
2010 Annual Report

Kinzie Industrial Corridor Redevelopment Project Area



Pursuant to 65 ILCS 5/11-74.4-5(d)

JUNE 30, 2011



**ANNUAL TAX INCREMENT FINANCE REPORT
OFFICE OF ILLINOIS COMPTROLLER JUDY BAAR TOPINKA**

Name of Municipality: Chicago
 County: Cook
 Unit Code: 016/620/30

Reporting Fiscal Year: **2010**
 Fiscal Year End: 12/ 31 /2010

TIF Administrator Contact Information

First Name: Andrew J.
 Address: City Hall 121 N. LaSalle
 Telephone: (312) 744-0025
 E-Mail: TIFReports@cityofchicago.org

Last Name: Mooney
 Title: TIF Administrator
 City: Chicago, IL Zip: 60602

I attest to the best of my knowledge, this report of the redevelopment project areas in:
City/Village of Chicago is complete and accurate at the end of this reporting
 Fiscal year under the Tax Increment Allocation Redevelopment Act [65 ILCS 5/11-74.4-3 et. seq.]
 Or the Industrial Jobs Recovery Law [65 ILCS 5/11-74.6-10 et. seq.]

[Handwritten Signature] 6.24.11

Written signature of TIF Administrator Date

Section 1 (65 ILCS 5/11-74.4-5 (d) (1.5) and 65 ILCS 5/11-74.6-22 (d) (1.5)*

FILL OUT ONE FOR EACH TIF DISTRICT

Name of Redevelopment Project Area	Date Designated	Date Terminated
105th/Vincennes	10/3/2001	12/31/2025
111th Street/Kedzie Avenue Business District	9/29/1999	9/29/2022
119th and Halsted	2/6/2002	12/31/2026
119th/I-57	11/6/2002	12/31/2026
126th and Torrence	12/21/1994	12/21/2017
134th and Avenue K	3/12/2008	3/12/2032
24th/Michigan	7/21/1999	7/21/2022
26th and King Drive	1/11/2006	12/31/2030
35th and Wallace	12/15/1999	12/31/2023
35th/Halsted	1/14/1997	12/31/2021
35th/State	1/14/2004	12/31/2028
40th/State	3/10/2004	12/31/2028
43rd/Cottage Grove	7/8/1998	7/8/2021
45th/Western Industrial Park Conservation Area	3/27/2002	12/31/2026
47th/Ashland	3/27/2002	12/31/2026
47th/Halsted	5/29/2002	12/31/2026
47th/King Drive	3/27/2002	12/31/2026
47th/State	7/21/2004	12/31/2028
49th Street/St. Lawrence Avenue	1/10/1996	12/31/2020
51st/ Archer	5/17/2000	12/31/2024
53rd Street	1/10/2001	12/31/2025
60th and Western	5/9/1996	5/9/2019

*All statutory citations refer to one of two sections of the Illinois Municipal Code: the Tax Increment Allocation Redevelopment Act [65 ILCS 5/11-74.4-3 et. seq.] or the Industrial Jobs Recovery Law [65 ILCS 5/11-74.6-10 et. seq.]



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63rd/Ashland	3/29/2006	12/31/2030
63rd/Pulaski	5/17/2000	12/31/2024
67th/Cicero	10/2/2002	12/31/2026
69th/Ashland	11/3/2004	12/31/2028
71st and Stony Island	10/7/1998	10/7/2021
72nd and Cicero	11/17/1993	11/17/2016
73rd and Kedzie	11/17/1993	11/17/2016
73rd/University	9/13/2006	12/31/2030
79th and Cicero	6/8/2005	7/8/2021
79th Street Corridor	7/8/1998	12/31/2025
79th Street/Southwest Highway	10/3/2001	12/31/2029
79th/Vincennes	9/27/2007	12/31/2031
83rd/Stewart	3/31/2004	12/31/2028
87th/Cottage Grove	11/13/2002	12/31/2026
89th and State	4/1/1998	4/1/2021
95th and Western	7/13/1995	7/13/2018
95th Street and Stony Island	5/16/1990	5/16/2013
Addison Corridor North	6/4/1997	6/4/2020
Addison South	5/9/2007	12/31/2031
Archer Courts	5/12/1999	12/31/2023
Archer/ Central	5/17/2000	12/31/2024
Archer/Western	2/11/2009	12/31/2033
Armitage/Pulaski	6/13/2007	12/31/2031
Austin/Commercial	9/27/2007	12/31/2031
Avalon Park/South Shore	7/31/2002	12/31/2026
Avondale	7/29/2009	12/31/2033
Belmont/ Central	1/12/2000	12/31/2024
Belmont/Cicero	1/12/2000	12/31/2024
Bronzeville	11/4/1998	12/31/2022
Bryn Mawr/Broadway	12/11/1996	12/11/2019
Calumet Avenue/Cermak Road	7/29/1998	7/29/2021
Calumet River	3/10/210	12/31/2034
Canal/Congress	11/12/1998	12/31/2022
Central West	2/16/2000	12/31/2024
Chatham-Ridge	12/18/1986	12/31/2010 (1)
Chicago/ Kingsbury	4/12/2000	12/31/2024
Chicago/Central Park	2/27/2002	12/31/2026
Chicago Lakeside Development – Phase 1 (USX)	5/12/2010	12/31/2034
Chinatown Basin	12/18/1986	12/31/2010
Cicero/Archer	5/17/2000	12/31/2024
Clark Street and Ridge Avenue	9/29/1999	9/29/2022
Clark/Montrose	7/7/1999	7/7/2022
Commercial Avenue	11/13/2002	12/31/2026
Devon/Sheridan	3/31/2004	12/31/2028

(1) This TIF has been terminated; however, the sales tax portion continues to exist for the sole purpose of servicing outstanding obligations which may be retired early at which point the sales tax portion will also terminate.



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Devon/Western	11/3/1999	12/31/2023
Diversey/ Narragansett	2/5/2003	12/31/2027
Division/Homan	6/27/2001	12/31/2025
Division/North Branch	3/15/1991	3/15/2014
Division-Hooker	7/10/1996	7/10/2019
Drexel Boulevard	7/10/2002	12/31/2026
Eastman/North Branch	10/7/1993	10/7/2016
Edgewater	12/18/1986	12/18/2009
Edgewater/ Ashland	10/1/2003	12/31/2027
Elston/Armstrong Industrial Corridor	7/19/2007	12/31/2031
Englewood Mall	11/29/1989	11/29/2012
Englewood Neighborhood	6/27/2001	12/31/2025
Ewing Avenue	3/10/2010	12/31/2034
Forty-first Street and Dr. Martin Luther King, Jr. Drive	7/13/1994	7/13/2017
Fullerton/ Milwaukee	2/16/2000	12/31/2024
Galewood/Armitage Industrial	7/7/1999	7/7/2022
Goose Island	7/10/1996	7/10/2019
Greater Southwest Industrial Corridor (East)	3/10/1999	12/31/2023
Greater Southwest Industrial Corridor (West)	4/12/2000	12/31/2024
Harlem Industrial Park Conservation Area	3/14/2007	12/31/2031
Harrison/Central	7/26/2006	12/31/2030
Hollywood/Sheridan	11/7/2007	12/31/2031
Homan/Grand Trunk	12/15/1993	12/15/2016
Homan-Arthington	2/5/1998	2/5/2021
Howard-Paulina	10/14/1988	10/14/2011
Humboldt Park Commercial	6/27/2001	12/31/2025
Irving Park/Elston	5/13/2009	12/31/2033
Irving/Cicero	6/10/1996	12/31/2020
Jefferson Park Business District	9/9/1998	9/9/2021
Jefferson/ Roosevelt	8/30/2000	12/31/2024
Kennedy/Kimball	3/12/2008	3/12/2032
Kinzie Industrial Corridor	6/10/1998	6/10/2021
Kostner Avenue	11/5/2008	11/5/2032
Lake Calumet Area Industrial	12/13/2000	12/31/2024
Lakefront	3/27/2002	12/31/2026
Lakeside/Clarendon	7/21/2004	12/31/2028
LaSalle Central	11/15/2006	12/31/2030
Lawrence/ Kedzie	2/16/2000	12/31/2024
Lawrence/Broadway	6/27/2001	12/31/2025
Lawrence/Pulaski	2/27/2002	12/31/2026
Lincoln Avenue	11/3/1999	12/31/2023
Lincoln-Belmont-Ashland	11/2/1994	11/2/2017
Little Village East	4/22/2009	12/31/2033
Little Village Industrial Corridor	6/13/2007	12/31/2031



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Madden/Wells	11/6/2002	12/31/2026
Madison/Austin Corridor	9/29/1999	12/31/2023
Michigan/Cermak	9/13/1989	9/13/2012
Midway Industrial Corridor	2/16/2000	12/31/2024
Midwest	5/17/2000	12/31/2024
Montclare	8/30/2000	12/31/2024
Montrose/Clarendon	6/30/2010	12/31/2034
Near North	7/30/1997	7/30/2020
Near South	11/28/1990	12/31/2014
Near West	3/23/1989	12/31/2013
North Branch (North)	7/2/1997	12/31/2021
North Branch (South)	2/5/1998	2/5/2021
North Pullman	6/30/2009	12/31/2033
North-Cicero	7/30/1997	7/30/2020
Northwest Industrial Corridor	12/2/1998	12/2/2021
Ogden/Pulaski	4/9/2008	4/9/2032
Ohio/Wabash	6/7/2000	12/31/2024
Pershing/King	9/5/2007	12/31/2031
Peterson/ Cicero	2/16/2000	12/31/2024
Peterson/ Pulaski	2/16/2000	12/31/2024
Pilsen Industrial Corridor	6/10/1998	12/31/2022
Portage Park	9/9/1998	9/9/2021
Pratt/Ridge Industrial Park Conservation Area	6/23/2004	12/31/2028
Pulaski Corridor	6/9/1999	6/9/2022
Randolph and Wells	6/9/2010	12/31/2034
Ravenswood Corridor	3/9/2005	12/31/2029
Read-Dunning	1/11/1991	12/31/2015
River South	7/30/1997	7/30/2020
River West	1/10/2001	12/31/2025
Roosevelt/Canal	3/19/1997	12/31/2021
Roosevelt/Cicero	2/5/1998	2/5/2021
Roosevelt/Racine	11/4/1998	12/31/2022
Roosevelt/Union	5/12/1999	5/12/2022
Roosevelt-Homan	12/5/1990	12/5/2013
Roseland/Michigan	1/16/2002	12/31/2026
Sanitary Drainage and Ship Canal	7/24/1991	7/24/2014
South Chicago	4/12/2000	12/31/2024
South Works Industrial	11/3/1999	12/31/2023
Stevenson/Brighton	4/11/2007	12/31/2031
Stockyards Annex	12/11/1996	12/31/2020
Stockyards Industrial Commercial	3/9/1989	3/9/2012
Stockyards Southeast Quadrant Industrial	2/26/1992	2/26/2015
Stony Island Avenue Commercial and Burnside Industrial Corridors	6/10/1998	6/10/2021
Touhy/Western	9/13/2006	12/31/2030



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Weed/Fremont	1/8/2008	1/8/2032
West Grand	6/10/1996	6/10/2019
West Irving Park	1/12/2000	12/31/2024
West Pullman Industrial Park	3/11/1998	3/11/2021
West Ridge-Peterson Avenue	10/27/1986	12/31/2010
West Woodlawn	5/12/2010	12/31/2034
Western Avenue North	1/12/2000	12/31/2024
Western Avenue Rock Island	2/8/2006	12/31/2024
Western Avenue South	1/12/2000	12/31/2030
Western/Ogden	2/5/1998	2/5/2021
Wilson Yard	6/27/2001	12/31/2025
Woodlawn	1/20/1999	1/20/2022

SECTION 2 [Sections 2 through 5 must be completed for each redevelopment project area listed in Section 1.]

Name of Redevelopment Project Area: Kinzie Industrial Corridor Redevelopment Project Area
Primary Use of Redevelopment Project Area*: Industrial
If "Combination/Mixed" List Component Types:
Under which section of the Illinois Municipal Code was Redevelopment Project Area designated? (check one): Tax Increment Allocation Redevelopment Act <u> X </u> Industrial Jobs Recovery Law _____

	No	Yes
Were there any amendments to the redevelopment plan, the redevelopment project area, or the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (1) and 5/11-74.6-22 (d) (1)] If yes, please enclose the amendment labeled Attachment A	X	
Certification of the Chief Executive Officer of the municipality that the municipality has complied with all of the requirements of the Act during the preceding fiscal year. [65 ILCS 5/11-74.4-5 (d) (3) and 5/11-74.6-22 (d) (3)] Please enclose the CEO Certification labeled Attachment B		X
Opinion of legal counsel that municipality is in compliance with the Act. [65 ILCS 5/11-74.4-5 (d) (4) and 5/11-74.6-22 (d) (4)] Please enclose the Legal Counsel Opinion labeled Attachment C		X
Were there any activities undertaken in furtherance of the objectives of the redevelopment plan, including any project implemented in the preceding fiscal year and a description of the activities undertaken? [65 ILCS 5/11-74.4-5 (d) (7) (A and B) and 5/11-74.6-22 (d) (7) (A and B)] If yes, please enclose the Activities Statement labeled Attachment D		X
Were any agreements entered into by the municipality with regard to the disposition or redevelopment of any property within the redevelopment project area or the area within the State Sales Tax Boundary? [65 ILCS 5/11-74.4-5 (d) (7) (C) and 5/11-74.6-22 (d) (7) (C)] If yes, please enclose the Agreement(s) labeled Attachment E		X
Is there additional information on the use of all funds received under this Division and steps taken by the municipality to achieve the objectives of the redevelopment plan? [65 ILCS 5/11-74.4-5 (d) (7) (D) and 5/11-74.6-22 (d) (7) (D)] If yes, please enclose the Additional Information labeled Attachment F		X
Did the municipality's TIF advisors or consultants enter into contracts with entities or persons that have received or are receiving payments financed by tax increment revenues produced by the same TIF? [65 ILCS 5/11-74.4-5 (d) (7) (E) and 5/11-74.6-22 (d) (7) (E)] If yes, please enclose the contract(s) or description of the contract(s) labeled Attachment G	X	
Were there any reports or meeting minutes submitted to the municipality by the joint review board? [65 ILCS 5/11-74.4-5 (d) (7) (F) and 5/11-74.6-22 (d) (7) (F)] If yes, please enclose the Joint Review Board Report labeled Attachment H	X	
Were any obligations issued by municipality? [65 ILCS 5/11-74.4-5 (d) (8) (A) and 5/11-74.6-22 (d) (8) (A)] If yes, please enclose the Official Statement labeled Attachment I	X	
Was analysis prepared by a financial advisor or underwriter setting forth the nature and term of obligation and projected debt service including required reserves and debt coverage? [65 ILCS 5/11-74.4-5 (d) (8) (B) and 5/11-74.6-22 (d) (8) (B)] If yes, please enclose the Analysis labeled Attachment J	X	
Cumulatively, have deposits equal or greater than \$100,000 been made into the special tax allocation fund? [65 ILCS 5/11-74.4-5 (d) (2) and 5/11-74.6-22 (d) (2)] If yes, please enclose Audited financial statements of the special tax allocation fund labeled Attachment K		X
Cumulatively, have deposits of incremental revenue equal to or greater than \$100,000 been made into the special tax allocation fund? [65 ILCS 5/11-74.4-5 (d) (9) and 5/11-74.6-22 (d) (9)] If yes, please enclose a certified letter statement reviewing compliance with the Act labeled Attachment L		X
A list of all intergovernmental agreements in effect in FY 2010, to which the municipality is a part, and an accounting of any money transferred or received by the municipality during that fiscal year pursuant to those intergovernmental agreements. [65 ILCS 5/11-74.4-5 (d) (10)] If yes, please enclose list only of the intergovernmental agreements labeled Attachment M		X

* Types include: Central Business District, Retail, Other Commercial, Industrial, Residential, and Combination/Mixed.
FY 2010 Section 2

SECTION 3.1 - (65 ILCS 5/11-74.4-5 (d) (5) and 65 ILCS 5/11-74.6-22 (d) (5))
Provide an analysis of the special tax allocation fund.

Reporting Year	Cumulative *
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Fund Balance at Beginning of Reporting Period \$ 49,738,032

Revenue/Cash Receipts Deposited in Fund During Reporting FY:

			% of Total
Property Tax Increment	17,458,853	\$ 124,608,186	100%
State Sales Tax Increment			0%
Local Sales Tax Increment			0%
State Utility Tax Increment			0%
Local Utility Tax Increment			0%
Interest	51,842		0%
Land/Building Sale Proceeds			0%
Bond Proceeds			0%
Transfers in from Municipal Sources (Porting in)			0%
Private Sources			0%
Miscellaneous Revenue	127,503		0%

Total Amount Deposited in Special Tax Allocation Fund During Reporting Period 17,638,198

Cumulative Total Revenues/Cash Receipts \$ 124,608,186 100%

Total Expenditures/Cash Disbursements (Carried forward from Section 3.2) 14,008,782

Transfers out to Municipal Sources (Porting out) 2,974,054

Distribution of Surplus

Total Expenditures/Disbursements 16,982,836

NET INCOME/CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS 655,362

FUND BALANCE, END OF REPORTING PERIOD \$ 50,393,394

- if there is a positive fund balance at the end of the reporting period, you must complete Section 3.3

* Except as set forth in the next sentence, each amount reported on the rows below, if any, is cumulative from the inception of the respective Project Area. Cumulative figures for the categories of 'Interest,' 'Land/Building Sale Proceeds' and 'Other' may not be fully available for this report due to either of the following: (i) the disposal of certain older records pursuant to the City's records retention policy, or (ii) the availability of records only from January 1, 1997 forward.

