

**TAX ABATEMENT AGREEMENT BY AND BETWEEN  
CITY OF HERMANTOWN, MINNESOTA AND  
HARMONY GROUP LLC**

## TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| <u>ARTICLE 1</u>  |             |
| <u>Definitions</u>  |             |
| 1.01 Definitions  | 1           |
| <u>ARTICLE 2</u>  |             |
| <u>Representations and Warranties</u>                             |             |
| Section 2.01 Representations and Warranties of the City           | 4           |
| Section 2.02 Representations and Warranties of the Developer      | 4           |
| <u>ARTICLE 3</u>  |             |
| <u>Undertakings by Developer and City</u>                         |             |
| Section 3.01 The Project  | 5           |
| Section 3.02 Transfer of the Project and Assignment of Agreement  | 6           |
| Section 3.03 Real Property Taxes; Excise and Sales Taxes          | 6           |
| Section 3.04 Amounts of Abatements                                | 8           |
| Section 3.05 Abatement Periods: ISD No. 700                       | 9           |
| Section 3.06 Abatement Payments Rebating Taxes Paid               | 11          |
| Section 3.07 Cooperation in Calculation of Abatements             | 11          |
| Section 3.08 Applies Solely to Project                            | 12          |
| <u>ARTICLE 4</u>  |             |
| <u>Business Subsidy</u>   |             |
| Section 4.01 Business Subsidy                                     | 12          |
| Section 4.02 Project Goal   | 12          |
| Section 4.03 Minimum Employment Goal                              | 12          |
| Section 4.04 Failure to Reach or Maintain Minimum Employment Goal | 12          |
| Section 4.05 Reporting on Project Goal                            | 13          |
| Section 4.06 Repayment  | 13          |

ARTICLE 5  
Developer Events of Default

|  |    |
|--|----|
| Section 5.01 Developer Events of Default Defined | 13 |
| Section 5.02 Remedies on Default                 | 13 |
| Section 5.03 No Remedy Exclusive                 | 14 |
| Section 5.04 No Implied Waiver                   | 14 |

ARTICLE 6  
City Events of Default

|   |    |
|---|----|
| Section 6.01 City Events of Default Defined | 14 |
| Section 6.02 Remedies on Defaults           | 15 |
| Section 6.03 No Remedy Exclusive            | 15 |

ARTICLE 7  
Additional Provisions

|  |    |
|--|----|
| Section 7.01 Conflicts of Interest                         | 15 |
| Section 7.02 Titles of Articles and Sections               | 15 |
| Section 7.03 Notice  | 15 |
| Section 7.04 Counterparts                                  | 16 |
| Section 7.05 Law Governing                                 | 16 |
| Section 7.06 Term  | 16 |
| Section 7.07 Recording                                     | 17 |
| Section 7.08 Developer Option to Terminate                 | 17 |
| Section 7.09 Provisions Surviving Rescission or Expiration | 17 |
| Section 7.10 Payment of Fees                               | 17 |
| Section 7.11 Compliance                                    | 17 |
| Section 7.12 Joint Authorship                              | 17 |
| Section 7.13 No Personal Obligations                       | 17 |
| Section 7.14 Force Majeure                                 | 17 |
| Section 7.15 Severability                                  | 18 |
| Section 7.16 Change of Law                                 | 18 |
| Section 7.17 Confidentiality                               | 18 |

EXHIBIT A DESCRIPTION OF PROJECT PROPERTY

EXHIBIT B FORM OF RECORDABLE MEMORANDUM OF AGREEMENT

## TAX ABATEMENT AGREEMENT

This Tax Abatement Agreement (the “**Agreement**”) is made as of the \_\_\_ day of \_\_\_\_\_, 2026 (“**Effective Date**”), by and between the City of Hermantown, a municipal corporation and political subdivision under the laws of Minnesota (the “**City**”), and Harmony Group LLC, a Delaware limited liability company (the “**Developer**”) (each a “**Party**” and collectively the “**Parties**”).

### **WITNESSETH:**

**WHEREAS**, the Developer has requested tax abatement assistance from the City in connection with the construction and operation of a technology campus; and

**WHEREAS**, pursuant to Minnesota Statutes, sections 469.1812 through 469.1815, as amended, the City has established the Abatement Program to offer such assistance;

**WHEREAS**, the assistance provided pursuant to this Agreement constitutes a subsidy under the Business Subsidy Act, Minnesota Statutes, sections 116J.993 through 116J.995, as amended; and

**WHEREAS**, the City believes that provision of the assistance requested by the Developer and fulfillment of this Agreement are vital and in the best interests of the City, will enhance the City’s tax base, will provide employment opportunities in the City, and are in accord with the public purpose and provisions of the applicable State and local laws and requirements under which the Project will be undertaken.

**NOW, THEREFORE**, in consideration of the premises and the mutual obligations of the Parties hereto, each Party does hereby covenant and agree with the other as follows:

### **ARTICLE 1 DEFINITIONS**

**Section 1.01. Definitions.** All capitalized terms used in this Agreement shall have the following meanings, unless a different meaning clearly appears from the context:

- (a) “**Abatement**” means with respect to the City, the receipt of Available Tax by the City with regard to Abatement Property and payment thereof to the Developer, pursuant to the Abatement Program with respect to a Parcel of the Abatement Property, as further detailed in Article III; and with respect to the County, the receipt of Available Tax by the County with regard to Abatement Property and payment thereof to the City, as further detailed in the County Tax Abatement Agreement.
- (b) “**Abatement Cap**” means, with regard to a given tax year, the greater of ten percent (10%) of the net tax capacity of the City for that year or two hundred thousand dollars (\$200,000).

