borrower will keep true and accurate books and records of its business operations, accounts, and Borrower and Co-Borrower will permit Lender at any reasonable time and during regular business hours to inspect the Property, and to examine Borrower's and Co-Borrower books, records, and files, and make copies thereof, and to discuss the affairs of Borrower and/or Co-Borrower with their members/shareholders, officers, directors, and employees. In addition, the Borrower shall provide (i) annual financial statements, annual debt schedules and tax returns of the Borrower not later than 120 days after each fiscal year end of the Borrower (ii) annual personal financial statements and personal tax returns for the Personal Guarantor not later than October 15 of each year, and (iii) compiled annual financial statements, annual debt schedules and tax returns of the Co-Borrower not later than 120 days after each fiscal year end of the Co-Borrower.

## PART 6. FINANCIAL COVENANTS AND LIMITATION ON CERTAIN ACTIVITIES OF BORROWER

- 6.1 **Indebtedness, liens, and disposition of assets.** Borrower shall not, without the prior written consent of Lender, which approval shall not be unreasonably withheld, do any of the following: except debt incurred in the ordinary course of business and indebtedness to Lender contemplated by this Agreement and indebtedness to \_\_\_\_\_; incur indebtedness for borrowed money; sell, transfer, assign, pledge, lease, grant a security interest in, or otherwise encumber any of Borrower's and Co-Borrower's assets, except to Lender and except to those identified on **Exhibit B**, the Permitted Encumbrances.
- 6.2 **Ownership stability of Borrower.** Borrower covenants that unless prior written approval has been provided by Lender, which approval shall not be unreasonably withheld, Borrower's majority limited liability company membership interest holders in control of Borrower at the time of this Agreement shall not sell or otherwise relinquish majority ownership control of Borrower.
- 6.3 **Ownership stability of Co-Borrower.** The Co-Borrower covenants that unless prior written approval has been provided by Lender, the owners of a majority of the outstanding membership units of the Co-Borrower at the time of this Agreement shall not sell or otherwise relinquish their majority ownership control of the Co-Borrower.
- 6.4 **Change of business form or identity.** Borrower and Co-Borrower will not, without the prior written approval of Lender, which approval shall not be unreasonably withheld, change their business forms, business names or trade names, change location, or acquire or merge or consolidate with any other entity.

6.5.1 Until the Loan is paid in full, Borrower shall maintain the Property in commercial use in accordance with all City ordinances. The Property shall be considered in commercial use if: Borrower operates a business in the Property; Borrower leases the Property or portions thereof

to an entity that operates a business; or Borrower is actively marketing the lease of the Property or portions thereof to one or more businesses.

- 6.5 **Business taxes and insurance.** Borrower and Co-Borrower covenant to pay all taxes associated with their business, including but not limited to income taxes, sales taxes, employee taxes, and all other business related taxes, whether federal, state, county, municipal, or imposed by any other governmental unit. Borrower and the Corporate Guarantor Co-Borrower further covenant to maintain liability, hazard insurance policies in coverages and with such endorsements as are reasonably satisfactory to Lender, and to pay all worker's compensation and unemployment premiums or charges, when due, to maintain all insurance policies and employment-related coverages in full force and effect throughout the term of this Agreement.

## PART 7. DEFAULT

- 7.1 **Default defined.** Default under this Agreement shall consist of anyone or more of the following events:
- a. Failure to pay when due any amount required of Borrower, Co-Borrower or any Guarantor under this Agreement or under the Note, security agreement, or other loan instrument or document executed in connection with this Agreement.
  - b. Failure to perform any act or deed required of Borrower, Co-Borrower or any Guarantor or failure to refrain from any act prohibited, under this Agreement or under any related instrument or document executed in connection with this Agreement.
  - c. Failure of majority limited liability company membership interest holders of Borrower and Co-Borrower to maintain their status as majority owners of Borrower.
  - d. Any warranty, representation, or statement made or furnished to Lender by or on behalf of Borrower, Co-Borrower or any Guarantor which is false or misleading in any material respect, either now or at the time made or furnished.
  - e. The dissolution or termination of Borrower's or Co-Borrower's existence as a going business, insolvency, appointment of a receiver for any part of Borrower's, Co-Borrower's or any Guarantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower, Co-Borrower or by or against any Guarantor.
  - f. Failure to discharge taxes or other liens, other mortgages or charges levied or assessed against the Collateral other than the lien (the second Mortgage) created under this Agreement by the parties.
  - g. Any other event defined as an event of default in any separate promissory note, security agreement, mortgage or other instrument or document executed in connection with this Agreement.

- h. Death of an Individual Guarantor to the extent life insurance assigned or pledged to the Lender, or other sources of funds or security, are unavailable to reasonably substitute for the financial security which the deceased Individual Guarantor had provided to the Lender with his/her Guaranty during his/her life.
- i. Any attempt by any Guarantor to revoke the guaranty or impair its enforceability.

