
ASSIGNMENT, PLEDGE, AND SECURITY AGREEMENT

between

**MINNETONKA LEASED HOUSING ASSOCIATES II, LLLP,
as Borrower**

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

Dated as of September 1, 2018

Relating to:

\$3,570,000

**City of Minnetonka, Minnesota
Tax Increment Revenue and
Subordinate Multifamily Housing Revenue Bonds
(Preserve at Shady Oak Project)
Series 2018C**

This instrument drafted by:
Kennedy & Graven, Chartered (JAE)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402

ASSIGNMENT, PLEDGE, AND SECURITY AGREEMENT

THIS ASSIGNMENT, PLEDGE, AND SECURITY AGREEMENT, dated as of September 1, 2018 (the “Security Agreement”), is between MINNETONKA LEASED HOUSING ASSOCIATES II, LLLP, a Minnesota limited liability limited partnership (the “Borrower”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee (together with its successors and assigns, the “Trustee”) under the Indenture (hereinafter defined).

Recitals

The Borrower, as developer, entered into a Contract for Private Development, dated _____, 2018 (the “Development Agreement”), with the Economic Development Authority in and for the City of Minnetonka, Minnesota (the “Authority”) and the City of Minnetonka (the “City”), pursuant to which the Borrower agreed to develop a 220-unit workforce housing rental development to be known as Preserve at Shady Oak (the “Project”) located at 10987 and 11015 Bren Road East, Minnetonka, Minnesota, on the property legally described in Exhibit A attached to the Development Agreement (the “Development Property”). In consideration for the development of the Project, the Authority agreed to reimburse the Borrower for certain land acquisition costs, site improvement costs, and costs of constructing housing related to the Project which are eligible to be reimbursed with tax increment.

In order to provide for the reimbursement to the Borrower, the Authority issued to the Borrower a pay-as-you-go note designated as the Tax Increment Revenue Note, Series 2018 (the “TIF Note”), dated _____, 2018, in the maximum principal amount of \$3,648,000. The TIF Note is payable solely from Available Tax Increment, as defined and described in the Development Agreement.

On May 7, 2018, the Issuer issued its Multifamily Housing Revenue Note (Preserve at Shady Oak Project), Series 2018 (the “Prior Note”), in the original aggregate principal amount of \$30,500,000, and loaned the proceeds thereof to the Borrower to provide short-term financing for the acquisition, construction, and equipping of the Project.

The Borrower has requested that the City of Minnetonka, Minnesota (the “Issuer”) provide assistance in financing the acquisition, construction, and equipping of the Project. For the purpose of financing the costs of the construction and equipping of the Project, the Issuer is issuing the following obligations: (i) Multifamily Note with designation as Multifamily Housing Revenue Refunding Note (Legends of Minnetonka Project), Series 2018A-1 (the “Series A-1 Governmental Note”), in the maximum principal amount of \$____; (ii) Multifamily Note with designation as Multifamily Housing Revenue Refunding Note (Legends of Minnetonka Project), Series 2018A-2 (the “Series A-2 Governmental Note”), in the maximum principal amount of \$____; (iii) Taxable Multifamily Note with designation as Taxable Multifamily Housing Revenue Refunding Note (Legends of Minnetonka Project), Series 2018B-1 (the “Series B-1 Governmental Note”), in the maximum principal amount of \$____; (iv) Taxable Multifamily Note with designation as Taxable Multifamily Housing Revenue Refunding Note (Legends of Minnetonka Project), Series 2018B-2 (the “Series 2018B-2 Governmental Note,” and collectively with the Series A-1 Governmental Note, the Series A-2 Governmental Note, and the Series B-1 Governmental Note, the “Senior Notes”), in the maximum principal amount of \$____; and (v) Tax Increment Revenue and Subordinate Multifamily Housing Revenue Refunding Bonds (Legends of Minnetonka Project), Series 2018C (the “Subordinate Bonds”), in the original aggregate principal amount of \$3,570,000. A portion of the proceeds of the Series A-1 Governmental Note, the Series A-2 Governmental Note, and the Subordinate Bonds will be used to refund the Prior Note, and the remainder of the proceeds thereof and the proceeds of the Series B-1 Governmental Note and the Series B-2 Governmental Note will be used to finance the Project.