SECTION 3.2 A- (65 ILCS 5/11-74.4-5 (d) (5) and 65 ILCS 5/11-74.6-22 (d) (5))
ITEMIZED LIST OF ALL EXPENDITURES FROM THE SPECIAL TAX ALLOCATION FUND
 (by category of permissible redevelopment cost, amounts expended during reporting period)

FOR AMOUNTS >\$10,000 SECTION 3.2 B MUST BE COMPLETED

Category of Permissible Redevelopment Cost [65 ILCS 5/11-74.4-3 (q) and 65 ILCS 5/11-74.6-10 (o)]

		Reporting Fiscal Year
1. Costs of studies, administration and professional services—Subsections (q)(1) and (o) (1)		
	292,828	
		\$ 292,828
2. Cost of marketing sites—Subsections (q)(1.6) and (o)(1.6)		
		\$ -
3. Property assembly, demolition, site preparation and environmental site improvement costs. Subsection (q)(2), (o)(2) and (o)(3)		
	827,458	
		\$ 827,458
4. Costs of rehabilitation, reconstruction, repair or remodeling and replacement of existing public buildings. Subsection (q)(3) and (o)(4)		
	912,669	
		\$ 912,669
5. Costs of construction of public works and improvements. Subsection (q)(4) and (o)(5)		
	11,502,138	
		\$ 11,502,138
6. Costs of removing contaminants required by environmental laws or rules (o)(6) - Industrial Jobs Recovery TIFs ONLY		
		\$ -

7. Cost of job training and retraining, including "welfare to work" programs Subsection (q)(5), (o)(7) and (o)(12)		
	432,492	
		\$ 432,492
8. Financing costs. Subsection (q) (6) and (o)(8)		
		\$ -
9. Approved capital costs. Subsection (q)(7) and (o)(9)		
		\$ -
10. Cost of Reimbursing school districts for their increased costs caused by TIF assisted housing projects. Subsection (q)(7.5) - Tax Increment Allocation Redevelopment TIFs ONLY		
		\$ -
11. Relocation costs. Subsection (q)(8) and (o)(10)		
		\$ -
12. Payments in lieu of taxes. Subsection (q)(9) and (o)(11)		
		\$ -
13. Costs of job training, retraining advanced vocational or career education provided by other taxing bodies. Subsection (q)(10) and (o)(12)		
		\$ -

14. Costs of reimbursing private developers for interest expenses incurred on approved redevelopment projects. Subsection (q)(11)(A-E) and (o)(13)(A-E)		
	41,197	
		\$ 41,197
15. Costs of construction of new housing units for low income and very low-income households. Subsection (q)(11)(F) - Tax Increment Allocation Redevelopment TIFs ONLY		
		\$ -
16. Cost of day care services and operational costs of day care centers. Subsection (q) (11.5) - Tax Increment Allocation Redevelopment TIFs ONLY		
		\$ -
TOTAL ITEMIZED EXPENDITURES		\$ 14,008,782

Section 3.2 B

List all vendors, including other municipal funds, that were paid in excess of \$10,000 during the current reporting year.*

Name	Service	Amount
City Staff Costs ¹	Administration	\$280,419
Coyne American Institute	Development	\$827,458
SomerCor 504, Inc.	Rehabilitation Program	\$912,669
H W Lochner Inc.	Public Improvement	\$50,707
Seven D Construction Co.	Public Improvement	\$802,781
HNTB Corp.	Public Improvement	\$222,124
MY BAPS Construction Corp.	Public Improvement	\$145,663
Public Building Commission	Development	\$4,384,186
HBK Engineering	Public Improvement	\$12,243
Chicago Department of Transportation	Public Improvement	\$191,206
ESI Consultants Ltd.	Public Improvement	\$34,793
FH Paschen/SN Nielsen & Assoc. LLC	Public Improvement	\$5,488,768
Oosterbaan & Sons Co.	Public Improvement	\$48,631
Electrical Resource Management	Public Improvement	\$114,482
Inner Voice Inc.	Job Training	\$39,700
Sewertech Services	Job Training	\$74,304
Ineeka Inc.	Job Training	\$48,680
US Food Service	Job Training	\$46,409
Impact 3D Models LLC	Job Training	\$35,061
Assurance Corp.	Job Training	\$187,238
Erie Cooperative Ltd.	Development	\$41,197

¹ Costs relate directly to the salaries and fringe benefits of employees working solely on tax increment financing districts.

* This table may include payments for Projects that were undertaken prior to 11/1/1999.

SECTION 3.3 - (65 ILCS 5/11-74.4-5 (d) (5) 65 ILCS 11-74.6-22 (d) (5))
Breakdown of the Balance in the Special Tax Allocation Fund At the End of the Reporting Period
(65 ILCS 5/11-74.4-5 (d) (5) (D) and 65 ILCS 5/11-74.6-22 (d) (5) (D))

FUND BALANCE, END OF REPORTING PERIOD \$ 50,393,394

	Amount of Original Issuance	Amount Designated
1. Description of Debt Obligations		
Reserved for debt service	\$ -	\$ -

Total Amount Designated for Obligations \$ - \$ -

2. Description of Project Costs to be Paid		
Designated for future redevelopment project costs		\$ 50,393,394

Total Amount Designated for Project Costs \$ 50,393,394

TOTAL AMOUNT DESIGNATED \$ 50,393,394

SURPLUS*/(DEFICIT) \$ -

*NOTE: If a surplus is calculated, the municipality may be required to repay the amount to overlapping taxing districts.

SECTION 4 [65 ILCS 5/11-74.4-5 (d) (6) and 65 ILCS 5/11-74.6-22 (d) (6)]

Provide a description of all property purchased by the municipality during the reporting fiscal year within the redevelopment project area.

Property Acquired by the Municipality Within the Redevelopment Project Area

Property (1):	
Street address:	3045 W. Franklin/443 N. Albany/442 N. Whipple
Approximate size or description of property:	N/A
Purchase price:	
Seller of property:	N/A

Property (2):	
Street address:	3137 W. Fulton Street ¹
Approximate size or description of property:	N/A
Purchase price:	N/A
Seller of property:	N/A

Property (3):	
Street address:	3127 W. Fulton Street ¹
Approximate size or description of property:	N/A
Purchase price:	N/A
Seller of property:	N/A

¹ This property was acquired through the Tax Reactivation Program ("TRP"), under which the City instructs the County of Cook to make a no cash bid on certain tax-delinquent parcels. The City then pursues the acquisition in a court proceeding and receives a tax deed from the County after a court order is issued. The City pays court costs and certain incidental expenses for each parcel, which average between \$2,000 and \$2,500. The size and description of each parcel is usually not available.

SECTION 5 - 65 ILCS 5/11-74.4-5 (d) (7) (G) and 65 ILCS 5/11-74.6-22 (d) (7) (G)
Please include a brief description of each project.

	11/1/99 to Date	Estimated Investment for Subsequent Fiscal Year	Total Estimated to Complete Project
See "General Notes" Below.			

TOTAL:			
Private Investment Undertaken	\$ 7,215,753	\$ -	\$ 70,320,862
Public Investment Undertaken	\$ 14,780,448	\$ 3,696,805	\$ 24,948,331
Ratio of Private/Public Investment	21/43		2 9/11

Project 1: Erie Cooperative, Limited Partnership	Project is Ongoing ***		
Private Investment Undertaken			\$ 16,624,718
Public Investment Undertaken	\$ 225,583	\$ 42,896	\$ 1,000,000
Ratio of Private/Public Investment	0		16 5/8

Project 2: Nanolnk, Inc.	Project Completed		
Private Investment Undertaken	\$ 4,940,753		\$ -
Public Investment Undertaken	\$ 850,000		\$ -
Ratio of Private/Public Investment	5 13/16		0

Project 3: Small Business Improvement Fund (SBIF) **	Project is Ongoing ***		
Private Investment Undertaken	\$ -		\$ 16,000,000
Public Investment Undertaken	\$ 4,820,666	\$ 1,059,778	\$ 8,000,000
Ratio of Private/Public Investment	0		2

Project 4: Greenworks	Project is Ongoing ***		
Private Investment Undertaken	\$ -		\$ 5,111,920
Public Investment Undertaken	\$ 5,124,112		\$ 6,148,331
Ratio of Private/Public Investment	0		74/89

Project 5: City Escape	Project Completed		
Private Investment Undertaken	\$ 2,275,000		\$ -
Public Investment Undertaken	\$ 425,000		\$ -
Ratio of Private/Public Investment	5 6/17		0

Project 6: Coyne American Institute	Project is Ongoing ***		
Private Investment Undertaken			\$ 12,626,113
Public Investment Undertaken	\$ 2,020,105	\$ 349,378	\$ 3,300,000
Ratio of Private/Public Investment	0		3 19/23

Project 7: Greater West Town	Project is Ongoing ***		
Private Investment Undertaken			\$ 7,132,111
Public Investment Undertaken	\$ 1,314,982	\$ 2,100,000	\$ 3,100,000
Ratio of Private/Public Investment	0		2 3/10

Project 8: CB2 Relocation	Project is Ongoing ***		
Private Investment Undertaken			\$ 12,826,000
Public Investment Undertaken	\$ -	\$ 144,753	\$ 3,400,000
Ratio of Private/Public Investment	0		3 17/22

SECTION 5 - 65 ILCS 5/11-74.4-5 (d) (7) (G) and 65 ILCS 5/11-74.6-22 (d) (7) (G)

Please include a brief description of each project.

** Depending on the particular goals of this type of program, the City may: i) make an advance disbursement of the entire public investment amount to the City's program administrator, ii) disburse the amounts through an escrow account, or iii) pay the funds out piecemeal to the program administrator as each ultimate grantee's rehabilitation work is approved under the program.

*** As of the last date of the reporting fiscal year, the construction of this Project was ongoing; the Private Investment Undertaken and Ratio figures for this Project will be reported on the Annual Report for the fiscal year in which the construction of the Project is completed and the total Private Investment figure is available.

General Notes

(a) Each actual or estimated Public Investment reported here is, to the extent possible, comprised only of payments financed by tax increment revenues. In contrast, each actual or estimated Private Investment reported here is, to the extent possible, comprised of payments financed by revenues that are not tax increment revenues and, therefore, may include private equity, private lender financing, private grants, other public monies, or other local, state or federal grants or loans.

(b) Each amount reported here under Public Investment Undertaken, Total Estimated to Complete Project, is the maximum amount of payments financed by tax increment revenues that could be made pursuant to the corresponding Project's operating documents, but not including interest that may later be payable on developer notes, and may not necessarily reflect actual expenditures, if any, as reported in Section 3 herein. The total public investment amount ultimately made under each Project will depend upon the future occurrence of various conditions, including interest that may be payable on developer notes as set forth in the Project's operating documents.

(c) Each amount reported here under Public Investment Undertaken, 11/1/1999 to Date, is cumulative from the Date of execution of the corresponding Project to the end of the reporting year, and may include interest amounts paid to finance the Public Investment amount. Projects undertaken prior to 11/1/1999 are not reported on this table.

(d) Intergovernmental agreements, if any, are reported on Attachment M hereto.

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

Attachment B

CERTIFICATION

TO:

Judy Baar Topinka
Comptroller of the State of Illinois
James R. Thompson Center
100 West Randolph Street, Suite 15-500
Chicago, Illinois 60601
Attention: June Canello, Director of Local
Government

Jean-Claude Brizard
Chief Executive Officer
Chicago Board of Education
125 South Clark Street, 5th Floor
Chicago, Illinois 60603

Dolores Javier, Treasurer
City Colleges of Chicago
226 West Jackson Boulevard, Room 1125
Chicago, Illinois 60606

Jacqueline Torres, Director of Finance
Metropolitan Water Reclamation District of
Greater Chicago
100 East Erie Street, Room 2429
Chicago, Illinois 60611

Herman Brewer
Director
Cook County Bureau of Planning & Dev.
69 West Washington Street, Suite 2900
Chicago, Illinois 60602

Douglas Wright
South Cook County Mosquito Abatement
District
155th & Dixie Highway
P.O. Box 1030
Harvey, Illinois 60426

Dan Donovan, Comptroller
Forest Preserve District of Cook County
69 W. Washington Street, Suite 2060
Chicago, IL 60602

Michael P. Kelly, Interim General
Superintendent & CEO
Chicago Park District
541 North Fairbanks
Chicago, Illinois 60611

I, Rahm Emanuel, in connection with the annual report (the "Report") of information required by Section 11-74.4-5(d) of the Tax Increment Allocation Redevelopment Act, 65 ILCS5/11-74.4-1 et seq., (the "Act") with regard to the Kinzie Industrial Corridor Redevelopment Project Area (the "Redevelopment Project Area"), do hereby certify as follows:

Attachment B

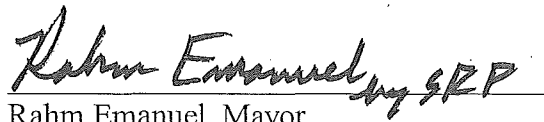
1. I am the duly qualified and acting Mayor of the City of Chicago, Illinois (the "City") and, as such, I am the City's Chief Executive Officer. This Certification is being given by me in such capacity.

2. During the preceding fiscal year of the City, being January 1 through December 31, 2010, the City complied, in all material respects, with the requirements of the Act, as applicable from time to time, regarding the Redevelopment Project Area.

3. In giving this Certification, I have relied on the opinion of the Corporation Counsel of the City furnished in connection with the Report.

4. This Certification may be relied upon only by the addressees hereof.

IN WITNESS WHEREOF, I have hereunto affixed my official signature as of this 30th day of June, 2011.


Rahm Emanuel, Mayor
City of Chicago, Illinois



DEPARTMENT OF LAW

June 30, 2011

CITY OF CHICAGO

Attachment C

Judy Baar Topinka
Comptroller of the State of Illinois
James R. Thompson Center
100 West Randolph Street, Suite 15-500
Chicago, Illinois 60601
Attention: June Canello, Director of Local
Government

Jean-Claude Brizard
Chief Executive Officer
Chicago Board of Education
125 South Clark Street, 5th Floor
Chicago, Illinois 60603

Dolores Javier, Treasurer
City Colleges of Chicago
226 West Jackson Boulevard, Room 1125
Chicago, Illinois 60606

Jacqueline Torres, Director of Finance
Metropolitan Water Reclamation District
of Greater Chicago
100 East Erie Street, Room 2429
Chicago, Illinois 60611

Herman Brewer
Director
Cook County Bureau of Planning & Dev.
69 West Washington Street, Suite 2900
Chicago, Illinois 60602

Douglas Wright
South Cook County Mosquito Abatement
District
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P.O. Box 1030
Harvey, Illinois 60426

Dan Donovan, Comptroller
Forest Preserve District of Cook County
69 W. Washington Street, Suite 2060
Chicago, IL 60602

Michael P. Kelly, Interim General
Superintendent & CEO
Chicago Park District
541 North Fairbanks
Chicago, Illinois 60611

Re: Kinzie Industrial Corridor
Redevelopment Project Area (the "Redevelopment Project
Area")

Dear Addressees:

I am the Corporation Counsel of the City of Chicago, Illinois (the "City") and, in such capacity, I am the head of the City's Law Department. In such capacity, I am providing the opinion required by Section 11-74.4-5(d)(4) of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq. (the "Act"), in connection with the submission of the report (the "Report") in accordance with, and containing the information required by, Section 11-74.4-5(d) of the Act for the Redevelopment Project Area.

Attachment C

Opinion of Counsel for 2010 Annual Report
Page 2

June 30, 2011

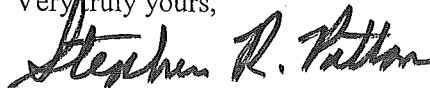
Attorneys, past and present, in the Law Department of the City and familiar with the requirements of the Act, have had general involvement in the proceedings affecting the Redevelopment Project Area, including the preparation of ordinances adopted by the City Council of the City with respect to the following matters: approval of the redevelopment plan and project for the Redevelopment Project Area, designation of the Redevelopment Project Area as a redevelopment project area, and adoption of tax increment allocation financing for the Redevelopment Project Area, all in accordance with the then applicable provisions of the Act. Various departments of the City, including, if applicable, the Law Department, Department of Housing and Economic Development, Department of Finance and Office of Budget and Management (collectively, the "City Departments"), have personnel responsible for and familiar with the activities in the Redevelopment Project Area affecting such Department(s) and with the requirements of the Act in connection therewith. Such personnel are encouraged to seek and obtain, and do seek and obtain, the legal guidance of the Law Department with respect to issues that may arise from time to time regarding the requirements of, and compliance with, the Act.

In my capacity as Corporation Counsel, I have relied on the general knowledge and actions of the appropriately designated and trained staff of the Law Department and other applicable City Departments involved with the activities affecting the Redevelopment Project Area. In addition, I have caused to be examined or reviewed by members of the Law Department of the City the certified audit report, to the extent required to be obtained by Section 11-74.4-5(d)(9) of the Act and submitted as part of the Report, which is required to review compliance with the Act in certain respects, to determine if such audit report contains information that might affect my opinion. I have also caused to be examined or reviewed such other documents and records as were deemed necessary to enable me to render this opinion. Nothing has come to my attention that would result in my need to qualify the opinion hereinafter expressed, subject to the limitations hereinafter set forth, unless and except to the extent set forth in an Exception Schedule attached hereto as Schedule 1.

Based on the foregoing, I am of the opinion that, in all material respects, the City is in compliance with the provisions and requirements of the Act in effect and then applicable at the time actions were taken from time to time with respect to the Redevelopment Project Area.

This opinion is given in an official capacity and not personally and no personal liability shall derive herefrom. Furthermore, the only opinion that is expressed is the opinion specifically set forth herein, and no opinion is implied or should be inferred as to any other matter. Further, this opinion may be relied upon only by the addressees hereof and the Mayor of the City in providing his required certification in connection with the Report, and not by any other party.

Very truly yours,



Stephen R. Patton
Corporation Counsel

SCHEDULE 1

(Exception Schedule)

No Exceptions

Note the following Exceptions:

ATTACHMENT D

Activities Statement

Projects that were implemented during the preceding fiscal year, if any, are set forth below:

Name of Project
CB2 Headquarters

Redevelopment activities undertaken within this Project Area during the preceding fiscal year, if any, have been made pursuant to: (i) the Redevelopment Plan for the Project Area, and (ii) any Redevelopment Agreements affecting the Project Area, and are set forth in Section 3 herein by TIF-eligible expenditure category.

ATTACHMENT E

Agreements

Agreements entered into concerning the disposition or redevelopment of property within the Project Area during the proceeding fiscal year, if any, are attached hereto.

None

ATTACHMENT F

Additional Information

The amounts shown elsewhere in this report, including those shown in Section 3 herein, have been used to pay for project cost within the Project Area and for debt service (if applicable), all in furtherance of the objectives of the Redevelopment Plan for the Project Area.



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Doc#: 1011944119 Fee: \$210.00
 Eugene "Gene" Moore RHSP Fee: \$10.00
 Cook County Recorder of Deeds
 Date: 04/29/2010 02:58 PM Pg: 1 of 88

MTC 2077522 1/4 [signature]

This agreement was prepared by and
 after recording return to:
 Judith A, El-Amin, Esq.
 City of Chicago Law Department
 121 North LaSalle Street, Room 600
 Chicago, IL 60602

PEPPERCORN 240, LLC REDEVELOPMENT AGREEMENT

This Peppercorn 240, LLC Redevelopment Agreement (this "**Agreement**") is made as of this 27th day of April, 2010, by and among the City of Chicago, an Illinois municipal corporation (the "**City**"), through its Department Community Development ("**DCD**"), Peppercorn 240, LLC, an Illinois limited liability company ("**Peppercorn**"), and Euromarket Designs, Inc., an Illinois corporation ("**EDI**" with Peppercorn are collectively referred to herein as the "Developer").