7.2 **Remedies.** In the event default occurs, Lender may exercise anyone or more of the following rights and remedies:

- a. Declare the entire balance of the Loan referred to in this Agreement or any or all loans governed by this Agreement as immediately due and payable.
- b. Take possession of the Collateral by self help or judicial action, foreclosure, or other procedures and dispose of the Collateral pursuant to applicable laws of the State or Federal Governments.
- c. Commence and prosecute an action to collect the debt from Borrower or any Guarantor, or any or all of them.
- d. Refuse to make any further advances under this Agreement or under any instrument or document executed in connection with this Agreement.
- e. Exercise such additional or alternative remedies as are available to Lender under the terms of this Agreement, under any instrument or document executed in connection with this Agreement, or under applicable law.

## **PART 8. INDEMNIFICATION**

8.1 **Indemnification.**

- (a) Borrower shall and does hereby agree to indemnify and to hold Lender, and its officers, agents, and employees, harmless for 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 Lender 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 Lender, or its officers, agents, or employees incur any such liability or be required to defend against any claims or demands pursuant to this Section, or should a judgment be entered against Lender, 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 Lender for the same immediately upon demand, and upon the failure of Borrower to do so, Lender 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 and payment of any

indebtedness to Lender. Borrower waives notice of the acceptance of this Agreement by Lender.

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

## PART 9. MISCELLANEOUS PROVISIONS

- 9.1 **Limited Liability Company status and authority of Borrower.** Borrower herein covenants that it is a limited liability company duly organized and existing and in good standing under the laws of the State of Minnesota and has the appropriate power and authority to own its property and carry on its business as it is being conducted at the time of this Agreement; Borrower has full power, authority, and proper authorization to enter into this Agreement and the loan and security transactions attendant thereto.
- 9.2 **Limited Liability Company status and authority of Co-Borrower.** Co-Borrower herein covenants that it is a limited liability company duly organized and existing and in good standing under the laws of the State of Minnesota and has the appropriate power and authority to own its property and carry on its business as it is being conducted at the time of this Agreement; Co-Borrower has full power, authority, and proper authorization to enter into this Agreement and the loan and security transactions attendant thereto.
- 9.3 **No waiver.** No delay or failure by Lender in the exercise of any right or remedy under this Agreement or under law shall constitute a waiver thereof, and no single or partial exercise by Lender of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.
- 9.4 **Agreements upheld despite invalidity of any clause.** If a court of competent jurisdiction determines any clause or provision of this Agreement to be invalid or void for any reason, such findings will not affect the validity and enforceability of the balance of this Agreement.
- 9.5 **Collection costs and expenses.** Borrower, Co-Borrower and Guarantor agree to pay upon demand all of Lender's court costs and disbursements, including attorney's fees, and other expenses allowed by law or the court, if incurred in reasonable connection with this Agreement and the enforcement thereof or in connection with the loan or the collection thereof.
- 9.6 **Modifications in writing only.** Any modification of this Agreement must be in writing and signed by all parties hereto to be valid.
- 9.7 **Applicable law.** The loan documents discussed herein shall be governed by and construed in accordance with the laws of the State of Minnesota. The Lender may, in its discretion, utilize the laws of other states where property of the Borrower or any Guarantor is located to enforce this Agreement and collect the indebtedness. Lender may also in its sole discretion utilize any applicable federal laws of the United States of America to enforce this Agreement and the Lender's rights in the Collateral pledged in this Agreement and collect the indebtedness described herein.

9.8 **Notice of litigation.** Borrower, Co-Borrower and Guarantor shall promptly inform Lender in writing of all material adverse changes in Borrower's, Co-Borrower's or any Guarantor's financial condition, and all litigation and claims and all threatened litigation and claims affecting the Borrower, Co-Borrower or any Guarantor that could materially affect the financial condition of the Borrower, Co-Borrower or any Guarantor.

9.9 **Notices.** All notices required to be given under this Agreement shall be given in writing and shall be effective when actually delivered or when deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address on the cover page of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying the purpose of the notice is to change the party's address.

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

**LENDER:**

City of Ramsey

By: \_\_\_\_\_  
\_\_\_\_\_, Its \_\_\_\_\_

Dated: \_\_\_\_\_

**BORROWER:**

Zap Properties, LLC, a  
Minnesota Limited Liability Company

By: \_\_\_\_\_  
Jason Farrell, Its \_\_\_\_\_

**CO-BORROWER:**

American Print and Digital, LLC, a  
Minnesota Limited Liability Company

By: \_\_\_\_\_  
Jason Farrell, Its \_\_\_\_\_

**INDIVIDUAL GUARANTOR:**

\_\_\_\_\_  
Jason Farrell

Dated: \_\_\_\_\_

Draft