The Senior Notes evidence loans (the “Funding Loans”) made to the Issuer by U.S. Bank National Association, a national banking association, and BMO Harris Bank N.A., a national banking association, in their capacity as initial funding lenders (together, the “Funding Lender”), pursuant to a Funding Loan Agreement, dated as of September 1, 2018, between the Issuer, U.S. Bank National Association, a national banking association, as administrative agent for the Funding Lender, and U.S. Bank National Association, a national banking association, in its capacity as fiscal agent with respect to the Senior Notes (the “Fiscal Agent”). The Issuer will loan the proceeds of the Funding Loans to the Borrower pursuant to the terms of a Project Loan Agreement, dated as of September 1, 2018, between the Issuer, the Borrower, and the Fiscal Agent.

The Issuer will issue the Subordinate Bonds under the terms of a Subordinate Indenture of Trust, dated as of September 1, 2018 (the “Indenture”), between the Issuer and the Trustee. The Issuer will loan the proceeds of the Subordinate Bonds (the “Loan”) to the Borrower pursuant to a Subordinate Loan Agreement, dated as of September 1, 2018 (the “Loan Agreement”), between the Issuer and the Borrower.

By the terms of the Loan Agreement and this Security Agreement, the Borrower has pledged its interest in the TIF Note to the repayment of the Loan, and by the terms of the Indenture, the Issuer has assigned to the Trustee its interest in the Loan Agreement.

In order to further evidence such pledge and assignment, and as a condition to the issuance of the Subordinate Bonds and the making of the Loan, the execution and delivery of this Security Agreement is necessary and desirable.

NOW, THEREFORE, in consideration of the premises, the truth and correctness of which are hereby confirmed by the Borrower, and intending to be legally bound hereby, the Borrower and the Trustee hereby agree as follows:

1. The Agreement.

(a) Pledge, Assignment and Grant of Security Interest. As security for the payment and performance by the Borrower of all of its covenants, agreements and obligations under the Loan Agreement, the Borrower hereby grants, bargains, pledges, assigns, transfers conveys and sets over to the Trustee a first and prior security interest in all of its rights, titles and interests in, to and under (i) the TIF Note and all payments of any and every kind due and payable thereunder, including but not limited to principal and interest and (ii) all proceeds of any of the foregoing, in each case whether now or hereafter owned, existing or acquired (collectively, the “Collateral”). A true and correct copy of the TIF Note is attached hereto as EXHIBIT A.

(b) Enforcement. Upon the occurrence of an Event of Default under the Loan Agreement, the Trustee may declare all indebtedness evidenced and/or secured thereby to be immediately due and payable as therein provided and shall also have all of the rights, remedies and recourses with respect to the Collateral afforded a secured party under the Minnesota Uniform Commercial Code or otherwise existing at law. In addition to, and not in limitation of, the other rights, remedies and recourses afforded the Trustee under the Loan Agreement, the Collateral may, in the discretion of the Trustee, be held by the Trustee as collateral for, or then or at any time thereafter be applied in whole or in part by the Trustee against, any amount due and payable under the Loan Agreement. Mere delay or failure to act shall not preclude the exercise or enforcement of any rights and remedies available to the Trustee. All rights and remedies of the Trustee shall be cumulative and may be exercised singly in any order or sequence, or

concurrently, at the Trustee's option, and the exercise or enforcement of any such right or remedy shall neither be a condition to, nor bar the exercise or enforcement of, any other.

(c) Waiver of Notice and Hearing. THE BORROWER HEREBY WAIVES ALL RIGHTS TO A JUDICIAL HEARING OF ANY KIND PRIOR TO THE EXERCISE BY THE AGENT OF ITS RIGHTS TO POSSESSION OF THE COLLATERAL, TO RECEIVE ALL PAYMENTS UNDER AND PROCEEDS OF THE COLLATERAL, AND/OR TO SELL OR OTHERWISE DISPOSE OF THE COLLATERAL, ALL WITHOUT JUDICIAL PROCESS, OR OF ITS RIGHTS TO REPLEVY, ATTACH, OR LEVY UPON THE COLLATERAL WITHOUT PRIOR NOTICE OR HEARING. THE BORROWER ACKNOWLEDGES THAT IT HAS BEEN ADVISED BY COUNSEL OF ITS CHOICE WITH RESPECT TO THIS PROVISION AND THIS SECURITY AGREEMENT. If notice of intended disposition of all or any of the Collateral, or of any other intended action hereunder, is required by law in any particular instance, such notice shall be deemed commercially reasonable if given at least ten (10) calendar days prior to the date of intended disposition or other action.