RECITALS

A. Constitutional Authority: As a home rule unit of government under Section 6(a), Article VII of the 1970 Constitution of the State of Illinois (the "**State**"), the City has the power to regulate for the protection of the public health, safety, morals and welfare of its inhabitants, and pursuant thereto, has the power to encourage private development in order to enhance the local tax base, create employment opportunities and to enter into contractual agreements with private parties in order to achieve these goals.

B. Statutory Authority: The City is authorized under the provisions of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq., as amended from time to

time (the "Act"), to finance projects that eradicate blighted conditions and conservation area factors through the use of tax increment allocation financing for redevelopment projects.

C. City Council Authority: To induce redevelopment pursuant to the Act, the City Council of the City (the "**City Council**") adopted the following ordinances on June 10, 1998: (1) "An Ordinance of the City of Chicago, Illinois Approving a Redevelopment Plan for the Kinzie Industrial Conservation Redevelopment Project Area" (the "**Approving Ordinance**"); (2) "An Ordinance of the City of Chicago, Illinois Designating the Kinzie Industrial Conservation Redevelopment Project Area as a Redevelopment Project Area Pursuant to the Tax Increment Allocation Redevelopment Act"; and (3) "An Ordinance of the City of Chicago, Illinois Adopting Tax Increment Allocation Financing for the Kinzie Industrial Conservation Redevelopment Project Area" (the "**TIF Adoption Ordinance**") (items(1)-(3) collectively referred to herein as the "**TIF Ordinances**"). The redevelopment project area referred to above (the "**Redevelopment Area**") is legally described in **Exhibit A** hereto.

D. The Project: Peppercorn has purchased (the "**Acquisition**") certain property located within the Redevelopment Area at 240 North Ashland Avenue, Chicago, Illinois 60612 and legally described on **Exhibit B** hereto (the "**Property**"). The Property is improved with a three-story reinforced concrete building that contains approximately 80,000 leaseable square feet (the "**Building**"). EDI (i) has developed a relatively new brand concept called "**CB2**", (ii) has or intends to lease approximately 64,000 square feet of the Building (the "**EDI Leased Space**"), (iii) within the time frames set forth in **Section 3.01** hereof, shall improve at least 50,000 square feet of the EDI Leased Space (the "**Initial Operating Space**") with a LEED-CI certified commercial interior, (iv) plans to consolidate and relocate, among other things, its administrative and creative staff dedicated to "**CB2**" from another location within the City and from its Northbrook, Illinois location along with various photo studio and other creative staff from another location within the City to the EDI Leased Space, and (v) intends to employ a minimum staff of 30 FTE (as defined in **Section 2**) (subsections (i)-(iv) are collectively referred to herein as the "**Facility**"). The Facility and related improvements (including but not limited to those TIF-Funded Improvements as defined below and set forth on **Exhibit C**) are collectively referred to herein as the "**Project**." The completion of the Project would not reasonably be anticipated without the financing contemplated in this Agreement.

E. Redevelopment Plan: The Project will be carried out in accordance with this Agreement and the City of Chicago Kinzie Industrial Conservation Redevelopment Project Area Redevelopment Plan and Project (the "**Redevelopment Plan**"), attached hereto as **Exhibit D**.

F. City Financing: The City agrees to use, in the amounts set forth in **Section 4.03** hereof, (i) the proceeds of the City Notes (defined below) and/or (ii) Incremental Taxes (as defined below), to pay for or reimburse the Developer for the costs of TIF-Funded Improvements pursuant to the terms and conditions of this Agreement and the City Notes.

In addition, the City may, in its discretion, issue tax increment allocation bonds ("**TIF Bonds**") secured by Incremental Taxes pursuant to a TIF bond ordinance (the "**TIF Bond Ordinance**") at a later date, the proceeds of which may be used to pay for the costs of the TIF-Funded Improvements not previously paid for from Incremental Taxes (including any such payment made pursuant to any City Note provided to the Developer pursuant to this Agreement), to make payments of principal and interest on the City Note, or in order to reimburse the City for the costs of TIF-Funded Improvements.

G. Modern Schools Across Chicago Bonds: Pursuant to an ordinance adopted by the City Council on December 13, 2006, as may be amended or supplemented (the "**Modern**

Schools Across Chicago Bond Ordinance"), the City intends to issue one or more series of general obligation bonds (the "**Modern Schools Across Chicago Bonds**") as a means of financing certain redevelopment project costs (as defined in the Act) incurred pursuant to the Redevelopment Plan, including but not limited to the construction and/or rehabilitation of a public school or schools located in the Redevelopment Area and/or a "redevelopment-project area" under Section 3(p) of the Act that is either contiguous to, or is separated only by a public right of way from the Redevelopment Area pursuant to Section 4(q) of the Act and Section VII(C) of the Redevelopment Plan. It is the City's intention to pay scheduled principal and interest on the Modern Schools Across Chicago Bonds, in whole or in part, out of Incremental Taxes (as such term is defined below), amongst other sources, pursuant to the Act.

Now, therefore, in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. RECITALS

The foregoing recitals are hereby incorporated into this agreement by reference.

SECTION 2. DEFINITIONS

For purposes of this Agreement, in addition to the terms defined in the foregoing recitals, the following terms shall have the meanings set forth below:

"Act" shall have the meaning set forth in the Recitals hereof.

"Actual residents of the City" shall mean persons domiciled within the City.

"Acquisition" shall have the meaning set forth in the Recitals hereof.

"Acquisition Cost" shall mean \$12,675,000, which represents Peppercorn's acquisition costs for the Property, which shall exclude transaction costs such as title cost, transfer taxes, attorney fees, etc. and tenant improvement cost for the EDI Leased Space.

"Affiliate" shall mean any person or entity directly or indirectly controlling, controlled by or under common control with the Developer.

"Annual Compliance Report" shall mean a signed report from the Developer to the City (a) itemizing each of the Developer's obligations under the RDA during the preceding calendar year, (b) certifying the Developer's compliance or noncompliance with such obligations, (c) attaching evidence (whether or not previously submitted to the City) of such compliance or noncompliance and (d) certifying that the Developer is not in default with respect to any provision of the RDA, the agreements evidencing the Lender Financing, if any, or any related agreements; provided, that the obligations to be covered by the Annual Compliance Report shall include the following: (1) compliance with the Occupancy Covenant (**Section 8.06**); (2) compliance with the Jobs Covenant (**Section 8.06**); (3) compliance with the Covenant Period (**Section 8.06**); (4) delivery of Financial Statements (**Section 8.13**); (5) delivery of updated insurance certificates, if applicable (**Section 8.14**); (6) delivery of evidence of payment of Non-Governmental Charges, if

applicable (**Section 8.15**); (7) delivery of evidence that LEED-CI certification has been obtained (**Section 8.20**); and (8) compliance with all other executory provisions of the RDA.

"Area-Wide Increment" shall mean the Incremental Taxes deposited in the Kinzie Industrial Conservation Redevelopment Project Area TIF Fund.

"Available Incremental Taxes" or **"Fund"** shall mean the Incremental Taxes deposited in the Kinzie Industrial Conservation Redevelopment Project Area TIF Fund attributable to the taxes levied on the Property after the scheduled payment of principal and interest on any prior or subsequent issue of the Modern Schools Across Chicago Bonds.

"Available Project Funds" shall have the meaning set forth for such term in Section 4.07 hereof.

"Business Relationship" shall have the meaning set forth for such term in Section 2-156-080 of the Municipal Code of Chicago.

"Certificate" shall have the meaning set forth in Section 7.01 hereof.

"Certificate of Expenditure" shall mean any Certificate of Expenditure referenced in the City Note pursuant to which the principal amount of the City Note will be established.

"Change Order" shall mean any amendment or modification to the Scope Drawings, Plans and Specifications or the Project Budget as described in Section 3.03, Section 3.04 and Section 3.05, respectively.

"City" shall mean the City of Chicago, Illinois.

"City Contract" shall have the meaning set forth in Section 8.01(o) hereof.

"City Council" shall have the meaning set forth in the Recitals hereof.

"City Funds" shall mean the funds described in Section 4.03(b) hereof.

"City Funds" shall mean the funds paid to the Developer pursuant to the City Note.

"City Note" shall refer to either City Note A and City Note B or collectively to City Note A and City Note B, as applicable.

"City Note A" shall mean the City of Chicago Tax Increment Allocation Revenue Note (Kinzie Industrial Conservation Redevelopment Project Area), Taxable Series 2010 A, to be in the form attached hereto as Exhibit L-1, in a maximum principal amount of \$2,150,000, issued by the City to Peppercorn upon issuance of the Phase I Certificate, bearing interest upon issuance at the City Note A Interest Rate, and as more fully described in Section 4.03 hereof.

"City Note B" shall mean the City of Chicago Tax Increment Allocation Revenue Note (Kinzie Industrial Conservation Redevelopment Project Area), Taxable Series 2010 B, to be in the form attached hereto as Exhibit L-2, in the maximum principal amount of: \$1,250,000, issued by the City

to Peppercorn as herein set forth upon the issuance of the Phase II Certificate, bearing interest upon issuance at the City Note B Interest Rate, and as more fully described in **Section 4.03** hereof.

"City Note A Interest Rate" shall mean an interest rate equal to the median value of the 10-year Treasury constant maturity as published in the daily Federal Reserve Release for 15 business days prior to the issuance of City Note A plus 275 basis points, but in no event exceeding 8.0%.

"City Note B Interest Rate" shall mean an interest rate equal to the median value of the 10-year Treasury constant maturity as published in the daily Federal Reserve Release for 15 business days prior to the issuance of City Note B plus 275 basis points, but in no event exceeding 8.0%.

"Closing Date" shall mean the date of execution and delivery of this Agreement by all parties hereto, which shall be deemed to be the date appearing in the first paragraph of this Agreement.

"Contract" shall have the meaning set forth in **Section 10.03** hereof.

"Contractor" shall have the meaning set forth in **Section 10.03** hereof.

"Construction Contract" shall mean that certain contract, substantially in the form attached hereto as **Exhibit E**, to be entered into between EDI and the General Contractor providing for construction of the Project.

"Corporation Counsel" shall mean the City's Office of Corporation Counsel.

"Covenant Period" shall have the meaning set forth in **Section 8.06 (c)** hereof.

"Department" as used in **Section 8.09** shall mean the Illinois Department of Labor.

"DCD" shall mean the City's Department of Community Development.

"Developer" shall refer to each of Peppercorn and EDI separately and individually and is used herein for purposes of convenience only; it being acknowledged that Peppercorn and EDI shall not have any joint and several liability under this Agreement and that all construction related obligations under this Agreement (including, but not limited to compliance with Section 10) shall be the sole responsibility of EDI.

"EDI" shall refer only to Euromarket Designs, Inc. individually and severally and shall not refer to Peppercorn.

"Employer(s)" shall have the meaning set forth in **Section 10** hereof.

"Environmental Laws" shall mean any and all federal, state or local statutes, laws, regulations, ordinances, codes, rules, orders, licenses, judgments, decrees or requirements relating to public health and safety and the environment now or hereafter in force, as amended and hereafter amended, including but not limited to (i) the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.); (ii) any so-called "**Superfund**" or "**Superlien**" law; (iii) the Hazardous Materials Transportation Act (49 U.S.C. Section 1802 et seq.); (iv) the Resource Conservation and Recovery Act (42 U.S.C. Section 6902 et seq.); (v) the Clean Air Act (42 U.S.C. Section 7401 et seq.); (vi) the Clean Water Act (33 U.S.C. Section 1251 et seq.); (vii) the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.); (viii) the Federal Insecticide,

Fungicide and Rodenticide Act (7 U.S.C. Section 136 et seq.); (ix) the Illinois Environmental Protection Act (415 ILCS 5/1 et seq.); and (x) the Municipal Code of Chicago.

"Equity" shall mean funds of Peppercorn or EDI (other than funds derived from Lender Financing) irrevocably available for the Project, in the amount set forth in **Section 4.01** hereof, which amount may be increased pursuant to **Section 4.06** (Cost Overruns) or **Section 4.07(g)**.

"Event of Default" shall have the meaning set forth in **Section 15** hereof.

"Exclusive and Dedicated Contract Employee" shall mean a person who is employed by an entity other than EDI or an Affiliate and regularly performs work hours for at least 35 hours per week for the benefit of EDI or an Affiliate.

"Facility" shall have the meaning set forth in the Recitals hereof.

"Financial Statements" shall mean (i) with respect to EDI, an auditor's statement of opinion concerning the consolidated financial statements of Crate & Barrel Holdings, Inc., the parent company of EDI, prepared in accordance with generally accepted accounting principles and practices consistently applied throughout the appropriate periods, and (ii) with respect to Peppercorn, an unaudited financial statement prepared in accordance with generally accepted accounting principles and practices consistently applied throughout the appropriate periods.

"Full-Time Equivalent Employee" or **"FTE"** shall mean (a) an employee of EDI or one of its Affiliates (or, with respect to job shares or similar work arrangements, such employees taken collectively) whose principal office is located on the Property and who works at least 35 hours per week; or (b) an Exclusive and Dedicated Contract Employee (as defined above). FTEs shall not include persons employed as independent contractors, or consultants or persons employed by third parties in positions ancillary to the EDI's operations who are not Exclusive and Dedicated Contract Employees. The number of jobs (FTE and part-time) shall be calculated based on monthly averages.)

"General Contractor" shall mean the general contractor(s) hired by the Developer pursuant to **Section 6.01**.

"Governmental Charge" shall have the meaning set forth in **Section 8.19(a)(i)**

"Hazardous Materials" shall mean any toxic substance, hazardous substance, hazardous material, hazardous chemical or hazardous, toxic or dangerous waste defined or qualifying as such in (or for the purposes of) any Environmental Law, or any pollutant or contaminant, and shall include, but not be limited to, petroleum (including crude oil), any radioactive material or by-product material, polychlorinated biphenyls and asbestos in any form or condition.

"Human Rights Ordinance" shall have the meaning set forth in **Section 10** hereof.

"In Balance" shall have the meaning set forth in **Section 4.07(g)** hereof.

"Incremental Taxes" shall mean such ad valorem taxes which, pursuant to the TIF Adoption Ordinance and Section 5/11-74.4-8(b) of the Act, are allocated to and when collected are paid to the Treasurer of the City of Chicago for deposit by the Treasurer into the Kinzie Industrial Conservation

Special Tax Allocation Fund established to pay Redevelopment Project Costs and obligations incurred in the payment thereof.

"**Indemnatee**" and "**Indemnitees**" shall have the meaning set forth in **Section 13.01** hereof.

"**Initial Operating Space**" shall have the meaning set forth in the Recitals hereof.

"**Kinzie Industrial Conservation Redevelopment Area TIF Fund**" shall mean the special tax allocation fund created by the City in connection with the Redevelopment Area into which the Incremental Taxes will be deposited.

"**Lease**" shall mean that certain office lease between EDI and Peppercorn dated September 10, 2008, as may be amended from time to time, and concerning the EDI Leased Space.

"**Lender Financing**" shall mean funds borrowed by Peppercorn from lenders and irrevocably available to pay for Costs of the Project, in the amount set forth in **Section 4.01** hereof.

"**MBE(s)**" shall mean a business identified in the Directory of Certified Minority Business Enterprises published by the City's Department of Procurement Services, or otherwise certified by the City's Department of Procurement Services as a minority-owned business enterprise, related to the Procurement Program or the Construction Program, as applicable.

"**MBE/WBE Budget**" shall mean the budget attached hereto as **Exhibit G-2**, as described in **Section 10.03**.

"**MBE/WBE Program**" shall have the meaning set for in **Section 10.03(a)** hereof.

"**Minimum Assessed Value**" shall have the meaning set forth in **Section 8.19(c)(i)** hereof.

"**MOWD**" shall mean the Mayor's Office on Workforce Development, or successor office thereto.

"**Municipal Code**" shall mean the Municipal Code of the City of Chicago.

"**New Mortgage**" shall have the meaning set forth in **Article 16** hereof.

"**Non-Governmental Charges**" shall mean all non-governmental charges, liens, claims, or encumbrances relating to the Developer, the Property or the Project.

"**Peppercorn**" shall refer only to Peppercorn 240, LLC individually and severally and shall not refer to EDI.

"**Permitted Liens**" shall mean those liens and encumbrances against the Property and/or the Project set forth on **Exhibit F** hereto.

"**Phase I**" shall mean the leasing of at least 80% of the leaseable square feet of the Building, as evidenced by executed lease(s), and the delivery of the EDI Leased Space to EDI for build out, as further described in **Recital D** hereto.

"Phase II" shall mean the completion of the build out of the Initial Operating Space by EDI, as further described in **Recital D** hereto, and the delivery of a certificate from EDI to the City confirming that at least 30 FTE have been located at the Property.

"Phase I Certificate" shall mean the certificate of completion that the City may issue with respect to completion of Phase I pursuant to **Section 7.01** hereof.

"Phase II Certificate" shall mean the certificate of completion that the City may issue with respect to completion of Phase II pursuant to **Section 7.01** hereof.

"Plans and Specifications" shall mean final construction documents containing a site plan and working drawings and specifications for the Project, as submitted to the City as the basis for obtaining building permits for the Project.

"Prior Expenditure(s)" shall have the meaning set forth in **Section 4.05(a)** hereof.

"Project" shall have the meaning set forth in the Recitals hereof.

"Project Budget" shall mean the budget attached hereto as **Exhibit G-1**, showing the total cost of the Project by line item, furnished by the Developer to DCD, in accordance with **Section 3.03** hereof.

"Property" shall have the meaning set forth in the Recitals hereof.

"Qualified Investor" shall mean a qualified institutional buyer or a registered investment company.

"Redevelopment Area" shall have the meaning set forth in the Recitals hereof.

"Redevelopment Plan" shall have the meaning set forth in the Recitals hereof.

"Redevelopment Project Costs" shall mean redevelopment project costs as defined in Section 5/11-74.4-3(q) of the Act that are included in the budget set forth in the Redevelopment Plan or otherwise referenced in the Redevelopment Plan.

"Requisition Form" shall mean the document, in the form attached hereto as **Exhibit K**, to be delivered by separately by EDI and Peppercorn to DCD pursuant to **Section 4.04** of this Agreement.

"Required Jobs" shall mean 53 FTE (i.e., 90% of 59) new and retained jobs maintained on the Property by EDI.

"Scope Drawings" shall mean preliminary construction documents containing a site plan and preliminary drawings and specifications for the Project.