- (c) “**Abatement Period**” means the term, for each Parcel, over which an Abatement may be paid to the Developer, beginning with the tax year following the Initial Year (the taxes payable in the second year after the Initial Year) and extending for a total of twenty (20) tax years with respect to that Parcel.
- (d) “**Abatement Program**” means the actions by the City pursuant to the Tax Abatement Act undertaken in support of the Project, including this Agreement and the Abatement Resolution.
- (e) “**Abatement Property**” means one or more Parcels that are associated with a Phase.
- (f) “**Abatement Resolution**” means the resolution adopted by the City on \_\_\_\_\_ authorizing the Abatement Program and payment of Abatements thereunder.
- (g) “**Agreement**” means this Tax Abatement Agreement, as the same may be from time to time modified, amended, or supplemented.
- (h) “**Available Tax**” means all of the City’s share of real estate taxes generated by a Parcel for a tax year during the relevant Abatement Period and paid by the County to the City.
- (i) “**Baseline Tax**” means all of the City’s share of real estate taxes generated by a Parcel for the Baseline Year and paid by the County to the City.
- (j) “**Baseline Year**” means the tax assessment year preceding the year in which construction of a Phase on one or more Parcels commences.
- (k) “**Business Subsidy Act**” means Minnesota Statutes, sections 116J.993 through 116J.995, as amended.
- (l) “**City**” means the City of Hermantown, Minnesota.
- (m) “**City Event of Default**” means any of the events described in Section 6.01 hereof.
- (n) “**Commercial Operation Date**” means the date upon which the Developer has notified the City that the Phase is fully operational after the certificate of occupancy for that Phase’s technology building has been issued.
- (o) “**County**” means Saint Louis County, Minnesota
- (p) “**County Tax Abatement Agreement**” means that certain tax abatement agreement between the County and City regarding the Abatement Property.

- (q) **“Developer”** means Harmony Group LLC.
- (r) **“Developer Event of Default”** means any of the events described in Section 5.01 hereof.
- (s) **“Final Abatement Date”** means the 31st of December of the last year in an Abatement Period for a given Parcel, unless there is an earlier date under the terms of this Agreement or State law.
- (t) **“Full-Time Employment Position”** means a direct employee of Developer, or a parent, affiliate, or subsidiary thereof that maintains a regular schedule at the Project of no less than 35 hours per week and must have annual compensation of at least one hundred and twenty percent (120%) of the Saint Louis County average weekly wage for the first quarter of the year, as published by the United States Bureau of Labor Statistics, or the nearest available equivalent to such data, and annualized based on a fifty-two (52) week year; and shall be located on the Project Property but are not required to be located at any specific location on the Project Property.
- (u) **“Initial Year,”** with regard to the Abatement for a Parcel, means the year in which the Commercial Operation Date occurs for the Phase associated with the Parcel.
- (v) **“Land Use Entitlements”** means the planned unit development, rezoning and other land use approvals granted or to be granted by the City involving the Project.
- (w) **“Maximum Annual Project Abatements Limitation”** means, with regard to a tax year, seventy percent (70%) of the Abatement Cap.
- (x) **“Maximum Total Project Abatements Limitation”** means eighty million dollars (\$80,000,000).
- (y) **“Minimum Employment Goal”** means the employment positions target as specified in Section 4.03 as a project goal for purposes of the Business Subsidies Act.
- (z) **“Net Additional Tax”** means, with regard to a tax year in the Abatement Period, the Available Tax from a Parcel less the Baseline Tax for that Parcel.
- (aa) **“Parcel”** means a parcel of real estate within the Project Property that has been designated for Abatement.
- (bb) **“Payment Date”** means December 31<sup>st</sup> for each taxes payable year in an Abatement Period.
- (cc) **“Phase”** means a component part of the Project on one or more Parcels, and involving the construction of one or more buildings, including a technology building.

(dd) “**Project**” means the construction of a technology campus on the Project Property and all final site and building plans the City subsequently approves, consisting generally of principal and auxiliary buildings, and which may occur in up to four (4) Phases, each of which may include one or more Parcels.

(ee) “**Project Property**” means the real property defined in **Exhibit A**, which is intended to be the location of the Project. The Parcels in the Project Property may be platted or replatted by Developer.

(ff) “**Tax Abatement Act**” means Minnesota Statutes, sections 469.1812 through 469.1815, as amended.

(gg) “**Tax Appeal**” means any petition or other action to seek a reduction in market value or property taxes on any portion of the Project Property under any State or other applicable law or procedure.

## **ARTICLE 2 REPRESENTATIONS AND WARRANTIES**

**Section 2.01.** Representations and Warranties of the City. The City makes the following representations and warranties:

(a) The City is a municipal corporation and political subdivision and statutory city under the laws of Minnesota and has the power to enter into this Agreement and carry out its obligations hereunder.

(b) The Abatement Program was created, adopted and approved in accordance with the Tax Abatement Act.

(c) The City has made the findings required by the Tax Abatement Act regarding the Abatement Program and has adopted the Abatement Resolution following a public hearing.

(d) The City has made the findings required by the Business Subsidy Act and its Business Subsidy Policy regarding the Abatement Program and this Agreement.

**Section 2.02.** Representations and Warranties of the Developer. The Developer makes the following representations and warranties:

(a) The Developer is a limited liability company, duly organized, existing, and in good standing under the laws of Delaware, and it has the power to enter into this Agreement, perform its obligations hereunder, and carry out the covenants contained herein.

- (b) If constructed, the Developer will cause the Project to be undertaken in accordance with the terms of this Agreement, the Development Agreement, the Land Use Entitlements and all applicable City, State, and federal laws and regulations.
- (c) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by, or conflicts with or results in a breach of, the terms, conditions, or provisions of any organizational document, contractual restriction, evidence of indebtedness, agreement, or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.
- (d) Construction of the Project would not be undertaken by the Developer, and in the opinion of the Developer would not be economically feasible, without the assistance and benefit to the Developer provided for in this Agreement.
- (e) The Developer will reasonably cooperate with the City with respect to any litigation brought by a third party against the City and the Abatement Program.
- (f) The Developer is not in default under any business subsidy agreement pursuant to Section 116J.994 of the Business Subsidy Act, nor has it been in such default within the preceding five (5) years.