(d) Perfection. To perfect the Trustee's security interest in the TIF Note, the Borrower shall endorse and deliver the TIF Note to the Trustee to be held pursuant to the terms of this Security Agreement. The Borrower will not change any of its name, its principal place of business, its chief executive office, the place where its records relating to the Collateral are kept or located or its jurisdiction of organization without first giving the Trustee thirty (30) days' prior written notice of any such change. The Borrower will at all times and at the Borrower's expense cause appropriate financing statements describing the rights and interests subject to this Section 1 to be filed in such manner and in such places deem necessary or advisable to establish, preserve and protect the interests granted hereunder as a perfected security interest in the rights and interests covered thereby. The Borrower hereby authorizes the Trustee to file one or more financing statements or continuation statements in respect thereof, and amendments thereto, relating to all or any part of the Collateral, without the signature of the Borrower, where permitted by law. A photocopy or other reproduction of this Security Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. The Borrower shall, at any time, at its expense and upon request from the Trustee, execute any documentation assigning or endorsing the Collateral to the Trustee that may be requested by the Trustee and take all further action that may be necessary or desirable, or that the Trustee may request, in order to perfect and protect the security interest granted hereby or to enable the Trustee to exercise and enforce its rights and remedies under this Security Agreement, including but not limited to delivering physical possession and control of the Collateral to the Trustee. The Trustee may, at any time or times hereafter, place upon the Borrower's books and records relating to the Collateral notations or legends evidencing the Trustee's security interest. The Collateral shall be subject to the Trustee's exclusive dominion and control. ALL PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE TIF NOTE SHALL BE MADE DIRECTLY TO THE TRUSTEE WHILE THIS SECURITY AGREEMENT IS IN EFFECT. The Trustee shall not be responsible for and makes no representations as to the legality, effectiveness, or sufficiency of any security document for the creation, perfection, priority, or protection of any lien securing the TIF Note.

(e) Negative Pledge. The Borrower will not sell, abandon, release, waive, pledge, mortgage, grant any other security interest in, encumber, assign or otherwise dispose of its interest in the Collateral or any of its rights therein without the Trustee's prior written consent.

(f) Appointment of the Trustee as Attorney-in-Fact. The Borrower hereby appoints the Trustee as the Borrower's attorney-in-fact in its name, place and stead to exercise and perform

to the exclusion of the Borrower all of the Borrower's rights and privileges with respect to the Collateral, to perform the obligations of the Borrower hereunder and under the Loan Agreement, if the Borrower fails to do so in a timely fashion, and to apply the Collateral to repay any amounts expended and/or loaned under the Loan Agreement or the Indenture. Said appointment is given as security for the prompt payment and performance, when due, of the obligations of the Borrower hereunder and under the Loan Agreement, and is irrevocable until such time as this Security Agreement is terminated in accordance with its terms. All payments made under the TIF Note shall be applied in the same manner as payments made under the Loan Agreement.

2. Representations and Warranties of the Borrower. The Borrower represents and warrants to the Trustee and agrees as follows:

(a) The Development Agreement and the TIF Note are valid and enforceable agreements against the Borrower and the Borrower is not in default thereunder, and all covenants, conditions, and agreements of the Borrower required by the Development Agreement have been performed as required therein.

(b) The Borrower will keep the TIF Note free from any lien, encumbrance, assignment or security interest whatsoever, other than this assignment and security interest.

(c) There have been no defaults on the part of the Borrower under the Development Agreement.

3. Covenants of the Borrower. The Borrower covenants and agrees that:

(a) It shall perform each and every of its duties and obligations under the Development Agreement and observe and comply with each and every term, covenant, condition, agreement, requirement, restriction and provision of the Development Agreement.