"Survey" shall mean a Class A plat of survey in the most recently revised form of ALTA/ACSM land title survey of the Property, dated within 45 days prior to the Closing Date, acceptable in form and content to the City and the Title Company, prepared by a surveyor registered in the State of Illinois, certified to the City and the Title Company, and indicating whether the Property is in a flood hazard area as identified by the United States Federal Emergency

Management Agency (and updates thereof to reflect improvements to the Property in connection with the construction of the Facility and related improvements as required by the City or lender(s) providing Lender Financing).

“Term of the Agreement” shall mean the period of time commencing on the Closing Date and ending after the expiration of the Covenant Period **and** the earlier to occur of (a) the date that both the City Note A and City Note B have been fully paid; or (b) the date which the Redevelopment Area is no longer in effect (through and including June 10, 2021).

“Threshold Net Proceeds” shall mean the net proceeds received by Peppercorn as a result of a Transfer to a third-party purchaser of the Property. Threshold Net Proceeds shall equal (i) 105% of the Acquisition Cost if a Transfer occurs on or before the 1st anniversary of the issuance of the Phase I Certificate; (ii) 110% of the Acquisition Cost if a Transfer occurs on or before the 2nd anniversary of the issuance of the Phase I Certificate; (iii) 115% of the Acquisition Cost if a Transfer occurs on or before the 3rd anniversary of the issuance of the Phase I Certificate; (iv) 120% of the Acquisition Cost if a Transfer occurs on or before the 4th anniversary of the issuance of the Phase I Certificate; (v) and 125% of the Acquisition Cost if a Transfer occurs on or before 5th anniversary of the issuance of the Phase I Certificate.

“TIF Bonds” shall have the meaning set forth in the Recitals hereof F and **Section 8.05** hereof.

“TIF-Funded Improvements” shall mean those improvements of the Project which (i) qualify as Redevelopment Project Costs, (ii) are eligible costs under the Redevelopment Plan and (iii) the City has agreed to pay for out of the City Funds, subject to the terms of this Agreement. **Exhibit C** lists the TIF-Funded Improvements for the Project.

“TIF Ordinances” shall have the meaning set forth in the Recitals hereof.

“Title Company” shall mean Chicago Title Insurance Company or other such other title company as may reasonably be acceptable to the City.

“Title Policy” shall mean a title insurance policy in the most recently revised ALTA or equivalent form, showing Peppercorn as the insured, noting the recording of this Agreement as an encumbrance against the Property, and a subordination agreement in favor of the City with respect to previously recorded liens against the Property related to Lender Financing, if any, issued by the Title Company.

“WARN Act” shall mean the Worker Adjustment and Retraining Notification Act (29 U.S.C. Section 2101 **et seq.**).

“WBE(s)” shall mean a business identified in the Directory of Certified Women Business Enterprises published by the City's Department of Procurement Services, or otherwise certified by the City's Department of Procurement Services as a women-owned business enterprise, related to the Procurement Program or the Construction Program, as applicable.

SECTION 3. THE PROJECT

3.01 The Project. With respect to the Project, EDI shall, pursuant to the Plans and Specifications and subject to the provisions of **Section 18.17** hereof: (i) commence construction no later than June 1, 2009; and (ii) substantially complete construction no later than December 31, 2009. Upon request from EDI, the Commissioner may extend the commencement date and/or the completion dates of the Project, subject to **Section 3.04** herein

3.02 Scope Drawings and Plans and Specifications. EDI has delivered the Scope Drawings and Plans and Specifications to DCD and DCD has approved same. After such initial approval, subsequent proposed changes to the Scope Drawings or Plans and Specifications shall be submitted to DCD as a Change Order pursuant to **Section 3.04** hereof. The Scope Drawings and Plans and Specifications shall at all times conform to the Redevelopment Plan and all applicable federal, state and local laws, ordinances and regulations. EDI shall submit all necessary documents to the City's Building Department, Department of Transportation and such other City departments or governmental authorities as may be necessary to acquire building permits and other required approvals for the Project.

3.03 Project Budget. The Developer has furnished to DCD, and DCD has approved, a Project Budget showing total costs for the Project in an amount not less than [**Sixteen Million Two Hundred Twenty-Six Thousand Dollars (\$16,226,000)**]. The Developer hereby certifies to the City that (a) it has Lender Financing and Equity described in **Section 4.02** hereof, which shall be sufficient to pay all Project costs; and (b) the Project Budget is true, correct and complete in all material respects. The Developer shall promptly deliver to DCD certified copies of any Change Orders with respect to the Project Budget for approval pursuant to **Section 3.04** hereof.

3.04 Change Orders. Except as provided below, all Change Orders (and documentation substantiating the need and identifying the source of funding therefor) relating to material changes to the Project must be submitted by the Developer to DCD concurrently with the progress reports described in **Section 3.07** hereof; provided, that any Change Order relating to any of the following must be submitted by the Developer to DCD for DCD's prior written approval: (a) a reduction in the square footage of the Facility by five percent (5%) or more; (b) a change in the use of the Property; (c) a reduction in excess of 10% of the Equity in the Project Budget; or (d) a delay in the commencement or completion of the Project by more than 90 days. The Developer shall not authorize or permit the performance of any work relating to any Change Order or the furnishing of materials in connection therewith prior to the receipt by the Developer of DCD's written approval (to the extent required in this section). The Construction Contract, and each contract between the General Contractor and any subcontractor, shall contain a provision to this effect. An approved Change Order shall not be deemed to imply any obligation on the part of the City to increase the amount of City Funds which the City has pledged pursuant to this Agreement or provide any other additional assistance to the Developer.

3.05 DCD Approval. Any approval granted by DCD of the Scope Drawings, Plans and Specifications and the Change Orders is for the purposes of this Agreement only and does not affect or constitute any approval required by any other City department or pursuant to any City ordinance, code, regulation or any other governmental approval, nor does any approval by DCD pursuant to this Agreement constitute approval of the quality, structural soundness or safety of the Property or the Project.

3.06 Other Approvals. Any DCD approval under this Agreement shall have no effect upon, nor shall it operate as a waiver of, the Developer's obligations to comply with the provisions of **Section 5.03** (Other Governmental Approvals) hereof. The Developer shall not commence construction of the Project until the Developer has obtained all necessary permits and approvals (including but not limited to DCD's approval of the Scope Drawings and Plans and Specifications) and proof of the General Contractor's and each subcontractor's bonding as required hereunder.

3.07 Progress Reports and Survey Updates. After commencement of construction, the Developer shall provide DCD with: 1) written progress reports on a quarterly basis detailing the status of the Project, including a revised completion date, if necessary (with any change in completion date being considered a Change Order, requiring DCD's written approval pursuant to **Section 3.04**) and duplicates of applicable support documentation verifying the disbursement and receipt of Project funds (i.e. invoices, canceled checks, partial and final waivers-of-lien, etc.); 2) monthly reports on MBE/WBE utilization, Prevailing Wage and City Residency (based on expenditures to-date); 3) if applicable, a report which includes a plan by the Developer to address any shortfall; and 4) three (3) copies of an updated Survey upon the request of DCD or any lender providing Lender Financing, reflecting improvements made to the Property. The City retains the right to review draw requests which must be accompanied by, among other things, invoices, canceled checks, lien waivers, owner's sworn statements, general contractor's sworn statements and MBE/WBE subcontractor contract amounts and certification letters as a prerequisite to disbursement.

3.08 Inspecting Agent or Architect. An independent agent or architect (other than the Developer's architect) approved by DCD shall be selected to act as the inspecting agent or architect, at the Developer's expense, for the Project. The inspecting agent or architect shall perform periodic inspections with respect to the Project, providing certifications with respect thereto to DCD, prior to requests for disbursement for costs related to the Project. At the Developer's option, the inspecting architect or agent may be the inspecting architect or agent engaged by any lender providing Lender Financing for the Project, provided that said architect is an independent architect licensed by the State of Illinois.

3.09 Barricades. Prior to commencing any construction requiring barricades, EDI shall install a construction barricade of a type and appearance satisfactory to the City and constructed in compliance with all applicable federal, state or City laws, ordinances and regulations. DCD retains the right to approve the maintenance, appearance, color scheme, painting, nature, type, content and design of all barricades.

3.10 Signs and Public Relations. The Developer shall erect a sign of size and style approved by the City in a conspicuous location on the Property during the Project, indicating that financing has been provided by the City. The City reserves the right to include the name, photograph, artistic rendering of the Project and other pertinent information regarding the Developer, the Property and the Project in the City's promotional literature and communications.

3.11 Utility Connections. The Developer may connect all on-site water, sanitary, storm and sewer lines constructed on the Property to City utility lines existing on or near the perimeter of the Property, provided the Developer first complies with all City requirements governing such connections, including the payment of customary fees and costs related thereto.

3.12 Permit Fees. In connection with the Project, the Developer shall be obligated to pay only those building, permit, engineering, tap on and inspection fees that are assessed on a uniform

basis throughout the City of Chicago and are of general applicability to other property within the City of Chicago.

SECTION 4. FINANCING

4.01 Total Project Cost and Sources of Funds. The cost of the Project is estimated to be Sixteen Million Two Hundred Twenty-Six Thousand (\$16,226,000), to be applied in the manner set forth in the Project Budget. Such costs shall be funded from the following sources:

Lender Financing	\$ 13,410,800
Equity (subject to Sections 4.03(b) and 4.06)	<u>2,815,200</u>
ESTIMATED TOTAL	\$ 16,226,000

4.02 Developer Funds. Equity and/or Lender Financing may be used to pay any Project cost, including but not limited to Redevelopment Project Costs

4.03 City Funds.

(a) Uses of City Funds. City Funds may only be used to pay directly or reimburse the Developer for costs of TIF-Funded Improvements that constitute Redevelopment Project Costs. **Exhibit C** sets forth, by line item, the TIF-Funded Improvements for the Project, and the maximum amount of costs that may be paid by or reimbursed from City Funds for each line item therein (subject to **Sections 4.03(b) and 4.05(b)**), contingent upon receipt by the City of documentation satisfactory in form and substance to DCD evidencing such cost and its eligibility as a Redevelopment Project Cost.

(b) Sources of City Funds. Subject to the terms and conditions of this Agreement, including but not limited to this **Section 4.03** and **Section 5** hereof, the City hereby agrees to reimburse the Developer for TIF-Funded Improvements for the lesser of Three Million Four Hundred Thousand Dollars (\$3,400,000) or 21% of the Project Budget (the "**City Funds**"). The City's financial commitment will be as follows:

(i) City Note A. On the Closing Date, the City will issue taxable City Note A to Peppercorn in an initial principal amount not to exceed the lesser of Two Million One Hundred Fifty Thousand Dollars (\$2,150,000) or an amount equal to the costs of the TIF-eligible expenses which have been incurred by Peppercorn by the date of the issuance of City Note A, as evidenced by a Certificate of Expenditure issued by the City. Interest on City Note A will accrue at the City Note A Interest Rate upon issuance of the Phase I Certificate, as more fully described in **Exhibit L-1** attached hereto, and will compound annually. Upon the issuance of the Phase I Certificate, City Note A shall be payable in accordance with an amortization schedule attached to City Note A on the date of issuance. If the Covenant Period (as defined in Section 8.06(c) below) has been extended pursuant to Section 8.06(c) below and EDI has not exercised its right to extend the term of the Lease (which expires June 30, 2019) to a date which terminates after the expiration of the Redevelopment Plan (i.e., June 10, 2021), then, on or before September 30, 2019, the date that is three (3) months after June 30, 2019, the date of the expiration of the Lease (the "**Payment Date**"), the City may prepay the outstanding balance of principal and all outstanding accrued but unpaid interest due on City Note A as of the Payment Date without any prepayment penalty and, in such event, and notwithstanding anything in this Agreement to the contrary,

the City may use Area-Wide Increment; it being acknowledged that if the City does not elect to prepay City Note A, as contemplated in this Section 4.03(b)(i), then the City shall continue to make payments on City Note A in accordance with 4.03(b)(iii) below.

(ii) City Note B. On the Closing Date, the City will issue taxable City Note B to Peppercorn, which will be simultaneously assigned to EDI, in an initial principal amount not to exceed the lesser of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) or the amount of TIF-eligible expenses incurred by the Developer on the Project on the date of issuance of City Note B, as evidenced by a Certificate of Expenditure issued by the City. Interest on City Note B will accrue at the City Note B Interest Rate upon issuance of the Phase II Certificate, as more fully described in Exhibit L-2 attached hereto, and will compound annually. Upon the issuance of the Phase II Certificate, City Note B shall be payable in accordance with an amortization schedule attached to City Note B on the date of issuance and subject to EDI's compliance with Section 8.06 herein and the provisions set forth in Exhibit M, attached hereto. If the Covenant Period (as defined in Section 8.06(c) below) has been extended pursuant to Section 8.06(c) below and EDI has not exercised its right to extend the term of the Lease (which expires June 30, 2019) to a date which terminates after the expiration of the Redevelopment Plan (i.e., June 10, 2021), then, on or before Payment Date, the City may prepay the outstanding balance of principal (which may be reduced subject to EDI's compliance with Section 8.06 herein and the provisions set forth in Exhibit M, attached hereto) and all outstanding accrued but unpaid interest due on City Note B as of the Payment Date without any prepayment penalty and, in such event, and notwithstanding anything in this Agreement to the contrary, the City may use Area-Wide Increment; it being acknowledged that if the City does not elect to prepay City Note B, as contemplated in this Section 4.03(b)(ii), then the City shall continue to make payments on City Note B in accordance with 4.03(b)(iii) below and Exhibit M attached hereto.

(iii) Payment Provisions and Priority of Liens. City Note A will have a lien on a parity basis with City Note B on Available Incremental Taxes. Annual payments on each City Note shall be made on the later to occur of March 1st of each subsequent calendar year or two months after the City's receipt of a Requisition Form. If, in any year, the City does not make such scheduled annual payment due to insufficient Available Incremental Taxes, then in the next year (and if required, any subsequent years), Available Incremental Taxes shall (a) first be applied to repay any shortfall amounts, (b) next be applied to make such year's scheduled annual principal and interest payment and (c) then be applied to prepay the City Note. If EDI or Peppercorn, is in default under this Agreement after any applicable cure period, interest shall immediately cease to accrue on City Note A (if Peppercorn is in default) or City Note B (if EDI is in default) effective as of the date on which an Event of Default is deemed to have occurred and no payments shall be made to the party in default during any cure period applicable to such default. If such default is cured, interest shall again begin to accrue on City Note A and/or City Note B, as applicable, effective as of the actual date on which the default is cured and Available Incremental Taxes shall be used to pay the applicable City Note.

(iv) Note Pledge, Assignment, Sale. City Note B will be assigned on the Closing Date by Peppercorn to EDI. Thereafter, and notwithstanding anything in this Agreement to the contrary, City Note A and/or City Note B (a) may be assigned or pledged as collateral to any party providing Lender Financing upon 30 days notice to the City or (b) may be sold or assigned, after the issuance of a Phase I Certificate or Phase II Certificate, as the case may be, but only to a Qualified Investor with no view to resale

and pursuant to an acceptable investment letter or in a manner otherwise reasonably acceptable to the City, upon 30 days notice to the City. Notwithstanding the foregoing, either party may transfer its respective City Note at any time to (A) one of its Affiliates or (B) any entity in which the majority equity interest is owned by the parties that have a majority equity interest in Peppercorn or EDI, as the case may be.

(v) Subordinate and Conditional Pledge of Area-Wide Increment. If the Property is assessed by the Cook County Assessor's Office as industrial, then the Area-Wide Increment will be pledged to make up any shortfall in the Available Incremental Taxes. City Note A and City Note B will have a subordinate lien on Area-Wide Increment and be subordinate to any City bond obligations of the Redevelopment Area and any existing notes or obligation that are outstanding in the Redevelopment Area as of the Closing Date. However, the lien that City Note A and City Note B will have on the Area-Wide Increment will be senior to subsequent obligations that the City enters into that pledge existing Area-Wide Increment. Without the consent of the City, payments on either the City Note A or City Note B will not come from new Incremental Taxes generated by other projects approved after the date hereof. For purposes of the foregoing, "subsequent obligation" shall not include the Modern Schools Across Chicago Bonds, which shall retain senior priority over City Note A and City Note B, and in connection with which no consent from or other approval by the Developer (or an applicable Qualified Transferee) shall be required.

4.04 Requisition Form

On the Closing Date and prior to each November 1 (or such other date as the parties may agree to) thereafter, beginning in the calendar year in which construction is substantially completed and continuing throughout the earlier of (i) the Term of the Agreement or (ii) the date that the Developer has been reimbursed in full under this Agreement, the Developer shall provide DCD with a Requisition Form for City Note A and/or City Note B, as applicable, along with the documentation described therein. Requisition for reimbursement of TIF-Funded Improvements shall be made not more than one time per calendar year (or as otherwise permitted by DCD).

4.05 Treatment of Prior Expenditures and Subsequent Disbursements.

(a) Prior Expenditures. Only those expenditures made by the Developer with respect to the Project prior to the Closing Date, evidenced by documentation satisfactory to DCD and approved by DCD as satisfying costs covered in the Project Budget, shall be considered previously contributed Equity or Lender Financing hereunder (the "**Prior Expenditures**"). DCD shall have the right, in its sole discretion, to disallow any such expenditure as a Prior Expenditure. **Exhibit H** hereto sets forth the prior expenditures approved by DCD as of the Closing Date as Prior Expenditures. Prior Expenditures made for items other than TIF-Funded Improvements shall not be reimbursed to the Developer, but shall reduce the amount of Equity and/or Lender Financing required to be contributed by the Developer pursuant to **Section 4.01** hereof.

(b) Allocation Among Line Items. Disbursements for expenditures related to TIF-Funded Improvements may be allocated to and charged against the appropriate line and transfers of costs and expenses from one line item to another shall be permitted subject to the terms of **Section 3.04.**

4.06 Cost Overruns. If the aggregate cost of the TIF-Funded Improvements exceeds City Funds available pursuant to **Section 4.03** hereof, or if the cost of completing the Project exceeds

the Project Budget, the Developer shall be solely responsible for such excess cost, and shall hold the City harmless from any and all costs and expenses of completing the TIF-Funded Improvements in excess of City Funds and of completing the Project.

