

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

11-0596R

RESOLUTION AUTHORIZING A SIXTH AMENDMENT TO THE MINNESOTA INVESTMENT FUND (MIF) AGREEMENT WITH THE STATE OF MINNESOTA AND FURTHER AUTHORIZING A SIXTH AMENDMENT TO THE MIF LOAN AGREEMENT AND A SIXTH PROMISSORY NOTE MODIFICATION AGREEMENT WITH NORTHSTAR MACHINE & TOOL, INC., D.B.A. NORTHSTAR AEROSPACE, MODIFYING PAYMENTS FROM DECEMBER 1, 2011 THROUGH APRIL 30, 2012.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter into a sixth amendment to the MIF loan agreement and a sixth promissory note modification agreement substantially in the form of those on file in the office of the city clerk as Public Document No. _____ with Northstar Machine and Tool, Inc., d.b.a Northstar Aerospace ("Northstar"), allowing Northstar to make payments of interest plus an amount equal to one-half of the principal payment provided for under the note for a five-month period, from December 1, 2011, through April 30, 2012.

FURTHER RESOLVED, that the proper city officials are hereby authorized to execute a sixth amendment to the grant agreement with the state of Minnesota,

such amendment to reflect the sixth amendment to the MIF loan agreement and sixth promissory modification agreement with Northstar.

Approved:



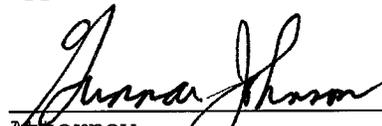
Department Director

Approved for presentation to council:



Chief Administrative Officer

Approved as to form:



Attorney

Approved:



Auditor

BD/ATTY MTE/JC:bel 11/04/2011

STATEMENT OF PURPOSE: In 2006, the City applied to the Minnesota Department of Employment and Economic Development (DEED) for a MIF grant in order to provide Northstar funds to purchase new facility expansion equipment. The City received a grant in the amount of \$500,000 from DEED and made a MIF loan of the same amount to Northstar. The subsidy is in the form of one percent interest. In exchange, Northstar agreed to create 50 new full-time equivalents by February 23, 2009.

In January 2009, the City and Northstar entered into an amendment to the MIF loan agreement and a promissory note modification agreement pursuant to which the time within which the jobs were to be created was increased by one year, until February 23, 2010. Additionally, Northstar was allowed to make interest only payments from January 1, 2009, through June 30, 2009. In June 2009, the City and DEED approved a second six-month extension of interest-only payments with a second amendment to the MIF loan agreement and a second promissory note modification agreement. In December 2009, the City and DEED approved a third six-month extension of interest-only payments with a third amendment to the MIF loan agreement and a third promissory note modification agreement. In October 2010, the City and DEED approved an additional nine-month extension of interest only payments with a fourth amendment to the MIF loan agreement and a fourth promissory note modification agreement.

In March 2011, the City and DEED approved an additional six-month extension of interest but modified terms to also require the payment of half the principal with a fifth amendment to the MIF loan agreement and a fifth promissory note modification agreement. This resulted in monthly payments of approximately \$1,667.00 during the period of April 1 through September 30.

Full principal/interest payments were made by Northstar in October and November. During that two-month period, City staff along with staff from the other two lenders involved in the 2006 financing project (1200 Fund and Republic Bank) met to consider Northstar's request to revert to the payment of one-half principal plus interest. Northstar's reason is set forth in the letter attached to this resolution. Approval from both lenders has now been secured, with the bank's recommendation that the City MIF loan revert to the one-half principle plus interest for the five-month period of Decemer 1, 2011 through April 30, 2012. DEED has agreed to this concession conditioned upon City Council approval. Northstar will fully repay the loan.



September 8, 2011

Mayor Don Ness
City of Duluth
411 West 1st Street, Room 403
Duluth, MN 55802

RE: Amend MIF Loan Agreement

Dear Mayor Ness:

Northstar Machine and Tool Company, Inc. d/b/a Northstar Aerospace (4212 Enterprise Circle, Duluth, MN 55811) formally requests an extension of our Minnesota Investment Fund interest only repayment period beginning October 1, 2011 through March 31, 2012.

While 2011 has shown signs of great long term promise, the transition from short-term survival to sustained re-growth continues to mirror the nation's slow economic recovery. In 2010, Northstar Aerospace grew 20 percent at a time when the general aviation industry was down 7.7 percent, and YTD we are on pace to increase sales 20-25 percent over last year with a majority of this growth coming from our newest customers.