**ARTICLE 3  
UNDERTAKINGS BY DEVELOPER AND CITY**

**Section 3.01. The Project.**

- (a) The City has adopted an ordinance rezoning the Abatement Property to Business and Light Manufacturing (BLM). Additional Land Use Entitlements required before commencement of the Project are envisioned to include final site and building plan approvals and a plat of the Project Property.
- (b) The Project will consist of up to four (4) Phases. Each Phase will constitute a major investment by the Developer on the Abatement Property for that Phase, and which is within the overall Project Property.
- (c) Upon commencement of construction of a new Phase, the Developer shall notify the City. Such notification shall include identification of one or more Parcels for Abatement as being associated with that Phase.

(d) The first Phase will include capital expenditure of at least six hundred and fifty million dollars (\$650,000,000) in the relevant Abatement Property. As more particularly set forth in Section 3.04, the first Phase is anticipated to include the creation of at least forty (40) new Full-Time Employment Positions, and each additional Phase is anticipated to include the creation of at least thirty (30) new Full-Time Employment Positions.

**Section 3.02. Transfer of the Project and Assignment of Agreement.**

(a) The Developer represents and agrees that, prior to the termination of this Agreement, the Developer shall not assign this Agreement in conjunction with a transfer of its interest in the Abatement Property or any part thereof or any interest therein without the prior written consent of the City, except as otherwise allowed by this Section. The City's consent shall not be unreasonably withheld, conditioned, or delayed.

(b) Any transfer or assignment by Developer to an affiliate of the Developer shall not require the prior written consent of the City, however, the Developer shall notify the City within forty-five (45) days of any such transfer.

(c) Any transfer or assignment by Developer to a third party solely for financial structuring purposes shall not require the prior written consent of the City provided that the Developer or an affiliate retains at all times the exclusive power to direct the management and operations of the Project, however, the Developer shall notify the City within forty five (45) days of any such transfer.

**Section 3.03. Real Property Taxes; Excise and Sales Taxes.**

(a) The City agrees that during any Abatement Period it will not take any action, including the levy of special assessments, to unreasonably increase the assessment of the Project Property or other actions to impair the ability of the Developer to proceed with developing or operating the Project. Notwithstanding the above, the City shall have the right to specially assess any or all of the Project Property in accordance with Minnesota Statutes, Chapter 429 to the extent the Project Property is benefitted by such improvements.

(b) The Developer agrees that during any Abatement Period it will not cause a reduction in the real property taxes paid on the Abatement Property through willful destruction of any part of the Project that is subject to any Abatement. The Developer also agrees that it will not, during any Abatement Period, transfer or permit transfer of the Abatement Property to any entity whose ownership or operation of the property would result in the Abatement Property being exempt from real property taxes under State law.

(c) The Developer shall notify the City within thirty (30) days of filing any Tax Appeal. If as of any Payment Date, any Tax Appeal is then pending, the City will continue to pay any Abatement due but only to the extent that the Abatement relates to real estate taxes paid with respect to the market value of the Abatement Property not being challenged as part of the Tax Appeal, and the City will withhold any Abatement otherwise due related to real property taxes paid with respect to the market value of the Abatement Property being challenged as part of the Tax Appeal. The City will pay to the Developer any withheld Abatement to the extent not reduced as a result of the Tax Appeal after the Tax Appeal is fully resolved and the amount of Abatement attributable to the disputed tax payments is finalized. Nothing in this Section 3.03(c) shall be deemed to limit the Developer's right to challenge or oppose, pursuant to any applicable law or procedure, the imposition of any other taxes, fees, or other governmental charges, including, without limitation, franchise fees, imposed by any governmental authority on the Developer, the Project Property, or the Project.

(d) The Parties acknowledge that the Project will generate significant economic benefit to the Developer, including through the property tax abatement provided by the City under this Agreement and through the Project's exemption from excise and sales taxes under Minnesota Statutes Chapter 297A. In recognition of these benefits and as negotiated consideration for the City's agreement to provide the abatement and to undertake the municipal planning, infrastructure coordination, and service commitments associated with the Project, the Developer agrees that, commencing upon the initial Commercial Operation Date, the Developer shall annually pay the City one hundred fifty thousand dollars (\$150,000) by December 31st, with said payment annually increasing by seven thousand five hundred and No/100 dollars (\$7,500.00) for a period of twenty (20) years.

(e) The Developer acknowledges that the City has not imposed the payments as a tax, regulatory fee, subdivision dedication, or development impact fee, and that the City has not conditioned the issuance of any zoning approval, land use approval, permit, or other regulatory authorization on the Developer's agreement to make such payments. The payments were voluntarily negotiated as part of the overall economic framework governing development of the Project and constitute contractual consideration supporting the mutual commitments of the Parties herein.

(f) The payment obligations set forth in this Section shall survive termination of this Agreement for any reason, including termination by the Developer pursuant to Section 7.08 and any transfer or conveyance of any portion of the Project Property. The exercise of any termination right under this Agreement shall not reduce, suspend, or extinguish the Developer's payment obligations and such obligations shall be binding upon the Developer's successors and assigns with respect to the Project Property.

**Section 3.04. Amounts of City Abatements.**

(a) The City agrees to abate the amounts as set forth herein as to taxes paid by Developer and anticipates entering into the County Tax Abatement Agreement to serve as a conduit for taxes to be abated to Developer thereunder.