(b) It shall give prompt notice to the Trustee of any claim of or notice of default under the Development Agreement, the Indenture, the Loan Agreement, the Subordinate Mortgage, the Regulatory Agreement or the Disbursing Agreement known or given to it together with a copy of any such notice or claim if in writing.

(c) At the sole cost and expense of the Borrower it will enforce the full and complete performance of each and every duty and obligation to be performed by the other party to the Development Agreement.

(d) It will appear in and defend any action arising out of or in any manner connected with the Development Agreement and the duties and obligations of the Borrower thereunder.

(e) The Borrower will not without the prior written consent of the Trustee modify, amend, supplement, terminate, surrender or change in any manner whatsoever the Development Agreement and will not release or discharge the obligations of any party thereto or modify or extend the time of performance thereunder or the scope of the work thereunder.

(f) It reasonably expects to incur Public Development Costs (as defined in the Development Agreement) in an aggregate principal amount not less than \$4,161,000 and has delivered to the Trustee (i) a sworn construction statement duly executed by the Borrower and the general contractor for the Project, showing estimates of all anticipated contractors' contracts or subcontracts for specific portions of the work on the Project and the amounts anticipated to

become due each such contractor, including all costs and expenses of any kind incurred and to be incurred in constructing the Project and (ii) a total project cost statement, incorporating estimates of the construction costs as shown on the sworn construction statement and setting forth all other costs and expenses of any kind anticipated to be incurred in completion of the Project and sworn to by the Borrower to be a true, complete and accurate account of all costs actually incurred and a reasonably accurate estimate of all costs to be incurred in the future both showing Public Development Costs in an aggregate principal amount not less than \$4,161,000.

(g) It will submit invoices or cancelled checks evidencing the payment of Public Development Costs as required by Section 3.4 of the Development Agreement, as promptly as possible, subject to the limitations provided in the Development Agreement, and in any event not later than December 31, 2019.

4. Costs and Expenses; Indemnity. The Borrower will pay or reimburse the Trustee on demand for all out-of-pocket expenses (including in each case all filing and recording fees and taxes and all reasonable fees and expenses of counsel and of any experts and agents) incurred by the Trustee in connection with the creation, perfection, protection, satisfaction, foreclosure or enforcement of the security interest granted hereunder and the preparation, administration, continuance, amendment or enforcement of this Security Agreement, all of which shall be secured hereby. The Borrower shall indemnify and hold the Trustee and its officers, directors, employees, agents, and representatives harmless from and against any and all claims, losses and liabilities (including reasonable attorneys' fees) growing out of or resulting from this Security Agreement and the security interest hereby created (including enforcement of this Security Agreement) or the Trustee's actions pursuant hereto, except claims, losses or liabilities resulting from the Trustee's gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction. Any liability of the Borrower to indemnify and hold the Trustee harmless pursuant to the preceding sentence shall be the personal obligation of the Borrower to the Trustee and shall be secured hereby. The obligations of the Borrower under this Section 3 shall survive any termination of this Security Agreement.

5. Waivers. This Security Agreement can be waived, modified, amended, terminated or discharged, and the security interest granted hereunder can be released, only explicitly in a writing signed by the Trustee. A waiver so signed shall be effective only in the specific instance and for the specific purpose given. Execution of this Security Agreement by the Trustee constitutes acceptance hereof, and the Borrower hereby waives any other notice of acceptance hereof by the Trustee.

6. Notices. Unless otherwise required by the specific provisions hereof or by law in respect to any matter, any demand, notice or other communication to any party in connection with this Security Agreement shall be in writing and shall be sent by manual delivery, overnight courier or United States mail, registered or certified, return receipt requested, postage prepaid, addressed as follows:

To the Trustee: U. S. Bank National Association
60 Livingston Avenue, Third Floor
EP-MN-WS3C
Saint Paul, MN 55107-2292
Attention: Corporate Trust Services