With increased sales comes the opportunity to add new good paying jobs. On August 25th, we held a job fair at the Duluth Workforce Center specifically to increase our number of full time TIG welders, with plans to hold additional job fairs in the next few months for machinists, painters, assemblers and other support personnel. We believe we will add 10-15 new full-time employees by the end of the year bringing our total number of workers back up to 65.

While our long term projections look promising, our immediate challenge remains having enough cash on hand to fund our re-growth. Paying for increased amounts of raw materials and the added labor to support new job orders continues to be an everyday financial challenge.

We request the extension of the current Promissory Note Modification of *interest payments as provided for in the Note and one-half of the amount of payments against principal as provided for in the Note from October 1, 2011 through March 31, 2012*, will help us fund job growth and pay for added raw materials to meet our customers' increasing demands.

On behalf of everyone at Northstar Aerospace, I thank you for your continued support. If you have any questions or concerns, please don't hesitate to contact me or Kevin Snyder.

Sincerely,

A handwritten signature in black ink that reads "John M. Eagleton". The signature is written in a cursive style with a large, stylized initial "J".

John M. Eagleton, President/CEO

cc: Brian W. Hanson
Business and Community Development Director

† Heidi Timm-Bijold
Manager, Business Resources

AGREEMENT FOR LOAN OF MINNESOTA INVESTMENT FUND

NORTHSTAR MACHINE & TOOL CO., INC.

SIXTH AMENDMENT

THIS SIXTH AMENDMENT is made by and between the City of Duluth, (the "City") and Northstar Machine & Tool Co., Inc. D.B.A. Northstar Aerospace (the "Developer").

RECITALS:

- A. On February 8, 2007, the City and Developer entered into a Minnesota Investment Fund loan agreement which was amended by first amendment dated January 30, 2009, by second amendment dated August 24, 2009, by third amendment dated January 28, 2010, by fourth amendment dated October 15, 2010, and by fifth amendment dated April 19, 2011 (the loan agreement and the amendments hereinafter referred to as the "MIF Loan Agreement"); and
- B. The parties desire to further amend the MIF Loan Agreement as set forth herein.

NOW THEREFORE, it is agreed by and between the parties hereto as follows:

1. That Section 3.5, Promissory Note, of ARTICLE 3, is hereby amended as follows:

Section 3.5. Promissory Note. The Developer shall execute a sixth promissory note modification agreement in substantially the form set forth at Exhibit C-6.

2. That Section 5.5 of ARTICLE 5 is hereby amended as follows:

Section 5.5. Loan Repayments Schedule. The cost of all Equipment purchased and furnished to Developer under Section 5.1. above shall constitute a loan to Developer. Prior to the Initial Disbursement, Developer executed a note in the amount of Five Hundred Thousand and No/100 Dollars (\$500,000) bearing

interest at the simple rate of one percent (1%) per year. Pursuant to the terms of said note and subsequent modifications thereto, including the note modification agreement attached hereto as Exhibit C-6, payments of principal and interest shall commence on the first day of the first month immediately following the Initial Disbursement Date, and shall continue on the first day of each and every month thereafter until paid in full, except that Developer is allowed to make interest only payments under the Note from January 1, 2009 through March 31, 2011, and one-half of the principal payments plus interest as provided for in the Note from April 1, 2011 through September 30, 2011, and from December 1, 2011 through April 30, 2012. Thereafter the monthly payment amounts shall fully amortize the Loan over fifteen (15) years; provided, however, the entire remaining unpaid balance of principal and interest shall be due and payable in full on the first day of the eighty-fourth (84th) month following the Initial Disbursement Date.

3. Except as provided in this Sixth Amendment, all terms and provisions of the MIF Loan Agreement shall remain in force and effect.

IN WITNESS WHEREOF, the parties have caused this Sixth Amendment to be duly executed as of the date below written.

CITY OF DULUTH

NORTHSTAR MACHINE & TOOL CO., INC.

Mayor

By _____
Its _____

Date: _____

Date: _____

ATTEST:

City Clerk

Date: _____

APPROVED AS TO FORM:

City Attorney

COUNTERSIGNED:

City Auditor

EXHIBIT C-6

SIXTH PROMISSORY NOTE MODIFICATION AGREEMENT

This Sixth Promissory Note Modification Agreement is made by and between Northstar Machine & Tool Co., Inc. D.B.A. Northstar Aerospace, a Minnesota corporation, (the "Maker") and the City of Duluth (the "City")

The Maker acknowledges that it received from the City of Duluth (the "City"), the principal sum of Five Hundred Thousand and No/100 Dollars (\$500,000) pursuant to the terms of a note dated February 8, 2007. The note was payable in installments due as follows:

The Loan shall bear interest at a rate of one percent (1%) per annum and interest shall commence to accrue as of the Initial Disbursement Date as defined in the Loan Agreement of even date herewith. Payments of principal and interest shall commence on the first day of the first month immediately following the Initial Disbursement Date, and continue on the first day of each and every month thereafter until paid in full. Such payments shall fully amortize the Loan over fifteen (15) years; provided, however, the entire remaining unpaid balance of principal and interest shall be due and payable in full on the first day of the eighty-fourth (84th) month following the Initial Disbursement Date.