(b) The Abatement Program shall consist of annual Abatement calculations based on percentages of Net Additional Tax for each Parcel that is within an Abatement Period, and taking into account the creation of sufficient Full-Time Employment Positions, according to the following calculation for each tax year.

(i) Calculate the City's Net Additional Tax for each Parcel, and then reduce that amount by fifteen percent (15%), to eighty-five (85%) of the Net Additional Tax for the Parcel; provided, however, that the aggregate Net Additional Tax for the first Phase of the Project shall be reduced by one hundred thousand dollars (\$100,000) before applying said calculation.

(ii) Beginning with the second tax year of a Parcel's Abatement, for any Phase where the Developer has not met its employment target for the Phase, as provided in this subsection, the Abatement for a Parcel relating to that Phase shall be reduced in proportion to the shortfall from the employment target for that Phase. Developer's employment target for the initial Phase is forty (40) Full-Time Employment Positions, and for each subsequent Phase is thirty (30) new Full-Time Employment Positions. The Full-Time Employment Positions must have annual compensation of at least one hundred and twenty percent (120%) of the Saint Louis County average weekly wage for the first quarter of the year, as published by the United States Bureau of Labor Statistics, or the nearest available equivalent to such data, and annualized based on a fifty-two (52) week year. The Full-Time Employment Positions shall be located on the Project Property but are not required to be located at any specific location on the Project Property.

(iii) Apply the Maximum Annual Project Abatements Limitation to ensure that the total of the City's Abatements for the tax year does not exceed the Maximum Annual Project Abatements Limitation. If the Maximum Annual Project Abatements Limitation applies, reduce the Abatements, starting with the newest Abatement (i.e., the Parcel or Parcels associated with the most recently completed Phase), until the total amount of the Abatements for the tax year equals the Maximum Annual Project Abatements Limitation for the tax year.

(iv) Apply the Maximum Total Project Abatements Limitation to ensure that the total aggregate of the City's Abatements for the Project for the current tax year plus all preceding tax years does not exceed the Maximum Total Project Abatements Limitation. If the Maximum Total Project Abatements Limitation applies, reduce the Abatements, starting with the newest Abatement (i.e., the Parcel or Parcels associated with the most recently completed Phase), until the total amount of the Abatements for the tax year plus all preceding tax years does not exceed the Maximum Total Project Abatements Limitation.

(c) In accordance with Section 469.1813, subdivision 8 of the Abatement Act, in no tax year shall the Abatements, together with all other abatements approved by the City under the Tax Abatement Act for that tax year, exceed the Abatement Cap. The City may grant other abatements permitted under the Tax Abatement Act after the date of this Agreement, provided that to the extent the total abatements in any year exceed the Abatement Cap, the allocation of Abatement Cap to such other abatements shall be subordinate to the Abatements granted pursuant to this Agreement.

(d) The employment targets for calculating the Abatements are measured on a cumulative rolling basis. Full-Time Employment Positions will be assigned to the earliest Phase where positions are required to meet the target, with any surplus then assigned to the employment target for the next Phase, and so on.

**Section 3.05. Abatement Periods; ISD No. 700.**

(a) The Abatement Period for each Abatement for each Parcel is for twenty (20) tax years, provided that if such Abatement Period would extend past the term of this Agreement, then the Abatement Period is shortened to conclude with the taxes payable year in which the term of this Agreement ends.

(b) The Parties acknowledge that the City may offer an Abatement Period of twenty (20) years only because the City requested in writing that Independent School District No. 700 (Hermantown School District) (the "**District**") participate in the Abatement Program, and the school district has declined in writing to do so. If the school district subsequently decides to grant a tax abatement regarding the Project, the Abatement Program will be modified and the relevant Abatement Periods shortened in accordance with the Tax Abatement Act.

(c) In recognition of the Project's potential impact to the District's operations and the limitation on realizing offsets due to statutory levy limits, assessment lags, and the inability to capture immediate value from the Project's stepped construction phases, commencing

upon the initial Commercial Operation Date, the Developer shall annually pay the City eight hundred fifty thousand and No/100 dollars (\$850,000.00) by December 31st, with said payment annually increasing by fifty thousand and No/100 dollars (\$50,000.00) for a period of twenty-eight (28) years.

(d) The City anticipates entering into a Joint Powers Agreement (the “**JPA**”) with the District pursuant to Minn. Stat. § 471.59 for the limited purpose of establishing the fund transfer mechanism described herein. The terms of the JPA are expected to include the following provisions: (i) the District shall establish a dedicated fund (the “**District Fund**”) no later than ninety (90) days prior to the initial Commercial Operation Date; (ii) the District shall provide the City with written notice of the District Fund’s establishment, including the name of the managing institution, account or fund name, account or fund number, and the District’s authorized representative for purposes of directing distributions, no later than sixty (60) days prior to the initial Commercial Operation Date; and (iii) the District Fund so established shall serve as the sole depository for all payments made by the City pursuant to this Section for the full term of the payment obligation.

Regardless of whether the JPA has been executed, the City’s obligations under this Section are as follows: Within thirty (30) days of receipt of each annual payment from the Developer pursuant to Section 3.05(c), the City shall transfer the full amount of such payment to the District Fund. Upon transfer, the City’s obligation with respect to that payment shall be fully discharged, and the City shall have no fiduciary duty, investment obligation, or ongoing liability with respect to the District Fund or the management, administration, or distribution of funds following transfer.

In the event the JPA has not been executed and the District Fund has not been established prior to the initial Commercial Operation Date, the City shall establish a fund (the “**Foundation Fund**”) with a qualified community foundation, as defined herein, for the benefit of the District, and shall deposit all payments received from the Developer pursuant to Section 3.05(c) into the Foundation Fund until such time as the JPA is executed and the District Fund is established. For purposes of this Agreement, a “qualified community foundation” means a 501(c)(3) organization accredited under the National Standards for U.S. Community Foundations administered by the Council on Foundations. Upon execution of the JPA and establishment of the District Fund, all funds held in the Foundation Fund shall be transferred to the District Fund.