4.07 Preconditions of Execution of Certificate of Expenditure. Prior to each execution of a Certificate of Expenditure by the City, the Developer shall submit documentation regarding the applicable expenditures to DCD, which shall be satisfactory to DCD in its sole discretion. Delivery by the Developer to DCD of any request for execution by the City of a Certificate of Expenditure hereunder shall, in addition to the items therein expressly set forth, constitute a certification to the City, as of the date of such request for execution of a Certificate of Expenditure, that:

(a) the total amount of the request for Certificate of Expenditure represents the actual cost of the actual amount paid to the General Contractor and/or subcontractors who have performed work on the Project, and/or their payees;

(b) all amounts shown as previous payments on the current request for Certificate of Expenditure have been paid to the parties entitled to such payment;

(c) the Developer has approved all work and materials for the current request for Certificate of Expenditure, and such work and materials conform to the Plans and Specifications;

(d) the representations and warranties contained in this Redevelopment Agreement are true and correct and the Developer is in compliance with all covenants contained herein;

(e) the Developer has received no notice and has no knowledge of any liens or claim of lien either filed or threatened against the Property except for the Permitted Liens;

(f) no Event of Default or condition or event which, with the giving of notice or passage of time or both, would constitute an Event of Default exists or has occurred; and

(g) the Project is In Balance. The Project shall be deemed to be in balance ("**In Balance**") only if the total of the available Project funds equals or exceeds the aggregate of the amount necessary to pay all unpaid Project costs incurred or to be incurred in the completion of the Project. "**Available Project Funds**" as used herein shall mean: (i) the undisbursed City Funds; (ii) the undisbursed Lender Financing, if any; (iii) the undisbursed Equity and (iv) any other amounts deposited by the Developer pursuant to this Agreement. The Developer hereby agrees that, if the Project is not In Balance, the Developer shall, within 10 days after a written request by the City, make available (in a manner acceptable to the City), cash in an amount that will place the Project In Balance, which deposit shall first be exhausted before any further disbursement of the City Funds shall be made.

The City shall have the right, in its discretion, to require the Developer to submit further documentation as the City may require in order to verify that the matters certified to above are true and correct, and any execution of a Certificate of Expenditure by the City shall be subject to the City's review and approval of such documentation and its satisfaction that such certifications are true and correct; provided, however, that nothing in this sentence shall be deemed to prevent the City from relying on such certifications by the Developer. In addition, the Developer shall have satisfied all other preconditions of execution of a Certificate of Expenditure, including but not limited to requirements set forth, if any, in the TIF Ordinances and this Agreement.

4.08 Sale or Transfer of Property by Peppercorn. At any time after the issuance of the Phase I Certificate and without the City's consent, Peppercorn shall be permitted to sell, convey or otherwise transfer the Property (a "Transfer") to a third-party purchaser; provided however, if there is a Transfer by Peppercorn on or before the fifth (5th) anniversary date of the Phase I Certificate that results in net proceeds (i.e. the proceeds of a Transfer after excluding transaction costs such as title costs, transfer taxes, attorney fees, etc.) in excess of Threshold Net Proceeds, then the principal amount of City Note A shall be reduced by fifty-cents (\$.50) for each dollar in excess of the Threshold Net Proceeds. (For illustrative purposes only, if a Transfer of the Property occurs on the 3rd anniversary of the Phase I Certificate and the net proceeds equal \$14,676,250, i.e., \$100,000 in excess of the applicable Threshold Net Proceeds, then City Note A shall be reduced by \$50,000; if the Threshold Net Proceeds equal \$14,576,250 or less then there is no reduction of the principal amount of City Note A). Peppercorn shall send written notice to the City within thirty (30) days after any such Transfer. The terms and provisions of this **Section 4.08** shall only be applicable to the initial Transfer by Peppercorn on or before the fifth (5th) anniversary date of the Phase I Certificate and not to any subsequent Transfer.

4.09 Conditional Grant. The City Funds being provided hereunder are being granted on a conditional basis, subject to the Developer's compliance with the provisions of this Agreement. The City Funds are subject to being reimbursed as provided in **Section 7.03 or 8.06** hereof.

SECTION 5. CONDITIONS PRECEDENT

The following conditions have been complied with to the City's satisfaction on or prior to the Closing Date:

5.01 Project Budget. The Developer has submitted to DCD, and DCD has approved, a Project Budget in accordance with the provisions of **Section 3.03** hereof.

5.02 Scope Drawings and Plans and Specifications. The Developer has submitted to DCD, and DCD has approved, the Scope Drawings and Plans and Specifications in accordance with the provisions of **Section 3.02** hereof.

5.03 Other Governmental Approvals. The Developer has secured all other necessary approvals and permits required by any state, federal, or local statute, ordinance or regulation and has submitted evidence thereof to DCD.

5.04 Financing. Peppercorn has furnished proof reasonably acceptable to the City that the Developer has Equity and Lender Financing in the amounts set forth in **Section 4.01** hereof to complete the Project and satisfy its obligations under this Agreement. If a portion of such funds consists of Lender Financing, the Developer has furnished proof as of the Closing Date that the proceeds thereof are available to be drawn upon by the Developer as needed and are sufficient (along with the Equity set forth in **Section 4.01**) to complete the Project. Any liens against the Property in existence at the Closing Date have been subordinated to certain encumbrances of the City set forth herein pursuant to a Subordination Agreement, substantially in the form attached hereto as **Exhibit N** or in a form acceptable to the City, executed on or prior to the Closing Date, which is to be recorded, at the expense of the Developer, with the Office of the Recorder of Deeds of Cook County.

5.05 Acquisition and Title. On the Closing Date, Peppercorn has furnished the City with a copy of the Title Policy for the Property, certified by the Title Company, showing Peppercorn as the

named insured. The Title Policy is dated as of the Closing Date and contains only those title exceptions listed as Permitted Liens on **Exhibit F** hereto and evidences the recording of this Agreement pursuant to the provisions of **Section 8.18** hereof. The Title Policy also contains such endorsements as shall be required by Corporation Counsel, including but not limited to an owner's comprehensive endorsement and satisfactory endorsements regarding zoning (3.1 with parking), contiguity, location, access and survey. Peppercorn has provided to DCD, on or prior to the Closing Date, documentation related to the purchase of the Property and certified copies of all easements and encumbrances of record with respect to the Property not addressed, to DCD's satisfaction, by the Title Policy and any endorsements thereto.

5.06 Evidence of Clean Title. Peppercorn and EDI, each at its own expense, have provided the City with searches under their respective name as follows:

Secretary of State	UCC search
Secretary of State	Federal tax search
Cook County Recorder	UCC search
Cook County Recorder	Fixtures search
Cook County Recorder	Federal tax search
Cook County Recorder	State tax search
Cook County Recorder	Memoranda of judgments search
U.S. District Court	Pending suits and judgments
Clerk of Circuit Court, Pending suits and judgments	
Cook County	

showing no liens against Peppercorn, EDI with respect to the Property only, or the Property, or any fixtures now or hereafter affixed thereto, except for the Permitted Liens.

5.07 Surveys. Peppercorn has furnished the City with three (3) copies of the Survey.

5.08 Insurance. The Developer, at its own expense, has insured the Property in accordance with **Section 12** hereof, and has delivered certificates required pursuant to **Section 12** hereof evidencing the required coverages to DCD.

5.09 Opinion of the Developer's Counsel. On the Closing Date, both Peppercorn and EDI have furnished the City with an opinion of counsel, substantially in the form attached hereto as **Exhibit I**, with such changes as required by or acceptable to Corporation Counsel. If either party has engaged special counsel in connection with the Project, and such special counsel is unwilling or unable to give some of the opinions set forth in **Exhibit I** hereto, such opinions were obtained by such party from its general corporate counsel.

5.10 Evidence of Prior Expenditures. The Developer has provided evidence satisfactory to DCD in its sole discretion of the Prior Expenditures in accordance with the provisions of **Section 4.05(a)** hereof.

5.11 Financial Statements. Each of Peppercorn and EDI has provided Financial Statements to DCD for its most recent fiscal year, and audited or unaudited interim financial statements.

5.12 Documentation. EDI has provided documentation to DCD, satisfactory in form and substance to DCD, with respect to current employment matters and the date of the commencement of EDI's business operations in the Initial Operating Space.

5.13 Environmental. Peppercorn has provided DCD with copies of that certain phase I environmental audit completed with respect to the Property and any phase II environmental audit with respect to the Property required by the City. Peppercorn has provided the City with a letter from the environmental engineer(s) who completed such audit(s), authorizing the City to rely on such audits.

5.14 Corporate Documents; Economic Disclosure Statement. Peppercorn has provided a copy of its Articles of Organization containing the original certification of the Secretary of State of Illinois; the Operating Agreement; a certificate of good standing from the Secretary of State of Illinois; a secretary's certificate regarding authorization, incumbency and other matters in such form and substance as the Corporation Counsel may require; and such other documentation as the City has requested. Peppercorn has provided to the City an Economic Disclosure Statement for Peppercorn and such other entities as may be required by Corporation Counsel in the City's current form dated (or re-certified) as of the Closing Date.

EDI has provided a copy of its Articles of Incorporation containing the original certification of the Secretary of State of Illinois; the Shareholder Agreement; a certificate of good standing from the Secretary of State of Illinois; a secretary's certificate regarding authorization, incumbency and other matters in such form and substance as the Corporation Counsel may require; and such other documentation as the City has requested. EDI has provided to the City an Economic Disclosure Statement for EDI and such other entities as may be required by Corporation Counsel in the City's current form dated (or re-certified) as of the Closing Date.

5.15 Litigation. Each of Peppercorn and EDI has provided to Corporation Counsel and DCD, a description of all pending or threatened litigation or administrative proceedings involving the Peppercorn or EDI (as the case may be), specifying, in each case, the amount of each claim, an estimate of probable liability, the amount of any reserves taken in connection therewith and whether (and to what extent) such potential liability is covered by insurance.

SECTION 6. AGREEMENTS WITH CONTRACTORS

6.01 Bid Requirement for General Contractor and Subcontractors. DCD has approved EDI's selection of Interior Construction Group as the general contractor (the "**General Contractor**") for the construction of the Project. EDI has caused the General Contractor to solicit bids from qualified contractors eligible to do business with the City of Chicago. EDI shall submit copies of the Construction Contract to DCD in accordance with Section 6.02 below. Photocopies of all subcontracts entered or to be entered into in connection with the TIF-Funded Improvements shall be provided to DCD upon DCD's request.

6.02 Construction Contract. EDI has delivered to DCD a certified copy of the executed Construction Contract with the General Contractor.

6.03 Performance and Payment Bonds. Intentionally Deleted

6.04 Employment Opportunity. The Developer shall contractually obligate and cause the General Contractor and each subcontractor to agree to the provisions of **Section 10** hereof; provided, however, that the **Section 10** obligations may be satisfied on an aggregate basis.

6.05 Other Provisions. In addition to the requirements of this **Section 6**, the Construction Contract and each contract with any subcontractor shall contain provisions required pursuant to **Section 3.04** (Change Orders), **Section 8.09** (Prevailing Wage), **Section 10.01(e)** (Employment Opportunity), **Section 10.02** (City Resident Employment Requirement), **Section 10.03** (MBE/WBE Requirements, as applicable), **Section 12** (Insurance) and **Section 14.01** (Books and Records) hereof. Photocopies of all contracts or subcontracts entered or to be entered into in connection with the TIF-Funded Improvements shall be provided to DCD within five (5) business days of the execution thereof.

SECTION 7. COMPLETION OF CONSTRUCTION OR REHABILITATION

7.01 Certificate of Completion of Construction or Rehabilitation. Upon completion of the applicable phase of the Project in accordance with the terms of this Agreement, and upon Peppercorn's and/or EDI's (as the case may be) written request, DCD shall issue to (i) Peppercorn a Phase I Certificate with respect to Phase I and (ii) EDI a Phase II Certificate with respect to Phase II (each a "**Certificate**") in recordable form certifying that Peppercorn's and/or EDI's (as the case may be) has fulfilled its respective obligation to complete the applicable phase of the Project in accordance with the terms of this Agreement.

- (a) The Phase I Certificate will not be issued until:
 - (i) Peppercorn has notified the City in writing that Phase I has been completed as defined in this Agreement;
 - (ii) Peppercorn has submitted an executed lease with EDI for the EDI Leased Space and for any other portion of the Building necessary to establish that at least 80% of the Building has been leased;
 - (iii) Peppercorn has delivered the EDI Leased Space;
 - (iv) Peppercorn has submitted evidence that it has incurred TIF-eligible costs, to be determined solely by DCD, in an amount equal to or less than the total amount of City assistance for Phase I;
- (b) The Phase II Certificate will not be issued until:
 - (i) EDI has notified the City in writing that Phase II has been completed as defined in this Agreement;
 - (ii) EDI has received a Certificate of Occupancy or other evidence acceptable to DCD that the Developer has complied with building permit requirements;
 - (ii) EDI has submitted evidence that EDI has commenced operations in the Initial Operating Space and is in compliance with the Jobs Covenant. With respect to the Jobs Covenant, EDI acknowledges that, notwithstanding the

definition of FTE on Section 2, the 30 FTE jobs required to be provided as a condition precedent to receiving the Phase II Certificate, must be employees of EDI;

- (iii) EDI has submitted evidence that EDI and the General Contractor have met with Division of Business Development Services to identify construction training and job opportunities in connection with the construction of the Project;
- (iv) the City's Monitoring and Compliance Unit has verified that EDI is in full compliance with City requirements set forth in Section 10 (M/WBE, City Residency, Prevailing Wage) with respect to construction of the Project;
- (v) EDI and/or Peppercorn have submitted evidence that it has incurred TIF-eligible costs, to be determined solely by DCD, in an amount equal to or greater than the total amount of City assistance for Phase II;
- (vi) EDI has submitted satisfactory evidence that the Initial Operating Space is LEED-CI compliant. Satisfactory evidence shall include verification that the Building has been registered with the United States Green Building Council as LEED-CI compliant or other satisfactory evidence as determined solely by DCD.

DCD shall respond to the Developer's written request for a Certificate within forty-five (45) days by issuing either a Certificate or a written statement detailing the ways in which the Project does not conform to this Agreement or has not been satisfactorily completed, and the measures which must be taken by the Developer in order to obtain the Certificate. The Developer may resubmit a written request for a Certificate upon completion of such measures.

7.02 Effect of Issuance of Certificate; Continuing Obligations. Each Certificate relates only to the construction of the applicable phase of the Project, and upon its issuance, the City will certify that the terms of the Agreement specifically related to a particular phase of the Project and to Peppercorn's and EDI's respective obligations hereunder to complete such activities have been satisfied. After the issuance of a Certificate, however, all executory terms and conditions of this Agreement and all representations and covenants contained herein will continue to remain in full force and effect throughout the Term of the Agreement as to the parties described in the following paragraph, and the issuance of a Certificate shall not be construed as a waiver by the City of any of its rights and remedies pursuant to such executory terms.

Those covenants specifically described at **Sections 8.02, 8.06, 8.19** as covenants that run with the land are the only covenants in this Agreement intended to be binding upon any transferee of the Property (including an assignee as described in the following sentence) throughout the Term of the Agreement notwithstanding the issuance of the Phase II Certificate; provided, that upon the issuance of the Phase II Certificate, the covenants set forth in **Section 8.02** shall be deemed to have been fulfilled. The other executory terms of this Agreement that remain after the issuance of the Phase II Certificate shall be binding only upon the Developer or a permitted assignee of the Developer who, pursuant to **Section 18.15** of this Agreement, has contracted to take an assignment of the Developer's rights under this Agreement and assume the Developer's liabilities hereunder.

7.03 Failure to Complete. If either Peppercorn (with respect to Phase I) or EDI (with respect to Phase II) fails to complete its respective phase of the Project in accordance with the

terms of this Agreement, then the City has, but shall not be limited to, any of the following rights and remedies only against the party that failed to complete its respective phase of the Project (it being acknowledged that EDI and Peppercorn shall not have joint and several liability under this Agreement):

(a) the right to terminate this Agreement and cease all disbursement of City Funds not yet disbursed pursuant hereto;

(b) the right (but not the obligation) to complete those TIF-Funded Improvements that are public improvements and to pay for the costs of TIF-Funded Improvements (including interest costs) out of City Funds or other City monies. In the event that the aggregate cost of completing the TIF-Funded Improvements exceeds the amount of City Funds available pursuant to **Section 4.01**, the Developer shall reimburse the City for all reasonable costs and expenses incurred by the City in completing such TIF-Funded Improvements in excess of the available City Funds; and

(c) subject to Section 8.06(d) and Section 15.02, the right to seek reimbursement of the City Funds from the respective party which has failed to complete its respective phase of the Project.

7.04 Notice of Expiration of Term of Agreement. Upon the expiration of the Term of the Agreement, DCD shall provide the Developer, at the Developer's written request, with a written notice in recordable form stating that the Term of the Agreement has expired.

SECTION 8. COVENANTS/REPRESENTATIONS/WARRANTIES OF THE DEVELOPER.