On January 30, 2009, August 24, 2009, January 28, 2010, and October 15, 2010, Maker and the City modified the note to allow Maker to make interest only payments from January 1, 2009 through March 31, 2011. On April 19, 2011, Maker and the City modified the note to allow Maker to make one-half of the principal payments plus interest payments as provided for in the note from April 1, 2011 through September 31, 2011 (the note and the modifications to the note hereinafter referred to as the "Note").

Maker and the City desire that the Note be further modified as herein provided, but that all terms not so modified remain unchanged and in full force and effect.

Now, therefore, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Payment Schedule: The payment schedule provided in said Note is hereby modified to allow the Maker to make interest only payments from January 1, 2009 through March 31, 2011, and one-half of the principal payments plus interest payments as provided for in the Note from April 1, 2011 through September 30, 2011 and from December 1, 2011 through April 30, 2012.

Except as provided above, the said Note and all provisions thereof shall remain unaffected and unchanged by this Sixth Promissory Note Modification Agreement and all

terms, conditions and provisions of said Note not modified are hereby ratified and confirmed in all respects and Maker promises to pay the aforesaid sum with interest and in the manner stated above.

IN WITNESS WHEREOF, the parties have caused this Sixth Promissory Note Modification Agreement to be duly executed as of the date below written.

CITY OF DULUTH

NORTHSTAR MACHINE & TOOL CO.,
INC.

Mayor

By _____
Its _____

Date: _____

Date: _____

ATTEST:

City Clerk

Date: _____

APPROVED AS TO FORM:

City Attorney

COUNTERSIGNED:

City Auditor

SIXTH PROMISSORY NOTE MODIFICATION AGREEMENT

This Sixth Promissory Note Modification Agreement is made by and between Northstar Machine & Tool Co., Inc. D.B.A. Northstar Aerospace, a Minnesota corporation, (the "Maker") and the City of Duluth (the "City")

The Maker acknowledges that it received from the City of Duluth (the "City"), the principal sum of Five Hundred Thousand and No/100 Dollars (\$500,000) pursuant to the terms of a note dated February 8, 2007. The note was payable in installments due as follows:

The Loan shall bear interest at a rate of one percent (1%) per annum and interest shall commence to accrue as of the Initial Disbursement Date as defined in the Loan Agreement of even date herewith. Payments of principal and interest shall commence on the first day of the first month immediately following the Initial Disbursement Date, and continue on the first day of each and every month thereafter until paid in full. Such payments shall fully amortize the Loan over fifteen (15) years; provided, however, the entire remaining unpaid balance of principal and interest shall be due and payable in full on the first day of the eighty-fourth (84th) month following the Initial Disbursement Date.

On January 30, 2009, August 24, 2009, January 28, 2010, and October 15, 2010, Maker and the City modified the note to allow Maker to make interest only payments from January 1, 2009 through March 31, 2011. On April 19, 2011, Maker and the City modified the note to allow Maker to make one-half of the principal payments plus interest payments as provided for in the note from April 1, 2011 through September 31, 2011 (the note and the modifications to the note hereinafter referred to as the "Note").

Maker and the City desire that the Note be further modified as herein provided, but that all terms not so modified remain unchanged and in full force and effect.

Now, therefore, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Payment Schedule: The payment schedule provided in said Note is hereby modified to allow the Maker to make interest only payments from January 1, 2009 through March 31, 2011, and one-half of the principal payments

plus interest payments as provided for in the Note from April 1, 2011 through September 30, 2011, and from December 1, 2011 through April 30, 2012.

Except as provided above, the said Note and all provisions thereof shall remain unaffected and unchanged by this Sixth Promissory Note Modification Agreement and all terms, conditions and provisions of said Note not modified are hereby ratified and confirmed in all respects and Maker promises to pay the aforesaid sum with interest and in the manner stated above.

IN WITNESS WHEREOF, the parties have caused this Sixth Promissory Note Modification Agreement to be duly executed as of the date below written.

CITY OF DULUTH

NORTHSTAR MACHINE & TOOL CO.,
INC.

Mayor

By _____
Its _____

Date: _____

Date: _____

ATTEST:

City Clerk

Date: _____

APPROVED AS TO FORM:

City Attorney

COUNTERSIGNED:

City Auditor