The Developer acknowledges that the City has not imposed the payments as a tax, regulatory fee, subdivision dedication, or development impact fee, and that the City has not conditioned the issuance of any zoning approval, land use approval, permit, or other regulatory authorization on the Developer’s agreement to make such payments. The

payments were voluntarily negotiated as part of the overall economic framework governing development of the Project and constitute contractual consideration supporting the mutual commitments of the Parties herein.

(e) The payment obligations set forth in this Section shall survive termination of this Agreement for any reason, including termination by the Developer pursuant to Section 7.08 and any transfer or conveyance of any portion of the Project Property. The exercise of any termination right under this Agreement shall not reduce, suspend, or extinguish the Developer's payment obligations and such obligations shall be binding upon the Developer's successors and assigns with respect to the Project Property.

(f) Developer shall partner with the District and other local organizations on education and workforce development initiatives – these may be technology focused and/or promote career pathways and workforce development.

**Section 3.06. Abatement Payments Rebating Taxes Paid.**

(a) The City will take all actions necessary to ensure the payment of Abatements from the City and the County in accordance with this Agreement. For a given taxes payable year, the City shall pay the entirety of the annual Abatement amount, including any amount from the County, by the Payment Date for that taxes payable year. Provided, however, that under all circumstances the City shall pay an Abatement only up to the extent it has received the associated real estate taxes. If any part of an annual Abatement amount for a given taxes payable year is received by the City after the Payment Date for that year, then such Abatement shall be paid before the next Payment Date, up to and including the Final Payment Date.

(b) When payments for a given Payment Date for multiple Abatements are owed to the Developer, such payments may be combined into a single payment.

**Section 3.07. Cooperation in Calculation of Abatements.**

(a) The Parties shall cooperate in good faith in the calculation of Abatements under this Agreement.

(b) Within ten (10) business days after a request from any Party: Developer shall provide an accounting of its real estate tax assessments and payments on Project Property; and the City shall provide an accounting of its calculation, receipt, and payment of the Abatements.

**Section 3.08. Applies Solely to Project.** The Abatements offered under the Abatement Program and this Agreement apply solely to the Project, including any additional parcels added to this Agreement by amendment.

## **ARTICLE 4 BUSINESS SUBSIDY**

**Section 4.01. Business Subsidy.** In order to satisfy provisions of the Business Subsidy Act, the Parties acknowledge and agree that the amount of the business subsidy to be provided under this Agreement is the total value of the Abatements granted under this Agreement, although what is deemed a subsidy is only a partial rebate of additional property taxes paid on the Project. Such amount varies by formula and is estimated at Net Present Value to be \$33,515,770. The Developer is the only recipient of the business subsidy. The public purposes of the subsidy are to create high-quality employment positions in the City, to increase the tax base, and to enhance economic diversity. The Developer agrees that, as a condition of receiving the business subsidy, it will meet and fulfill or cause to be met and fulfilled the project goal set forth in this Article 4. The subsidy is needed to induce the Developer to proceed with the Project. Saint Louis County is anticipated to also provide a tax abatement in support of the Project. The parent corporation of Developer, with address, is Alphabet Inc., 1600 Amphitheatre Parkway, Mountain View, California 94043.

**Section 4.02. Project Goal.** Contingent upon the Project moving forward as evidenced by the filing of a construction permit for the first Phase of the Project, which would be before any subsidy is received, the Developer agrees to satisfy the Minimum Employment Goal by the deadline specified in Section 4.03 and to maintain the Minimum Employment Goal for the remainder of the five (5) years following the Commercial Operation Date of the first Phase of the Project.

**Section 4.03. Minimum Employment Goal.** The Minimum Employment Goal for the Project is the creation of forty (40) Full-Time Employment Positions by December 31 of the third calendar year directly following the initial Certificate of Occupancy issuance for the first Phase of the Project. The City may, after holding a public hearing, extend this deadline for up to one (1) additional year. The created employment positions may be employed by Developer or one or more of its affiliates.

**Section 4.04. Failure to Reach and Maintain Minimum Employment Goal.** If the Developer fails to meet and maintain the Minimum Employment Goal for the period specified by Section 4.02 of this Agreement, then it will not receive any further Abatement payments, provided that the Developer may retain previous Abatement payments as constituting prorated partial performance under this Agreement.

**Section 4.05. Reporting on Project Goal.** The Developer agrees that it will report to the City its progress in achieving the project goal for a given year no later than the March 1 following the end of the year on forms developed by the Minnesota Department of Employment and Economic Development, and including in the report the information required in Section 116J.994, subdivision 7 of the Business Subsidy Act. If the City does not receive the report as of March 1, the City will send notice to the Developer within one (1) week of the required filing date. If, after fourteen (14) days from the postmarked date of the warning notice, the Developer fails to provide a report, the/ Developer will pay to the City a penalty of one hundred dollars (\$100) for each subsequent day after the fourteen (14) days until the report is filed. The maximum penalty shall not exceed one thousand dollars (\$1,000).

**Section 4.06. Repayment.** If, for any reason, the City has paid an annual Abatement amount greater than Developer would have been entitled to pursuant to this Agreement, then Developer shall repay that portion that it was not entitled to receive, plus interest, which shall be set at the implicit price deflator as defined in Minnesota Statutes Section 275.70, subd. 2.