8.01 General. Each of Peppercorn and EDI, severally and in no case jointly, represents, warrants and covenants, as of the date of this Agreement and as of the date of each disbursement of City Funds hereunder, that:

(a) as it relates to Peppercorn only, Peppercorn is an Illinois limited liability company duly organized, validly existing, qualified to do business in the state of Illinois;

(b) as it relates to EDI only, EDI is an Illinois corporation duly organized, validly existing, qualified to do business in the state of Illinois;

(c) it has the right, power and authority to enter into, execute, deliver and perform this Agreement;

(d) the execution, delivery and performance by Peppercorn of this Agreement has been duly authorized by all necessary action, and does not and will not violate its Articles of Organization or operating agreement as amended and supplemented, any applicable provision of law, or constitute a breach of, default under or require any consent under any agreement, instrument or document to which the Developer is now a party or by which the Developer is now or may become bound;

(e) the execution, delivery and performance by EDI of this Agreement has been duly authorized by all necessary action, and does not and will not violate its Articles of Incorporation or bylaws as amended and supplemented, any applicable provision of law, or constitute a breach of, default under or require any consent under any agreement, instrument or document to which the Developer is now a party or by which the Developer is now or may become bound;

(f) unless otherwise permitted or not prohibited pursuant to or under the terms of this Agreement and as it relates to Peppercorn only, Peppercorn shall acquire and shall maintain good, indefeasible and merchantable fee simple title to the Property (and all improvements thereon) free and clear of all liens (except for the Permitted Liens, Lender Financing as disclosed in the Project Budget and non-governmental charges that the Developer is contesting in good faith pursuant to **Section 8.15** hereof);

(g) it is now and for the Term of the Agreement shall remain solvent and able to pay its debts as they mature;

(h) there are no actions or proceedings by or before any court, governmental commission, board, bureau or any other administrative agency pending, threatened or affecting each of Peppercorn and EDI which would impair its ability to perform under this Agreement;

(i) it has and shall maintain all government permits, certificates and consents (including, without limitation, appropriate environmental approvals) necessary to conduct its business and to construct, complete and operate the Project;

(j) it is not in default with respect to any indenture, loan agreement, mortgage, deed, note or any other agreement or instrument related to the borrowing of money to which it is a party or by which it is bound and which would materially effect its ability to complete or cause completion of the Project;

(k) the Financial Statements are, and when hereafter required to be submitted will be, complete, correct in all material respects and accurately present the assets, liabilities, results of operations and financial condition of each of Peppercorn and EDI, and there has been no material adverse change in the assets, liabilities, results of operations or financial condition of each of Peppercorn and EDI since the date of each of their respective most recent Financial Statements;

(l) prior to the issuance of the Phase I Certificate, Peppercorn shall not do any of the following, except in the ordinary course of business, without the prior written consent of DCD: (1) be a party to any merger, liquidation or consolidation, except with an Affiliate; (2) enter into any transaction outside the ordinary course of its business; (3) assume, guarantee, endorse, or otherwise become liable in connection with the obligations of any other person or entity; or (4) enter into any transaction that would cause a material and detrimental change to Peppercorn's financial condition;

(m) prior to the issuance of the Phase II Certificate, EDI shall not do any of the following, without the prior written consent of DCD: (1) be a party to any merger, liquidation or consolidation, except with an Affiliate; (2) enter into any transaction outside the ordinary course of EDI's business; (3) assume, guarantee, endorse, or otherwise become liable in connection with the obligations of any other person or entity; (4) enter into any transaction that would cause a material and detrimental change to EDI's financial condition, provided such consent in **Section 8.01(m)(1-4)** will not be unreasonably withheld by DCD;

(n) each of Peppercorn and EDI has not incurred, and, prior to the issuance of the Phase I Certificate (with respect to Peppercorn) and a Phase II Certificate (with respect to EDI), shall not, without the prior written consent of the Commissioner of DCD, allow the existence of any liens against the Property (or improvements thereon) other than the Permitted Liens; or incur any indebtedness, secured or to be secured by the Property (or improvements thereon) or any fixtures now or hereafter attached thereto, except Lender Financing disclosed in the Project Budget; and

(o) has not made or caused to be made, directly or indirectly, any payment, gratuity or offer of employment in connection with the Agreement or any contract paid from the City treasury or pursuant to City ordinance, for services to any City agency ("**City Contract**") as an inducement for the City to enter into the Agreement or any City Contract with the Developer in violation of Chapter 2-156-120 of the Municipal Code of the City; and

(p) neither Peppercorn or EDI nor any affiliate of either is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the Bureau of Industry and Security of the U.S. Department of Commerce or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List. For purposes of this subparagraph (m) only, the term "affiliate," when used to indicate a relationship with a specified person or entity, means a person or entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified person or entity, and a person or entity shall be deemed to be controlled by another person or entity, if controlled in any manner whatsoever that results in control in fact by that other person or entity (or that other person or entity and any persons or entities with whom that other person or entity is acting jointly or in concert), whether directly or indirectly and whether through share ownership, a trust, a contract or otherwise.

8.02 Covenant to Redevelop. Upon DCD's approval of the Project Budget, the Scope Drawings and Plans and Specifications as provided in **Sections 3.02** and **3.03** hereof, and EDI's receipt of all required building permits and governmental approvals, EDI shall build out the EDI Initial Operating Space in accordance with this Agreement and all Exhibits attached hereto, the TIF Ordinances, the Scope Drawings, Plans and Specifications, Project Budget and all amendments thereto, and all federal, state and local laws, ordinances, rules, regulations, executive orders and codes applicable to the Project, the Property and/or EDI. The covenants set forth in this Section shall run with the land and be binding upon any transferee of EDI, but shall be deemed satisfied upon issuance by the City of a Phase II Certificate with respect thereto.

8.03 Redevelopment Plan. The Developer represents that the Project is and shall be in compliance with all of the terms of the Redevelopment Plan.

8.04 Use of City Funds. City Funds disbursed to the Developer shall be used by the Developer solely to pay for (or to reimburse the Developer for its payment for) the TIF-Funded Improvements as provided in this Agreement.

8.05 TIF Bonds. The Developer shall, at the request of the City, agree to any reasonable amendments to this Agreement that are necessary or desirable in order for the City to issue (in its sole discretion) any bonds in connection with the Redevelopment Area, the proceeds of which may be used to reimburse the City for expenditures made in connection with, or provide a source of funds for the payment for, the TIF-Funded; provided, however, that any such amendments shall not have a material adverse effect on the Developer or the Project. The Developer shall, at the Developer's expense, cooperate and provide reasonable assistance in connection with the marketing of any such TIF Bonds, including but not limited to providing written descriptions of the Project, making representations, providing information regarding its financial condition and assisting the City in preparing an offering statement with respect thereto.

8.06 Occupancy and Operations Covenant. (a) For so long as City Note B is outstanding, Peppercorn shall not take any actions that have the intended effect of preventing EDI from occupying its space and conducting its operations within the Facility; provided however, nothing contained herein shall preclude Peppercorn from exercising any rights under the Lease as a result of a breach by EDI, including but not limited to a forcible detainer action. During the Covenant Period, as defined in **Section 8.06(c)**, Peppercorn shall not lease the Property for any prohibited use as set forth in **Exhibit O** attached hereto.

(b) During the 10-year period commencing on May 4, 2009, the date EDI has commenced business operations in the Initial Operating Space (the "**Business Operations Commencement Date**"), EDI shall be required to (i) maintain an average of at least 30 FTEs (it being acknowledged that, notwithstanding the definition of FTE, the 30 jobs required to be maintained as part of the Jobs Covenant, defined below, must be employees of EDI, including support and administrative positions (the "**Jobs Covenant**"); and (ii) continuously lease at least 64,000 square feet of the Building, it being understood that EDI shall be permitted to sublease any portion of its space and that the subletting of such portion of its space shall not constitute a violation of this occupancy covenant as long as EDI continues to comply with the Jobs Covenant, continues itself to occupy no less than 32,000 square feet of the Building (the "**Occupancy Covenant**"), and the sublease does not result in a prohibited use of the EDI Leased Space as set forth in **Exhibit O** attached hereto.

(c) To confirm that EDI has satisfied its Job Covenant and the Occupancy Covenant, EDI shall be required to submit certified employment reports (calculated upon a monthly average over a calendar year or 12 month period) directly to DCD concurrently with its annual requisition for payment on City Note B. EDI shall be entitled to: (i) two separate, non-consecutive 1-year cure periods for the Jobs Covenant; and (ii) one separate 1-year cure period for the Occupancy Covenant for the ten (10) year period starting on the Business Operations Commencement Date (the "**Covenant Period**"). A default by EDI (if cured) shall, to the extent EDI is still leasing EDI Leased Space, extend the Covenant Period for an additional 1-year term for each cure period.

(d) The City, as its sole remedy and notwithstanding **Section 15.02**, shall be entitled to terminate City Note B and not make any additional payments to EDI, if during the Covenant Period (i) EDI, fails to satisfy the Occupancy Covenant as provided for above after any applicable cure period, and/or (ii) EDI, fails to satisfy the Jobs Covenant as provided for above after any applicable cure period.

(e) In the event of a merger, consolidation, purchase of substantially all of EDI's assets or other similar corporate transaction, EDI and any successor entity shall not be deemed to be in default of the Occupancy Covenant and Jobs Covenant or otherwise under this Agreement, so long as such successor continues to lease at least 64,000 square feet of the Building as its headquarters or as the headquarters of a substantial business unit of division of such successor and maintains the requisite employment level during the remaining term of the Covenant Period (it being understood that EDI shall be permitted to sublease any portion of its space and the subletting of such portion of its space shall not constitute a violation of the Occupancy Covenant so long as EDI itself continues to occupy no less than 32,000 square feet of the Building).

(f) The covenants in this **Section 8.06** shall run with the land and be binding upon any transferee of Peppercorn or EDI, as applicable.

8.07 Employment Opportunity; Progress Reports. EDI covenants and agrees to abide by, and contractually obligate and use reasonable efforts to cause the General Contractor and each

subcontractor to abide by the terms set forth in **Section 10** hereof. After commencement of construction, EDI shall deliver to the City monthly written progress reports detailing compliance with the requirements of **Sections 8.09, 10.02 and 10.03** of this Agreement. If any such reports indicate a shortfall in compliance EDI shall also deliver a plan to DCD which shall outline, to DCD's satisfaction, the manner in which EDI shall correct any shortfall.

8.08 Employment Profile. EDI shall submit, and contractually obligate and cause the General Contractor or any subcontractor to submit, to DCD, from time to time, statements of its employment profile upon DCD's request.

8.09 Prevailing Wage. EDI covenants and agrees to pay, and to contractually obligate and cause the General Contractor and each subcontractor to pay, the prevailing wage rate as ascertained by the Illinois Department of Labor (the "**Department**"), to all Project employees. All such contracts shall list the specified rates to be paid to all laborers, workers and mechanics for each craft or type of worker or mechanic employed pursuant to such contract. If the Department revises such prevailing wage rates, the revised rates shall apply to all such contracts. Upon the City's request, EDI shall provide the City with copies of all such contracts entered into by EDI or the General Contractor to evidence compliance with this **Section 8.09**.

8.10 Arms-Length Transactions. Unless DCD has given its prior written consent with respect thereto, no Affiliate of the Developer may receive any portion of City Funds, directly or indirectly, in payment for work done, services provided or materials supplied in connection with any TIF-Funded Improvement. The Developer shall provide information with respect to any entity to receive City Funds directly or indirectly (whether through payment to the Affiliate by the Developer and reimbursement to the Developer for such costs using City Funds, or otherwise), upon DCD's request, prior to any such disbursement.

8.11 Conflict of Interest. Pursuant to Section 5/11-74.4-4(n) of the Act, the Developer represents, warrants and covenants that, to the best of its knowledge, no member, official, or employee of the City, or of any commission or committee exercising authority over the Project, the Redevelopment Area or the Redevelopment Plan, or any consultant hired by the City or the Developer with respect thereto, owns or controls, has owned or controlled or will own or control any interest, and no such person shall represent any person, as agent or otherwise, who owns or controls, has owned or controlled, or will own or control any interest, direct or indirect, in the Developer's business, the Property or any other property in the Redevelopment Area.

8.12 Disclosure of Interest. The Developer's counsel has no direct or indirect financial ownership interest in the Developer, the Property or any other aspect of the Project.

8.13 Financial Statements. Beginning in the calendar year in which construction commences, the Developer shall obtain and provide to DCD Financial Statements for the Developer's most recent fiscal year and each fiscal year thereafter for the Term of the Agreement. In addition, the Developer shall submit Financial Statements as soon as reasonably practical following the close of each fiscal year and for such other periods as DCD may request.

8.14 Insurance. EDI, at its own expense, shall comply with all provisions of **Section 12** hereof.

8.15 Non-Governmental Charges. (a) **Payment of Non-Governmental Charges.** Except for the Permitted Liens, the Developer agrees to pay or cause to be paid when due any Non-

Governmental Charge assessed or imposed upon the Project, the Property or any fixtures that are or may become attached thereto, which creates, may create, or appears to create a lien upon all or any portion of the Property or Project; provided however, that if such Non-Governmental Charge may be paid in installments, the Developer may pay the same together with any accrued interest thereon in installments as they become due and before any fine, penalty, interest, or cost may be added thereto for nonpayment. The Developer shall furnish to DCD, within thirty (30) days of DCD's request, official receipts from the appropriate entity, or other proof satisfactory to DCD, evidencing payment of the Non-Governmental Charge in question.

(b) Right to Contest. The Developer has the right, before any delinquency occurs:

(i) to contest or object in good faith to the amount or validity of any Non-Governmental Charge by appropriate legal proceedings properly and diligently instituted and prosecuted, in such manner as shall stay the collection of the contested Non-Governmental Charge, prevent the imposition of a lien or remove such lien, or prevent the sale or forfeiture of the Property (so long as no such contest or objection shall be deemed or construed to relieve, modify or extend the Developer's covenants to pay any such Non-Governmental Charge at the time and in the manner provided in this Section 8.15); or

(ii) at DCD's sole option, to furnish a good and sufficient bond or other security satisfactory to DCD in such form and amounts as DCD shall require, or a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of any such sale or forfeiture of the Property or any portion thereof or any fixtures that are or may be attached thereto, during the pendency of such contest, adequate to pay fully any such contested Non-Governmental Charge and all interest and penalties upon the adverse determination of such contest.

8.16 Developer's Liabilities. The Developer shall not enter into any transaction that would materially and adversely affect its ability to perform its obligations hereunder or to repay any material liabilities or perform any material obligations of the Developer to any other person or entity. The Developer shall immediately notify DCD of any and all events or actions which may materially affect the Developer's ability to carry on its business operations or perform its obligations under this Agreement or any other documents and agreements.

8.17 Compliance with Laws. To the best of the Developer's knowledge, after diligent inquiry, the Property and the Project are and shall be in compliance with all applicable federal, state and local laws, statutes, ordinances, rules, regulations, executive orders and codes pertaining to or affecting the Project and the Property, including but not limited to the Municipal Code of Chicago, whether or not in the performance of this Agreement. Upon the City's request, the Developer shall provide evidence satisfactory to the City of such compliance.

8.18 Recording and Filing. The Developer shall cause this Agreement, certain exhibits (as specified by Corporation Counsel), all amendments and supplements hereto to be recorded and filed against the Property on the date hereof in the conveyance and real property records of the county in which the Project is located. This Agreement shall be recorded prior to any mortgage made in connection with Lender Financing or such mortgage shall be subordinated to this Agreement by a Subordination Agreement in the form attached hereto as Exhibit N. The Developer shall pay all fees and charges incurred in connection with any such recording. Upon recording, the Developer shall immediately transmit to the City an executed original of this Agreement showing the date and recording number of record.

8.19 Real Estate Provisions.

(a) Governmental Charges.

(i) Payment of Governmental Charges. The Developer agrees to pay or cause to be paid when due all Governmental Charges (as defined below) which are assessed or imposed upon the Developer, the Property or the Project, or become due and payable, and which create or may create, a lien upon the Developer or all or any portion of the Property or the Project. "**Governmental Charge**" shall mean all federal, State, county, the City, or other governmental (or any instrumentality, division, agency, body, or department thereof) taxes, levies, assessments, charges, liens, claims or encumbrances (except for those assessed by foreign nations, states other than the State of Illinois, counties of the State other than Cook County, and municipalities other than the City) relating to the Developer, the Property or the Project including but not limited to real estate taxes.

(ii) Right to Contest. The Developer has the right before any delinquency occurs to contest or object in good faith to the amount or validity of any Governmental Charge by appropriate legal proceedings properly and diligently instituted and prosecuted in such manner as shall stay the collection of the contested Governmental Charge and prevent the imposition of a lien or the sale or forfeiture of the Property. The Developer's right to challenge real estate taxes applicable to the Property is limited as provided for in **Section 8.19(c)** below; provided, that such real estate taxes must be paid in full when due and may be disputed only after such payment is made. No such contest or objection shall be deemed or construed in any way as relieving, modifying or extending the Developer's covenants to pay any such Governmental Charge at the time and in the manner provided in this Agreement unless the Developer has given prior written notice to DCD of the Developer's intent to contest or object to a Governmental Charge and, unless, at DCD's sole option,

(iii) the Developer shall demonstrate to DCD's satisfaction that legal proceedings instituted by the Developer contesting or objecting to a Governmental Charge shall conclusively operate to prevent or remove a lien against, or the sale or forfeiture of, all or any part of the Property to satisfy such Governmental Charge prior to final determination of such proceedings; and/or

(iv) the Developer shall furnish a good and sufficient bond or other security satisfactory to DCD in such form and amounts as DCD shall require, or a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of any such sale or forfeiture of the Property during the pendency of such contest, adequate to pay fully any such contested Governmental Charge and all interest and penalties upon the adverse determination of such contest.

(b) Developer's Failure To Pay Or Discharge Lien. If either EDI or Peppercorn (the "**Non Paying Party**") fails to pay any Governmental Charge or to obtain discharge of the same, the Non Paying Party shall advise DCD thereof in writing, at which time DCD may, but shall not be obligated to, and without waiving or releasing any obligation or liability of the Non Paying Party under this Agreement, in DCD's sole discretion, make such payment, or any part thereof, or obtain such discharge and take any other action with respect thereto which DCD deems advisable. All sums so paid by DCD, if any, and any expenses, if any, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be promptly disbursed to DCD by the Non Paying

Party Notwithstanding anything contained herein to the contrary, this paragraph shall not be construed to obligate the City to pay any such Governmental Charge. Additionally, if the Non Paying Party fails to pay any Governmental Charge, the City, in its sole discretion, may require the Non Paying Party to submit to the City audited Financial Statements at the Non Paying Party's own expense.

(c) Real Estate Taxes.

(i) Acknowledgment of Real Estate Taxes. The Developer agrees that (A) for the purpose of this Agreement, the total projected minimum assessed value of the Property that is necessary to support the estimated debt service on City Notes A and B ("**Minimum Assessed Value**") is shown on Exhibit J attached hereto and incorporated herein by reference for the years noted on Exhibit J; and (B) the real estate taxes anticipated to be generated and derived from the respective portions of the Property and the Project for the years shown are fairly and accurately indicated in Exhibit J.

(ii) Real Estate Tax Exemption. With respect to the Property or the Project, neither the Developer nor any agent, representative, lessee, tenant, assignee, transferee or successor in interest to the Developer shall, during the Term of this Agreement, seek, or authorize any exemption (as such term is used and defined in the Illinois Constitution, Article IX, Section 6 (1970)) for any year that the Redevelopment Plan is in effect.

(iii) No Reduction in Real Estate Taxes. Neither the Developer nor any agent, representative, lessee, tenant, assignee, transferee or successor in interest to the Developer shall, during the Term of this Agreement, directly or indirectly, initiate, seek or apply for proceedings in order to lower the assessed value of all or any portion of the Property or the Project below the amount of the Minimum Assessed Value as shown in Exhibit J for the applicable year.

(iv) No Objections. Neither the Developer nor any agent, representative, lessee, tenant, assignee, transferee or successor in interest to the Developer, shall object to or in any way seek to interfere with, on procedural or any other grounds, the filing of any Underassessment Complaint or subsequent proceedings related thereto with the Cook County Assessor or with the Cook County Board of Appeals, by either the City or any taxpayer. The term "Underassessment Complaint" as used in this Agreement shall mean any complaint seeking to increase the assessed value of the Property up to (but not above) the Minimum Assessed Value as shown in Exhibit J.