To the Borrower: Minnetonka Leased Housing Associates II, LLLP
c/o Dominion Development and Acquisition, LLC
2905 Northwest Boulevard, Suite 150
Plymouth, MN 55441-7400
Attention: Ryan Lunderby

with copies to: Winthrop & Weinstine P.A.
225 South Sixth Street, Suite 3500
Minneapolis, Minnesota 55402-4629
Attention: John M. Stern

and

Citibank, N.A.
390 Greenwich Street, Second Floor
New York, NY 10013
Attention: Mark Sherman, Director

and

Citibank, N.A.
388 Greenwich Street, Eighth Floor
New York, NY 10013
Attention: Tom Carroll

or addressed to any such party at such other address in the United States of America as such party shall hereafter furnish by written notice to the other party hereto, at least ten (10) days prior to the effective date of said change in address, and all periods of notice shall be measured from the date of delivery thereof if manually delivered, from the first business day after the date of sending if sent by overnight courier, or from four (4) days after the date of mailing if mailed.

7. Governing Law; Waiver of Jury Trial; Consent to Jurisdiction. This Security Agreement shall be governed by, and construed in accordance with, the laws of the State of Minnesota, without giving effect to conflict of laws principles thereof, but giving effect to federal laws of the United States applicable to national banks. The Borrower and the Trustee irrevocably waive any and all right to trial by jury in any legal proceeding arising out of or relating to this Security Agreement. At the option of the Trustee, this Security Agreement may be enforced in any federal court or Minnesota state court sitting in Minnetonka or Hennepin County, Minnesota; and the Borrower consents to the jurisdiction and venue of any such court and waives any argument that venue in such forums is not convenient. In the event the Borrower commences any action in another jurisdiction or venue under any tort or contract theory arising directly or indirectly from the relationship created by this Security Agreement, the Trustee, at its option, shall be entitled to have the case transferred to one of the jurisdictions and venues above-described, or if such transfer cannot be accomplished under applicable law, to have such case dismissed without prejudice, but any statute of limitation shall continue to be tolled for a period of six (6) months after such dismissal.

8. Headings. The section headings in this Security Agreement are included herein for convenience of reference only and shall not constitute a part of this Security Agreement for any other purpose.

9. Defined Terms. Any capitalized terms used herein that are otherwise not defined shall have the meanings assigned such terms in the Indenture.

10. Term of Agreement; Successors and Assigns. This Security Agreement shall remain in full force and effect from the date hereof until such time as all amounts owing by the Borrower to the Trustee under the Loan Agreement have been fully repaid, at which time the TIF Note shall be reassigned, re-endorsed and redelivered, by the Trustee to the Borrower, and any financing statement filed pursuant hereto shall be terminated. This Security Agreement shall (a) be binding upon the Borrower and its successors and assigns, and (b) inure to the benefit of and be enforceable by the Trustee and its successors, transferees and assigns.

11. Electronic Signatures. The parties agree that the electronic signature of a party to this Guaranty shall be as valid as an original signature of such party and shall be effective to bind such party to this Guaranty. For purposes hereof, (i) “electronic signature” means a manually signed original signature that is then transmitted by electronic means; and (ii) “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a portable document format (“pdf”) or other replicating image attached to an electronic mail or internet message.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the Borrower and the Trustee have caused this Assignment, Pledge, and Security Agreement to be duly executed as of the date and year first written above.

MINNETONKA LEASED HOUSING ASSOCIATES II, LLLP, a Minnesota limited liability limited partnership

By: Minnetonka Leased Housing Associates SPE II, LLC, a Delaware limited liability company
Its: General Partner

By: _____
Name: Ryan J. Lunderby
Its: Vice President

Execution page of the Trustee to the Assignment, Pledge, and Security Agreement, dated as of the date and year first written above.

U. S. BANK NATIONAL ASSOCIATION

By _____
Its Vice President

The Economic Development Authority in and for the City of Minnetonka, Minnesota, as the issuer of the TIF Note, hereby consents to and acknowledges the Assignment, Pledge, and Security Agreement, dated as of the date and year first written above.

**ECONOMIC DEVELOPMENT AUTHORITY IN
AND FOR THE CITY OF MINNETONKA,
MINNESOTA**

By _____
Its President

By _____
Its Executive Director

EXHIBIT A

TIF NOTE

[Insert executed copy of TIF Note]