## **ARTICLE 5 DEVELOPER EVENTS OF DEFAULT**

**Section 5.01. Developer Events of Default Defined.** The following shall be “Developer Events of Default” under this Agreement and the term “Developer Event of Default” shall mean whenever it is used in this Agreement any one or more of the following events:

- (a) Except with regard to any amount subject to a Tax Appeal or the payment of which has been stayed by any other procedure under applicable law, failure by the Developer to timely pay any ad valorem real property taxes, special assessments, or other governmental impositions with respect to any Abatement Property.
- (b) If constructed, the failure by the Developer to cause the Project to be constructed pursuant to the terms, conditions and limitations of the Development Agreement, Land Use Entitlements and this Agreement.
- (c) Failure by the Developer to observe or perform any other covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement or the Development Agreement, but excluding any failure to meet a Business Subsidy Act project goal under Article IV of this Agreement, which shall be governed by the remedies therein.

**Section 5.02. Remedies on Default.** Whenever any Developer Event of Default referred to in Section 5.01 occurs and is continuing, the City, may take any one or more of the following actions after the giving of written notice to the Developer citing with specificity the item or items

of default and notifying the Developer that it has ninety (90) days within which to cure said Developer Event of Default or commence and diligently pursue such Developer Event of Default if the Developer is unable to cure within such ninety (90) day period and Developer is diligently pursuing and can demonstrate progress toward curing the default. If the Developer is unable to cure or commence a cure for the Developer Event of Default within said ninety (90) days as required above, the City may:

- (a) Suspend its performance under this Agreement until it receives assurances from the Developer, deemed reasonably adequate by the City, that the Developer will cure its default and continue its performance under this Agreement; or
- (b) Collect any payments due under the Tax Abatement Act.

**Section 5.03. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given solely under this Agreement. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as often as may be deemed expedient.

**Section 5.04. No Implied Waiver.** In the event any covenant contained in this Agreement should be breached by any Party and thereafter waived by the other Party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

## ARTICLE 6 CITY EVENTS OF DEFAULT

**Section 6.01. City Events of Default Defined.** The following shall be “City Events of Default” under this Agreement and the term “City Event of Default” shall mean whenever it is used in this Agreement any one or more of the following events:

- (a) Failure by the City to timely rebate taxes as provided in this Agreement by paying any Abatement payment due on any Payment Date.
- (b) Failure by the City to observe or perform any other covenant, condition, obligation, or agreement on its part to be observed or performed under this Agreement.
- (c) City takes actions, including the levy of special assessments or other actions to discriminatorily impair the ability of the Developer to proceed with developing or operating the Project.

**Section 6.02. Remedies on Default.** Whenever any City Event of Default referred to in Section 6.01 occurs and is continuing, the Developer may take any one or more of the following actions after the giving of written notice to the City citing with specificity the item or items of default and notifying the City that it has ninety (90) days within which to cure said City Event of Default or commence and diligently pursue such City Event of Default if the City is unable to cure within such ninety (90) day period and City is diligently pursuing and can demonstrate progress toward curing the default. If the City is unable to cure or commence a cure for the City Event of Default within said ninety (90) days as required above, the Developer may seek monetary damages or specific performance as remedies.

**Section 6.03. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Developer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given solely under this Agreement. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as often as may be deemed expedient.

## **ARTICLE 7 ADDITIONAL PROVISIONS**

**Section 7.01. Conflicts of Interest.** No member of the governing body or other official of the City shall participate in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. No member, official or employee of the City shall be personally liable to the City in the event of any default or breach by the Developer, or successor of any obligations under the terms of this Agreement.

**Section 7.02. Titles of Articles and Sections.** Any titles of the several parts, articles and sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

**Section 7.03. Notice.** Unless otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by either Party to the other shall be sufficiently given or delivered if it is sent by both (1) email and (2) physical copy transmitted by reputable overnight courier, registered or certified mail, postage prepaid, return receipt requested, or personal delivery. Such notice shall be sent to the following:

In the case of the Developer:

Harmony Group LLC  
2801 Centerville Road  
1st Floor, PMB 160  
Wilmington, DE 19808

and with a copy to:

Kutak Rock LLP  
1650 Farnam Street  
Omaha, NE 68102  
Attention: Margot J. Wickman  
margot.wickman@kutakrock.com

In the case of the City:

City of Hermantown  
Attn: Chad Ronchetti, Economic Development Director  
250 South Main Street  
Hermantown, MN 55963  
cronchetti@hermantownmn.com

and with a copy to:

City of Hermantown  
Attn: Gunnar Johnson, City Attorney  
Overom Law  
802 Garfield Avenue, Suite 101  
Duluth, MN 55802  
gjohnson@overomlaw.com

or at such other address with respect to any such Party as that Party may, from time to time, designate in writing and forward to the other Parties, as provided in this Section.

**Section 7.04. Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

**Section 7.05. Law Governing.** This Agreement will be governed and construed in accordance with the laws of the State.

**Section 7.06. Term.** This Agreement shall remain in effect commencing on the Effective Date and until December 31 of the thirty-first (31st) year after the Effective Date, unless earlier terminated or rescinded in accordance with its terms or State law.

**Section 7.07. Recording.** A recordable Memorandum of Agreement, in substantially the form attached hereto as **Exhibit B - Memorandum of Agreement**, shall be completed and recorded in the land records of the County, subsequent to the replatting of the Project Property, and shall state that the terms and conditions of this Agreement run with the Project Property and bind and inure to the benefit of the Parties and their successors and assigns.

**Section 7.08. Developer Option to Terminate.** The Developer shall have the option to terminate this Agreement for any reason that causes the Project to no longer be viable, determined by the Developer in its sole discretion. The Developer shall then notify the City of its decision to terminate within fifteen (15) days.

**Section 7.09. Provisions Surviving Rescission or Expiration.** Section 7.13 shall survive any rescission, termination, or expiration of this Agreement with respect to or arising out of any event, occurrence, or circumstance existing prior to the date thereof.