(v) Covenants Running with the Land. The parties agree that the restrictions contained in this Section 8.19(c) are covenants running with the land and this Agreement shall be recorded by Peppercorn as a memorandum thereof, at Peppercorn's expense, with the Cook County Recorder of Deeds on the Closing Date. These restrictions shall be binding upon Peppercorn and its agents, representatives, lessees, successors, assigns and transferees from and after the date hereof, provided however, that the covenants shall be released when the Redevelopment Area is no longer in effect. Peppercorn agrees that any sale, lease, conveyance, or transfer of title to all or any portion of the Property or Redevelopment Area from and after the date hereof shall be made explicitly subject to such covenants and restrictions. Notwithstanding anything contained in this Section 8.19(c) to the contrary, the City, in its sole discretion and by its sole action, without the joinder or

concurrence of Peppercorn, its successors or assigns, may waive and terminate the Peppercorn 's covenants and agreements set forth in this **Section 8.19(c)**.

8.20 LEED Certification. EDI shall build-out the Initial Operating Space as LEED-CI compliant. EDI shall be registered with the US Green Building Council ("USGBC") for the required certification prior to the beginning of construction. The Initial Operating Space shall be constructed in compliance with all guidelines and requirements as delineated by the USGBC mandated for the LEED Certification. Upon completion of construction, EDI shall have all aspects of construction pertinent to LEED certification tested and certified as being compliant with the LEED Standard. EDI will submit written evidence from the USGBC demonstrating compliance with the required LEED certification.

8.21 Survival of Covenants. All warranties, representations, covenants and agreements of each of Peppercorn and EDI contained in this **Section 8** and elsewhere in this Agreement shall be true, accurate and complete at the time of each of Peppercorn and EDI 's execution of this Agreement, and shall survive the execution, delivery and acceptance hereof by the parties hereto and (except as provided in **Section 7** hereof upon the issuance of the Phase I Certificate with respect to Peppercorn and the Phase II Certificate with respect to EDI) shall be in effect throughout the Term of the Agreement.

8.22 Annual Compliance Report. Beginning with the issuance of the Certificate and continuing throughout the Term of the Agreement, the Developer shall submit to DCD the Annual Compliance Report within 30 days after the end of the calendar year to which the Annual Compliance Report relates.

SECTION 9. COVENANTS/REPRESENTATIONS/WARRANTIES OF CITY

9.01 General Covenants. The City represents that it has the authority as a home rule unit of local government to execute and deliver this Agreement and to perform its obligations hereunder.

9.02 Survival of Covenants. All warranties, representations, and covenants of the City contained in this **Section 9** or elsewhere in this Agreement shall be true, accurate, and complete at the time of the City's execution of this Agreement, and shall survive the execution, delivery and acceptance hereof by the parties hereto and be in effect throughout the Term of the Agreement.

SECTION 10. DEVELOPER'S EMPLOYMENT OBLIGATIONS

10.01 Employment Opportunity. The Developer, on behalf of itself and its successors and assigns, hereby agrees, and shall contractually obligate its or their various contractors, subcontractors or any Affiliate of the Developer operating on the Property (collectively, with the Developer, the "**Employers**" and individually an "**Employer**") to agree, that for the Term of this Agreement with respect to Developer and during the period of any other party's provision of services in connection with the construction of the Project or occupation of the Property:

(a) No Employer shall discriminate against any employee or applicant for employment based upon race, religion, color, sex, national origin or ancestry, age, handicap or disability, sexual orientation, military discharge status, marital status, parental status or source of income as defined in the City of Chicago Human Rights Ordinance, Chapter 2-160, Section 2-160-010 et seq.,

Municipal Code, except as otherwise provided by said ordinance and as amended from time to time (the "**Human Rights Ordinance**"). Each Employer shall take affirmative action to ensure that applicants are hired and employed without discrimination based upon race, religion, color, sex, national origin or ancestry, age, handicap or disability, sexual orientation, military discharge status, marital status, parental status or source of income and are treated in a non-discriminatory manner with regard to all job-related matters, including without limitation: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Each Employer agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the City setting forth the provisions of this nondiscrimination clause. In addition, the Employers, in all solicitations or advertisements for employees, shall state that all qualified applicants shall receive consideration for employment without discrimination based upon race, religion, color, sex, national origin or ancestry, age, handicap or disability, sexual orientation, military discharge status, marital status, parental status or source of income.

(b) To the greatest extent feasible, each Employer is required to present opportunities for training and employment of low- and moderate-income residents of the City and preferably of the Redevelopment Area; and to provide that contracts for work in connection with the construction of the Project be awarded to business concerns that are located in, or owned in substantial part by persons residing in, the City and preferably in the Redevelopment Area.

(c) Each Employer shall comply with all federal, state and local equal employment and affirmative action statutes, rules and regulations, including but not limited to the City's Human Rights Ordinance and the Illinois Human Rights Act, 775 ILCS 5/1-101 et seq. (1993), and any subsequent amendments and regulations promulgated thereto.

(d) Each Employer, in order to demonstrate compliance with the terms of this Section, shall cooperate with and promptly and accurately respond to inquiries by the City, which has the responsibility to observe and report compliance with equal employment opportunity regulations of federal, state and municipal agencies.

(e) Each Employer shall include the foregoing provisions of subparagraphs (a) through (d) in every contract entered into in connection with the Project, and shall require inclusion of these provisions in every subcontract entered into by any subcontractors, and every agreement with any Affiliate operating on the Property, so that each such provision shall be binding upon each contractor, subcontractor or Affiliate, as the case may be.

(f) Failure to comply with the employment obligations described in this **Section 10.01** shall be a basis for the City to pursue remedies under the provisions of **Section 15.02** hereof.

10.02 City Resident Construction Worker Employment Requirement. EDI agrees for itself and its successors and assigns, and shall contractually obligate its General Contractor and shall cause the General Contractor to contractually obligate its subcontractors, as applicable, to agree, that during the construction of the Project they shall comply with the minimum percentage of total worker hours performed by actual residents of the City as specified in Section 2-92-330 of the Municipal Code of Chicago (at least 50 percent of the total worker hours worked by persons on the site of the Project shall be performed by actual residents of the City); provided, however, that in addition to complying with this percentage, EDI, its General Contractor and each subcontractor shall be required to make good faith efforts to utilize qualified residents of the City in both unskilled and skilled labor positions.

EDI may request a reduction or waiver of this minimum percentage level of Chicagoans as provided for in Section 2-92-330 of the Municipal Code of Chicago in accordance with standards and procedures developed by the Chief Procurement Officer of the City.

"Actual residents of the City" shall mean persons domiciled within the City. The domicile is an individual's one and only true, fixed and permanent home and principal establishment.

EDI, the General Contractor and each subcontractor shall provide for the maintenance of adequate employee residency records to show that actual Chicago residents are employed on the Project. Each Employer shall maintain copies of personal documents supportive of every Chicago employee's actual record of residence.

Weekly certified payroll reports (U.S. Department of Labor Form WH-347 or equivalent) shall be submitted to the Commissioner of DCD in triplicate, which shall identify clearly the actual residence of every employee on each submitted certified payroll. The first time that an employee's name appears on a payroll, the date that the Employer hired the employee should be written in after the employee's name.

EDI, the General Contractor and each subcontractor shall provide full access to their employment records to the Chief Procurement Officer, the Commissioner of DCD, the Superintendent of the Chicago Police Department, the Inspector General or any duly authorized representative of any of them. EDI, the General Contractor and each subcontractor shall maintain all relevant personnel data and records for a period of at least three (3) years after final acceptance of the work constituting the Project.

At the direction of DCD, affidavits and other supporting documentation will be required of EDI, the General Contractor and each subcontractor to verify or clarify an employee's actual address when doubt or lack of clarity has arisen.

Good faith efforts on the part of EDI, the General Contractor and each subcontractor to provide utilization of actual Chicago residents (but not sufficient for the granting of a waiver request as provided for in the standards and procedures developed by the Chief Procurement Officer) shall not suffice to replace the actual, verified achievement of the requirements of this Section concerning the worker hours performed by actual Chicago residents.

When work at the Project is completed, in the event that the City has determined that EDI has failed to ensure the fulfillment of the requirement of this Section concerning the worker hours performed by actual Chicago residents or failed to report in the manner as indicated above, the City will thereby be damaged in the failure to provide the benefit of demonstrable employment to Chicagoans to the degree stipulated in this Section. Therefore, in such a case of non-compliance, it is agreed that 1/20 of 1 percent (0.0005) of the aggregate hard construction costs set forth in the Project Budget (the product of .0005 x such aggregate hard construction costs) (as the same shall be evidenced by approved contract value for the actual contracts) shall be surrendered by EDI to the City in payment for each percentage of shortfall toward the stipulated residency requirement. Failure to report the residency of employees entirely and correctly shall result in the surrender of the entire liquidated damages as if no Chicago residents were employed in either of the categories. The willful falsification of statements and the certification of payroll data may subject EDI, the General Contractor and/or the subcontractors to prosecution. **Any retainage to cover contract performance that may become due to EDI pursuant to Section 2-92-250 of the Municipal Code**

of Chicago may be withheld by the City pending the Chief Procurement Officer's determination as to whether EDI must surrender damages as provided in this paragraph.

Nothing herein provided shall be construed to be a limitation upon the "Notice of Requirements for Affirmative Action to Ensure Equal Employment Opportunity, Executive Order 11246" and "Standard Federal Equal Employment Opportunity, Executive Order 11246," or other affirmative action required for equal opportunity under the provisions of this Agreement or related documents.

EDI shall cause or require the provisions of this **Section 10.02** to be included in all construction contracts and subcontracts related to the Project.

10.03. MBE/WBE Commitment. EDI agrees for itself and its successors and assigns, and, if necessary to meet the requirements set forth herein, shall contractually obligate the General Contractor to agree that during the Project:

(a) Consistent with the findings which support, as applicable, (i) the Minority-Owned and Women-Owned Business Enterprise Procurement Program, Section 2-92-420 *et seq.*, Municipal Code of Chicago (the "**Procurement Program**"), and (ii) the Minority- and Women-Owned Business Enterprise Construction Program, Section 2-92-650 *et seq.*, Municipal Code of Chicago (the "Construction Program," and collectively with the Procurement Program, the "**MBE/WBE Program**"), and in reliance upon the provisions of the MBE/WBE Program to the extent contained in, and as qualified by, the provisions of this Section 10.03, during the course of the Project, at least the following percentages of the MBE/WBE Budget (as set forth in **Exhibit G-2** hereto) shall be expended for contract participation by MBEs and by WBEs:

- (1) At least 24 percent by MBEs.
- (2) At least four percent by WBEs.

(b) For purposes of this Section 10.03 only, EDI (and any party to whom a contract is let by EDI in connection with the Project) shall be deemed a "**contractor**" and this Agreement (and any contract let by EDI in connection with the Project) shall be deemed a "**contract**" or a "**construction contract**" as such terms are defined in Sections 2-92-420 and 2-92-670, Municipal Code of Chicago, as applicable.

(c) Consistent with Sections 2-92-440 and 2-92-720, Municipal Code of Chicago, EDI's MBE/WBE commitment may be achieved in part by EDI's status as an MBE or WBE (but only to the extent of any actual work performed on the Project by EDI) or by a joint venture with one or more MBEs or WBEs (but only to the extent of the lesser of (i) the MBE or WBE participation in such joint venture or (ii) the amount of any actual work performed on the Project by the MBE or WBE), by EDI utilizing a MBE or a WBE as the General Contractor (but only to the extent of any actual work performed on the Project by the General Contractor), by subcontracting or causing the General Contractor to subcontract a portion of the Project to one or more MBEs or WBEs, or by the purchase of materials or services used in the Project from one or more MBEs or WBEs, or by any combination of the foregoing. Those entities which constitute both a MBE and a WBE shall not be credited more than once with regard to EDI's MBE/WBE commitment as described in this **Section 10.03**. In accordance with Section 2-92-730, Municipal Code of Chicago, EDI shall not substitute any MBE or WBE General Contractor or subcontractor without the prior written approval of DCD.

(d) EDI shall deliver quarterly reports to the City's monitoring staff during the Project describing its efforts to achieve compliance with this MBE/WBE commitment. Such reports shall include, *inter alia*, the name and business address of each MBE and WBE solicited by EDI or the General Contractor to work on the Project, and the responses received from such solicitation, the name and business address of each MBE or WBE actually involved in the Project, a description of the work performed or products or services supplied, the date and amount of such work, product or service, and such other information as may assist the City's monitoring staff in determining EDI's compliance with this MBE/WBE commitment. EDI shall maintain records of all relevant data with respect to the utilization of MBEs and WBEs in connection with the Project for at least five years after completion of the Project, and the City's monitoring staff shall have access to all such records maintained by EDI, on five Business Days' notice, to allow the City to review EDI's compliance with its commitment to MBE/WBE participation and the status of any MBE or WBE performing any portion of the Project.

(e) Upon the disqualification of any MBE or WBE General Contractor or subcontractor, if such status was misrepresented by the disqualified party, EDI shall be obligated to discharge or cause to be discharged the disqualified General Contractor or subcontractor, and, if possible, identify and engage a qualified MBE or WBE as a replacement. For purposes of this subsection (e), the disqualification procedures are further described in Sections 2-92-540 and 2-92-730, Municipal Code of Chicago, as applicable.

(f) Any reduction or waiver of EDI's MBE/WBE commitment as described in this Section 10.03 shall be undertaken in accordance with Sections 2-92-450 and 2-92-730, Municipal Code of Chicago, as applicable.

(g) Prior to the commencement of the Project, EDI shall be required to meet with the City's monitoring staff with regard to EDI's compliance with its obligations under this **Section 10.03**. The General Contractor and all major subcontractors shall be required to attend this pre-construction meeting. During said meeting, EDI shall demonstrate to the City's monitoring staff its plan to achieve its obligations under this **Section 10.03**, the sufficiency of which shall be approved by the City's monitoring staff. During the Project, EDI shall submit the documentation required by this **Section 10.03** to the City's monitoring staff, including the following: (i) subcontractor's activity report; (ii) contractor's certification concerning labor standards and prevailing wage requirements; (iii) contractor letter of understanding; (iv) monthly utilization report; (v) authorization for payroll agent; (vi) certified payroll; and (vii) evidence that MBE/WBE contractor associations have been informed of the Project via written notice and hearings. Failure to submit such documentation on a timely basis, or a determination by the City's monitoring staff, upon analysis of the documentation, that EDI is not complying with its obligations under this **Section 10.03**, shall, upon the delivery of written notice to EDI, be deemed an Event of Default. Upon the occurrence of any such Event of Default, in addition to any other remedies provided in this Agreement, the City may: (1) issue a written demand to EDI to halt the Project, (2) withhold any further payment of any City Funds to EDI or the General Contractor, or (3) seek any other remedies against EDI available at law or in equity.

SECTION 11. ENVIRONMENTAL MATTERS

The Developer hereby represents and warrants to the City that Peppercorn has conducted environmental studies sufficient to conclude that the Project may be constructed, completed and operated in accordance with all Environmental Laws and this Agreement and all Exhibits attached hereto, the Scope Drawings, Plans and Specifications and all amendments thereto, and the Redevelopment Plan.

Without limiting any other provisions hereof, the Peppercorn agrees to indemnify, defend and hold the City harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses or claims of any kind whatsoever including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Laws incurred, suffered by or asserted against the City as a direct or indirect result of any of the following, regardless of whether or not caused by, or within the control of Peppercorn (except as set forth in the paragraph immediately below): (i) the presence of any Hazardous Material on or under, or the escape, seepage, leakage, spillage, emission, discharge or release of any Hazardous Material from all or any portion of the Property, or (ii) any liens against the Property permitted or imposed by any Environmental Laws, or any actual or asserted liability or obligation of the City or Peppercorn or any of its Affiliates under any Environmental Laws relating to the Property.

Without limiting any other provisions hereof, the EDI agrees to indemnify, defend and hold the City harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses or claims of any kind whatsoever including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Laws incurred, suffered by or asserted against the City as a direct or indirect result of any of the following: (i) the presence of any Hazardous Material on or under, or the escape, seepage, leakage, spillage, emission, discharge or release of any Hazardous Material from all or any portion of the Property in connection with the acts or conduct of EDI as part of Phase II and EDI's operation of the same, or (ii) any liens against the Property permitted or imposed by any Environmental Laws, or any actual or asserted liability or obligation of the City or EDI or any of its Affiliates under any Environmental Laws relating to the Property as provided for in clause (i) in this paragraph.

SECTION 12. INSURANCE

The Developer must provide and maintain, at Developer's own expense, or cause to be provided and maintained during the term of this Agreement, the insurance coverage and requirements specified below, insuring all operations related to the Agreement.

(a) Prior to execution and delivery of this Agreement.

(i) Workers Compensation and Employers Liability

Workers Compensation Insurance, as prescribed by applicable law covering all employees who are to provide work under this Agreement and Employers Liability coverage with limits of not less than \$100,000 each accident, illness or disease.

(ii) Commercial General Liability (Primary and Umbrella)

Commercial General Liability Insurance or equivalent with limits of not less than \$1,000,000 per occurrence for bodily injury, personal injury, and property damage liability. Coverages must include the following: All premises and operations, products/completed operations independent contractors, separation of insureds, defense, and contractual liability (with no limitation endorsement). The City of Chicago is to be named as an additional insured on a primary, non-contributory basis for any liability arising directly or indirectly from the work.

(iii) All Risk Property

All Risk Property Insurance at replacement value of the property to protect against loss of, damage to, or destruction of the building/facility. The City is to be named as an additional insured and loss payee/mortgagee if applicable.

(b) Construction. Prior to the construction of any portion of the Project, EDI will cause its architects, contractors, subcontractors, project managers and other parties constructing the Project to procure and maintain the following kinds and amounts of insurance:

(i) Workers Compensation and Employers Liability

Workers Compensation Insurance, as prescribed by applicable law covering all employees who are to provide work under this Agreement and Employers Liability coverage with limits of not less than \$ 500,000 each accident, illness or disease.

(ii) Commercial General Liability (Primary and Umbrella)

Commercial General Liability Insurance or equivalent with limits of not less than \$2,000,000 per occurrence for bodily injury, personal injury, and property damage liability. Coverages must include the following: All premises and operations, products/completed operations (for a minimum of two (2) years following project completion), explosion, collapse, underground, separation of insureds, defense, and contractual liability (with no limitation endorsement). The City of Chicago is to be named as an additional insured on a primary, non-contributory basis for any liability arising directly or indirectly from the work.

(iii) Automobile Liability (Primary and Umbrella)

When any motor vehicles (owned, non-owned and hired) are used in connection with work to be performed, the Automobile Liability Insurance with limits of not less than \$2,000,000 per occurrence for bodily injury and property damage. The City of Chicago is to be named as an additional insured on a primary, non-contributory basis.