**Section 7.10. Payment of Fees.** Under the City's Reimbursement Agreement of January 16, 2025, with Mortenson Development, Inc., the City will be reimbursed in an amount not to exceed \$225,000.00 for the City's reasonable legal, financial, consultant, and other costs in connection with the review of its application for the Abatements.

**Section 7.11. Compliance.**

(a) In connection with the negotiation and performance of this Agreement, the Parties, represent, warrant and covenant that they will comply with all applicable anti-corruption laws, rules, and regulations.

(b) Each Party will cooperate in good faith to review any compliance matters that arise during the performance of the Agreement, subject to compliance with applicable laws, including data protection laws, and their own internal policies and procedures.

**Section 7.12. Joint Authorship.** This Agreement has been drafted through the joint efforts of the Parties, and no ambiguity or inconsistency shall be construed against either Party by virtue of authorship.

**Section 7.13. No Personal Obligations.** All covenants, stipulations, promises, agreements and obligations of a Party contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of that Party, and not of any governing body member, officer, agent, servant, or employee of that Party, as applicable, in the individual capacity thereof.

**Section 7.14. Force Majeure.** A Party may assert force majeure in the event of an act, cause or occurrence which: (i) delays or prevents a Party from timely performing its obligations

under this Agreement; (ii) arises outside the control of the Party hereto who has the affected obligation; (iii) cannot be prevented by such Party's exercise of due care, prudence and diligence; and (iv) is not the result of the willful misconduct or negligent act or omission of such Party (or its subcontractors or agents). A Party asserting that the force majeure delays or prevents timely performance will have the duty to mitigate the effect of the force majeure. Such affected Party will provide prompt written notice of the occurrence of a force majeure event to the other Parties and will have its time for performance extended only to the extent that, and only for so long as, the force majeure either: (i) actually delays or prevents timely performance, if such Party properly exercises its duty to mitigate; or (ii) would have delayed or prevented timely performance if such Party properly had exercised its duty to mitigate but failed to do so.

**Section 7.15. Severability.** The unenforceability or invalidity of any provision hereof shall not render any other provision or provisions herein contained unenforceable or invalid.

**Section 7.16. Change of Law.** If, due to any change in applicable law, regulation, or interpretation thereof by any court of law or other governing body having jurisdiction subsequent to the date of this Agreement, performance of any provision of this Agreement shall become impracticable or impossible, the Parties shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such provision.

**Section 7.17. Confidentiality.** Information and documents provided by the Developer pursuant to this Agreement may be trade secret information that is classified as private or nonpublic data under the Minnesota Government Data Practices Act (Chapter 13, Minnesota Statutes) (the “**MGDPA**”). The Parties acknowledge that the City is relying on the representations of the Developer in classifying trade secret information as nonpublic pursuant to the MGDPA. If any person requests to examine information or documents provided pursuant to this Agreement the City will notify the Developer. If the Developer classifies any data as trade secret information, Developer shall indemnify and hold harmless the City and its employees, officers and officials for all expenses, costs, damages, and penalties of any kind whatsoever which may be incurred by the City and/or any of its employees, officers and officials, or assessed or awarded against the City and/or any of its employees, officers and officials and in favor of any requesting or complaining party, in regard to the City classifying the trade secret information as nonpublic data and denying any request to inspect or copy the un-redacted Agreement. If litigation is filed in relation to such a request and the Developer is not initially named as a party, the Developer shall promptly seek to intervene as a defendant in such litigation to defend its claim regarding the trade secret protection of such material. With respect to protection and disclosure of information provided pursuant to this Agreement that is claimed by the Developer to be nonpublic trade secret information, this Section 7.17, and not the terms and conditions of any prior mutual nondisclosure agreement between the Parties shall apply and control.

IN WITNESS WHEREOF, the City has caused this Agreement to be duly executed in its name and on its behalf, and the Developer has caused this Agreement to be duly executed in its name and on its behalf as of the date first above written.

**DEVELOPER:**

HARMONY GROUP LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

**CITY OF HERMANTOWN:**

By: \_\_\_\_\_  
Wayne Boucher, Mayor

By: \_\_\_\_\_  
Alissa McClure, City Clerk

*[Signature Page to Tax Abatement Agreement]*

**EXHIBIT A**  
**DESCRIPTION OF PROJECT PROPERTY**

The Project Property is that part of Section 31, Township 50 North, Range 15 West, 4th Principal Meridian, St. Louis County, Minnesota, described as follows:

Beginning at the northeast corner of said Section 31; thence South 00 degrees 21 minutes 59 seconds East, assumed bearing, along the east line of the Northeast Quarter, a distance of 2652.09 feet to the east quarter corner of said Section 31; thence South 00 degrees 22 minutes 03 seconds East along the east line of the Southeast Quarter, a distance of 1326.39 feet to the southeast corner of the Northeast Quarter of the Southeast Quarter; thence South 89 degrees 53 minutes 58 seconds West along the south line of said Northeast Quarter of the Southeast Quarter, a distance of 33.00 feet; thence North 00 degrees 22 minutes 03 seconds West, a distance of 100.00 feet; thence South 89 degrees 53 minutes 58 seconds West, a distance of 100.00 feet; thence South 00 degrees 22 minutes 03 seconds East, a distance of 100.00 feet to said south line of the Northeast Quarter of the Southeast Quarter; thence South 89 degrees 53 minutes 58 seconds West along said south line of the Northeast Quarter of the Southeast Quarter and the south line of the Northwest Quarter of the Southeast Quarter, a distance of 2515.34 feet to the southwest corner of said Northwest Quarter of the Southeast Quarter; thence North 00 degrees 24 minutes 24 seconds West along the north-south quarter line of said Section 31, a distance of 2635.21 feet to the southeast corner of the East Half of the Northeast Quarter of the Northwest Quarter; thence South 89 degrees 39 minutes 57 seconds West along the south line of said East Half of the Northeast Quarter of the Northwest Quarter, a distance of 171.30 feet to the intersection with the west line of the East 171.30 feet of said East Half of the Northeast Quarter of the Northwest Quarter; thence North 00 degrees 24 minutes 24 seconds West along said west line of the East 171.30 feet of East Half of the Northeast Quarter of the Northwest Quarter, a distance of 1316.98 feet to the north line of said East Half of the Northeast Quarter of the Northwest Quarter; thence North 89 degrees 36 minutes 43 seconds East along said north line of the East Half of the Northeast Quarter of the Northwest Quarter, a distance of 171.30 feet to the north quarter corner of said Section 31; thence North 89 degrees 20 minutes 04 seconds East along the north line of said Northeast Quarter, a distance of 2651.11 feet to the northeast corner of said Section 31, also being the point of beginning.

Containing 10,722,710 square feet, or 246.15955 acres, more or less.

The Project Property includes parcels 395-0010-09170, 395-0010-09135, 395-0010-09130, 395-0010-09131, 395-0010-09103, 395-0010-09102, 395-0010-09100, 395-0010-09080, 395-0010-09120, 395-0010-09110, 395-0010-09095, 395-0010-09150, 395-0010-09090, 395-0010-09155, 395-0010-09161, 395-0010-09160, 395-0010-09300, 395-0010-09302, 395-0010-09140, 395-0010-09310, 395-0010-09320, 395-0010-09330, and 395-0010-09340.

**EXHIBIT B**  
**FORM OF RECORDABLE MEMORANDUM OF AGREEMENT**

*Attached*

## MEMORANDUM OF TAX ABATEMENT AGREEMENT

THIS MEMORANDUM OF TAX ABATEMENT AGREEMENT (this “**Memorandum**”), dated \_\_\_\_\_, 2026, is made by and between the City of Hermantown, a municipal corporation and political subdivision under the laws of Minnesota (the “**City**”) and Harmony Group LLC, a Delaware limited liability company (the “**Developer**”).

### Section 1. Recitals

A. City and Developer are parties to that certain Tax Abatement Agreement (the “**Agreement**”) dated \_\_\_\_\_ (“**Effective Date**”), which affects real property located in Saint Louis County, Minnesota legally described on **Exhibit A** attached hereto (“**Abatement Property**”).

B. City and Developer wish to memorialize and record the existence of the Agreement and certain specific terms of the same.

### Section 2. Agreement

NOW THEREFORE, in consideration of the Agreement and other good and valuable consideration, City and Developer agree as follows:

1. All capitalized terms not defined herein shall have the meaning given to them by the Agreement. The original executed Agreement shall be on file with the City.

2. The Project consists of the development of a technology campus on the Project Property in up to four (4) Phases.

3. Pursuant and subject to the terms and conditions of the Agreement, the City shall provide the Abatement Program for the Project Property, consisting of real property tax Abatements for each Parcel comprising the Abatement Property for each Phase, which Abatements shall be paid to the Project Developer.

4. The Abatement Period for a Parcel’s Abatement applies to the first tax assessment year following the Commercial Operation Date of the Phase relating to that Parcel (the taxes payable in the second year following the Commercial Operation Date of the Phase relating to the Parcel) and extends for twenty (20) years thereafter or when the cumulative abatement amount for all eligible parcels reaches the maximum amount identified in the Agreement, whichever occurs first.

5. The Agreement is in effect, commencing on the Effective Date, and remaining in effect until December 31 of the taxes payable year for the last Abatement Period for the last Parcel constructed, unless earlier terminated or rescinded in accordance with the terms of the Agreement or State law. The terms and conditions of the Agreement run with the Abatement Property, and shall be binding upon and inure to the benefit of the parties and their successors and assigns.

6. This Memorandum of Tax Abatement Agreement has been executed and delivered

by the parties for the purpose of recording and giving notice that a contractual relationship for tax abatement involving the Project Property has been created among the City and the Developer in accordance with the terms, covenants and conditions of the Agreement. Nothing herein shall be construed to amend, modify, change, alter, amplify, interpret or supersede any of the terms and provision of the Agreement, which shall in all things control.

7. The terms and conditions of the Agreement are incorporated by reference into this Memorandum of Tax Abatement Agreement as if set forth fully herein at length.

8. The parties hereto agree that this Memorandum satisfies Section 7.07 of the Agreement, which requires that a Memorandum of Agreement be completed and recorded in the land records of the County.

*{Remainder of page intentionally left blank; signature page follows.}*

IN WITNESS WHEREOF, the City has caused this Memorandum to be duly executed in its name and on its behalf, and the Developer has caused this Memorandum to be duly executed in its name and on its behalf, on or as of the date first above written.

**HARMONY GROUP LLC**

By: \_\_\_\_\_

Its: \_\_\_\_\_

STATE OF \_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was executed before me this day of \_\_\_\_\_ 202\_,  
by \_\_\_\_\_, the \_\_\_\_\_ of  
Harmony Group LLC, a Delaware limited liability company, on behalf of the  
company.

Notary Public



**EXHIBIT A**  
**DESCRIPTION OF PROJECT PROPERTY**

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Containing 10,722,710 square feet, or 246.15955 acres, more or less.

The Project Property includes parcels 395-0010-09170, 395-0010-09135, 395-0010-09130, 395-0010-09131, 395-0010-09103, 395-0010-09102, 395-0010-09100, 395-0010-09080, 395-0010-09120, 395-0010-09110, 395-0010-09095, 395-0010-09150, 395-0010-09090, 395-0010-09155, 395-0010-09161, 395-0010-09160, 395-0010-09300, 395-0010-09302, 395-0010-09140, 395-0010-09310, 395-0010-09320, 395-0010-09330, and 395-0010-09340.

*[Exhibit A to Memorandum of Tax Abatement Agreement]*