(iv) Railroad Protective Liability

When any work is to be done adjacent to or on railroad or transit property, Developer must provide or cause to be provided with respect to the operations that Contractors perform, Railroad Protective Liability Insurance in the name of railroad or transit entity. The policy must have limits of not less than \$2,000,000 per occurrence and \$6,000,000 in the aggregate for losses arising out of injuries to or death of all persons, and for damage to or destruction of property, including the loss of use thereof.

(v) All Risk /Builders Risk

When Developer undertakes any construction, including improvements, betterments, and/or repairs, the Developer must provide or cause to be provided All Risk Builders Risk Insurance at replacement cost for materials, supplies, equipment, machinery and fixtures that are or will be part of the project. The City of Chicago is to be named as an additional insured and loss payee/mortgagee if applicable.

(vi) Professional Liability

When any architects, engineers, construction managers or other professional consultants perform work in connection with this Agreement, Professional Liability Insurance covering acts, errors, or omissions must be maintained with limits of not less than \$ 1,000,000. Coverage must include contractual liability. When policies are renewed or replaced, the policy retroactive date must coincide with, or precede, start of work on the Contract. A claims-made policy which is not renewed or replaced must have an extended reporting period of two (2) years.

(vii) Valuable Papers

When any plans, designs, drawings, specifications and documents are produced or used under this Agreement, Valuable Papers Insurance must be maintained in an amount to insure against any loss whatsoever, and must have limits sufficient to pay for the re-creation and reconstruction of such records.

(viii) Contractors Pollution Liability

When any remediation work is performed which may cause a pollution exposure, the Developer must cause remediation contractor to provide Contractor Pollution Liability covering bodily injury, property damage and other losses caused by pollution conditions that arise from the contract scope of work with limits of not less than \$1,000,000 per occurrence. Coverage must include completed operations, contractual liability, defense, excavation, environmental cleanup, remediation and disposal. When policies are renewed or replaced, the policy retroactive date must coincide with or precede, start of work on the Agreement. A claims-made policy which is not renewed or replaced must have an extended reporting period of two (2) years. The City of Chicago is to be named as an additional insured.

(v) Applicability of Section 12(b)

Peppercorn shall not be required to carry the coverages set forth in this Section 12(b) provided that Peppercorn has not been and will not become a party to a construction contract for which coverages under this Section 12(b) as would otherwise be required.

(c) Post Construction:

(i) All Risk Property Insurance at replacement value of the property to protect against loss of, damage to, or destruction of the building/facility. The City is to be named as an additional insured and loss payee/mortgagee if applicable.

(d) Other Requirements:

The Developer must furnish the City of Chicago, Department of Community Development, City Hall, Room 1000, 121 North LaSalle Street 60602, original Certificates of Insurance, or such similar evidence, to be in force on the date of this Agreement, and Renewal Certificates of Insurance, or such similar evidence, if the coverages have an expiration or renewal date occurring during the term of this Agreement. The Developer must submit evidence of insurance on the City of Chicago Insurance Certificate Form (copy attached) or equivalent prior to closing. The receipt of any certificate does not constitute agreement by the City that the insurance requirements in the Agreement have been fully met or that the insurance policies indicated on the certificate are in compliance with all Agreement requirements. The failure of the City to obtain certificates or other insurance evidence from Developer is not a

waiver by the City of any requirements for the Developer to obtain and maintain the specified coverages. The Developer shall advise all insurers of the Agreement provisions regarding insurance. Non-conforming insurance does not relieve Developer of the obligation to provide insurance as specified herein. Nonfulfillment of the insurance conditions may constitute a violation of the Agreement, and the City retains the right to stop work and/or terminate agreement until proper evidence of insurance is provided.

The insurance must provide for 60 days prior written notice to be given to the City in the event coverage is substantially changed, canceled, or non-renewed.

Any deductibles or self insured retentions on referenced insurance coverages must be borne by Developer and Contractors.

The Developer hereby waives and agrees to require their insurers to waive their rights of subrogation against the City of Chicago, its employees, elected officials, agents, or representatives.

The coverages and limits furnished by Developer in no way limit the Developer's liabilities and responsibilities specified within the Agreement or by law.

Any insurance or self insurance programs maintained by the City of Chicago do not contribute with insurance provided by the Developer under the Agreement.

The required insurance to be carried is not limited by any limitations expressed in the indemnification language in this Agreement or any limitation placed on the indemnity in this Agreement given as a matter of law.

If Developer is a joint venture or limited liability company, the insurance policies must name the joint venture or limited liability company as a named insured.

The Developer must require Contractor and subcontractors to provide the insurance required herein, or Developer may provide the coverages for Contractor and subcontractors. All Contractors and subcontractors are subject to the same insurance requirements of Developer unless otherwise specified in this Agreement.

If Developer, any Contractor or subcontractor desires additional coverages, the party desiring the additional coverages is responsible for the acquisition and cost.

The City of Chicago Risk Management Department maintains the right to modify, delete, alter or change these requirements provided that the minimum coverage limits set forth in this Section 12 are not increased.

SECTION 13. INDEMNIFICATION

13.01 Peppercorn Indemnity. Peppercorn agrees to indemnify, pay, defend and hold the City, and its elected and appointed officials, employees, agents and affiliates (individually an "Indemnitee," and collectively the "Indemnitees") harmless from and against, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (and including without limitation, the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigative,

administrative or judicial proceeding commenced or threatened, whether or not such Indemnities shall be designated a party thereto), that may be imposed on, suffered, incurred by or asserted against the Indemnitees in any manner relating or arising out of:

- (i) Peppercorn's failure to comply with any of the terms, covenants and conditions contained within this Agreement; or
- (ii) the existence of any material misrepresentation or omission in this Agreement, any offering memorandum or information statement or the Redevelopment Plan or any other document related to this Agreement that is the result of information supplied or omitted by Peppercorn or any Affiliate of Peppercorn or any agents, employees, contractors or persons acting under the control or at the request of Peppercorn or any Affiliate of Peppercorn; or
- (iii) Peppercorn's failure to cure any misrepresentation in this Agreement or any other agreement relating hereto;

provided, however, that Peppercorn shall have no obligation to an Indemnitee arising from the wanton or willful misconduct of that Indemnitee. To the extent that the preceding sentence may be unenforceable because it is violative of any law or public policy, Peppercorn shall contribute the maximum portion that it is permitted to pay and satisfy under the applicable law, to the payment and satisfaction of all indemnified liabilities incurred by the Indemnitees or any of them. The provisions of the undertakings and indemnification set out in this **Section 13.01** shall survive the termination of this Agreement.

13.02 EDI Indemnity. EDI agrees to indemnify, pay, defend and hold the City, and its elected and appointed officials, employees, agents and affiliates (individually an "Indemnitee," and collectively the "Indemnitees") harmless from and against, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (and including without limitation, the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnities shall be designated a party thereto), that may be imposed on, suffered, incurred by or asserted against the Indemnitees in any manner relating or arising out of:

- (i) EDI's failure to comply with any of the terms, covenants and conditions contained within this Agreement; or
- (ii) EDI's or any contractor's failure to pay General Contractors, subcontractors or materialmen in connection with the TIF-Funded Improvements or any other Project improvement constructed by EDI; or
- (iii) the existence of any material misrepresentation or omission in this Agreement, any offering memorandum or information statement or the Redevelopment Plan or any other document related to this Agreement that is the result of information supplied or omitted by EDI or any Affiliate of EDI or any agents, employees, contractors or persons acting under the control or at the request of Developer or any Affiliate of EDI; or
- (iv) EDI's failure to cure any misrepresentation in this Agreement or any other agreement relating hereto;

provided, however, that EDI shall have no obligation to an Indemnitee arising from the wanton or willful misconduct of that Indemnitee. To the extent that the preceding sentence may be unenforceable because it is violative of any law or public policy, EDI shall contribute the maximum portion that it is permitted to pay and satisfy under the applicable law, to the payment and satisfaction of all indemnified liabilities incurred by the Indemnitees or any of them. The provisions of the undertakings and indemnification set out in this **Section 13.01** shall survive the termination of this Agreement.

SECTION 14. MAINTAINING RECORDS/RIGHT TO INSPECT

14.01 Books and Records. The Developer shall keep and maintain separate, complete, accurate and detailed books and records necessary to reflect and fully disclose the total actual cost of the Project and the disposition of all funds from whatever source allocated thereto, and to monitor the Project. All such books, records and other documents, including but not limited to the Developer's loan statements, if any, General Contractors' and contractors' sworn statements, general contracts, subcontracts, purchase orders, waivers of lien, paid receipts and invoices, shall be available at the Developer's offices for inspection, copying, audit and examination by an authorized representative of the City, at the Developer's expense. The Developer shall incorporate this right to inspect, copy, audit and examine all books and records into all contracts entered into by the Developer with respect to the Project.

14.02 Inspection Rights. Upon three (3) business days' notice, any authorized representative of the City has access to all portions of the Project and the Property during normal business hours for the Term of the Agreement.

SECTION 15. DEFAULT AND REMEDIES

15.01 Events of Default. The occurrence of any one or more of the following events, subject to the provisions of **Section 15.03**, shall constitute an "Event of Default" by the Developer hereunder:

- (a) the failure of the Developer to perform, keep or observe any of the covenants, conditions, promises, agreements or obligations of the Developer under this Agreement or any related agreement;
- (b) the failure of the Developer to perform, keep or observe any of the covenants, conditions, promises, agreements or obligations of the Developer under any other agreement with any person or entity if such failure may have a material adverse effect on the Developer's business, property, assets, operations or condition, financial or otherwise;
- (c) the making or furnishing by the Developer to the City of any representation, warranty, certificate, schedule, report or other communication within or in connection with this Agreement or any related agreement which is untrue or misleading in any material respect;
- (d) except as otherwise permitted hereunder, the creation (whether voluntary or involuntary) of, or any attempt to create, any lien or other encumbrance upon the Property, including any fixtures now or hereafter attached thereto, other than the Permitted Liens, or the making or any attempt to make any levy, seizure or attachment thereof;

(e) the commencement of any proceedings in bankruptcy by or against the Developer or for the liquidation or reorganization of the Developer, or alleging that the Developer is insolvent or unable to pay its debts as they mature, or for the readjustment or arrangement of the Developer's debts, whether under the United States Bankruptcy Code or under any other state or federal law, now or hereafter existing for the relief of debtors, or the commencement of any analogous statutory or non-statutory proceedings involving the Developer; provided, however, that if such commencement of proceedings is involuntary, such action shall not constitute an Event of Default unless such proceedings are not dismissed within sixty (60) days after the commencement of such proceedings;

(f) the appointment of a receiver or trustee for the Developer, for any substantial part of the Developer's assets or the institution of any proceedings for the dissolution, or the full or partial liquidation, or the merger or consolidation, of the Developer; provided, however, that if such appointment or commencement of proceedings is involuntary, such action shall not constitute an Event of Default unless such appointment is not revoked or such proceedings are not dismissed within sixty (60) days after the commencement thereof;

(g) the entry of any judgment or order against the Developer which remains unsatisfied or undischarged and in effect for sixty (60) days after such entry without a stay of enforcement or execution;

(h) the occurrence of an event of default under the Lender Financing, which default is not cured within any applicable cure period;

(i) the dissolution of the Developer; or

(j) the institution in any court of a criminal proceeding (other than a misdemeanor) against the Developer or any natural person who owns a material interest in Peppercorn, which is not dismissed within thirty (30) days, or the indictment of the Developer or any natural person who owns a material interest in Peppercorn, for any crime (other than a misdemeanor).;or

(k) prior to the issuance of the Phase I Certificate, with respect to Peppercorn, and prior to the issuance of the Phase II Certificate, with respect to EDI, the sale or transfer of all or a majority of the ownership interests of the Developer in violation of **Section 8.01** hereof without the prior written consent of the City.

For purposes of **Sections 15.01(i)** and **15.01(j)** hereof, a person with a material interest in Peppercorn shall be one owning in excess of ten percent (10%) of Peppercorn's membership interests.

15.02 Remedies. Upon the occurrence of an Event of Default by EDI and subject to the limitations set forth herein, the City may terminate this Agreement and all related agreements, may suspend and/or terminate payments due on City Note B and may seek reimbursement of any prior payments on City Note B. It is expressly agreed by the City that the City's obligation to make payments on City Note A shall be vested as of the date of issuance of City Note A without defense to payment (other than insufficiency of Available Incremental Taxes or Area-Wide Incremental Taxes, if applicable pursuant to **Sections 4.03(b)(i), 4.03(b)(iii) and 4.04(v)**), including as a result of an Event of Default by Peppercorn hereunder; provided however, in the event Peppercorn breaches its covenant in **Section 8.06(a)** or **Section 4.08** the City shall be entitled to suspend or terminate payments due on City Note A and may seek reimbursement of any prior payments on City Note A.

The City's obligation to make payments on City Note A shall survive the termination of this Agreement except as otherwise provided in this **Section 15.02**.

15.03 Curative Period. In the event the Developer shall fail to perform a monetary covenant which the Developer is required to perform under this Agreement, notwithstanding any other provision of this Agreement to the contrary, an Event of Default shall not be deemed to have occurred unless the Developer has failed to perform such monetary covenant within ten (10) days of its receipt of a written notice from the City specifying that it has failed to perform such monetary covenant. In the event the Developer shall fail to perform a non-monetary covenant which the Developer is required to perform under this Agreement, notwithstanding any other provision of this Agreement to the contrary, an Event of Default shall not be deemed to have occurred unless the Developer has failed to cure such default within thirty (30) days of its receipt of a written notice from the City specifying the nature of the default; provided, however, with respect to those non-monetary defaults which are not capable of being cured within such thirty (30) day period, the Developer shall not be deemed to have committed an Event of Default under this Agreement if it has commenced to cure the alleged default within such thirty (30) day period and thereafter diligently and continuously prosecutes the cure of such default until the same has been cured; provided, further, that the only cure provisions with respect to EDI's failure to comply with the Occupancy Covenant and the Jobs Covenant are contained in **Section 8.06(c)** hereof and an Event of Default with respect to the Jobs Covenant and the Occupancy Covenant shall not be deemed to have occurred unless and until EDI has not satisfied the Jobs Covenant and/or the Occupancy Covenant (as the case may be) by the expiration of the applicable cure period.

SECTION 16. MORTGAGING OF THE PROJECT

All mortgages or deeds of trust in place as of the date hereof with respect to the Property or any portion thereof are listed on **Exhibit F** hereto (including but not limited to mortgages made prior to or on the date hereof in connection with Lender Financing) and are referred to herein as the "Existing Mortgages." Any mortgage or deed of trust that Peppercorn may hereafter elect to execute and record or permit to be recorded against the Property or any portion thereof is referred to herein as a "**New Mortgage**." Any New Mortgage that Peppercorn may hereafter elect to execute and record or permit to be recorded against the Property or any portion thereof with the prior written consent of the City is referred to herein as a "**Permitted Mortgage**." It is hereby agreed by and between the City and Peppercorn as follows:

(a) In the event that a mortgagee or any other party shall succeed to Peppercorn's interest in the Property or any portion thereof pursuant to the exercise of remedies under a New Mortgage (other than a Permitted Mortgage), whether by foreclosure or deed in lieu of foreclosure, and in conjunction therewith accepts an assignment of Peppercorn's interest hereunder in accordance with **Section 18.15** hereof, the City may, but shall not be obligated to, attorn to and recognize such party as the successor in interest to Peppercorn for all purposes under this Agreement and, unless so recognized by the City as the successor in interest, such party shall be entitled to no rights or benefits under this Agreement, but such party shall be bound by those provisions of this Agreement that are covenants expressly running with the land.

(b) In the event that any mortgagee shall succeed to Peppercorn's interest in the Property or any portion thereof pursuant to the exercise of remedies under an Existing Mortgage or a Permitted Mortgage, whether by foreclosure or deed in lieu of foreclosure, and in conjunction therewith accepts an assignment of Peppercorn's interest hereunder in accordance with **Section 18.15**

hereof, the City hereby agrees to attorn to and recognize such party as the successor in interest to Peppercorn for all purposes under this Agreement so long as such party accepts all of the obligations and liabilities of "Peppercorn" ; provided, however, that, notwithstanding any other provision of this Agreement to the contrary, it is understood and agreed that if such party accepts an assignment of the Peppercorn 's interest under this Agreement, such party has no liability under this Agreement for any Event of Default of Peppercorn which accrued prior to the time such party succeeded to the interest of Peppercorn under this Agreement, in which case Peppercorn shall be solely responsible. However, if such mortgagee under a Permitted Mortgage or an Existing Mortgage does not expressly accept an assignment of Peppercorn 's interest hereunder, such party shall be entitled to no rights and benefits under this Agreement, and such party shall be bound only by those provisions of this Agreement, if any, which are covenants expressly running with the land.

(c) Prior to the issuance by the City to Peppercorn of the Phase I Certificate pursuant to Section 7 hereof, no New Mortgage shall be executed with respect to the Property or any portion thereof without the prior written consent of the Commissioner of DCD.

(d) If a default by the Developer under this Agreement occurs and the Developer does not cure it within the applicable cure period, the City shall use reasonable efforts to give to the mortgagee under an Existing Mortgage copies of any notices of default which it may give to the Developer with respect to the Project pursuant to the Agreement. The failure of the City to deliver such notice shall in no instance alter its rights or remedies under this Agreement.

(e) By virtue of Developers' agreement hereby, the City agrees that it shall accept a cure by any mortgagee in fulfillment of the Developers obligations, for the account of the Developer and with the same force and effect as if performed by the Developer. No cure or attempted cure by or on behalf of such mortgagee shall cause it to be deemed to have accepted an assignment of this Agreement.

SECTION 17. NOTICE

Unless otherwise specified, any notice, demand or request required hereunder shall be given in writing at the addresses set forth below, by any of the following means: (a) personal service; (b) telecopy or facsimile; (c) overnight courier, or (d) registered or certified mail, return receipt requested.

If to the City:	City of Chicago Department of Community Development 121 North LaSalle Street, Room 1000 Chicago, IL 60602 Attention: Commissioner
With Copies To:	City of Chicago Department of Law Finance and Economic Development Division 121 North LaSalle Street, Room 600 Chicago, IL 60602
If to Peppercorn:	Peppercorn Capital One North Wacker Drive, Suite 4125 Chicago, Illinois 60606 Attention Phillip Denny

With Copies To: DLA Piper US, LLP
206 North LaSalle Street, Suite 1900
Chicago, Illinois 60601
Attention: David Reifman and Gregg Graines

If to EDI: Euromarket Designs, Inc.
1250 Techny Road
Northbrook, Illinois 60062
Attention: Chief Financial Officer

With a Copy to: Euromarket Designs, Inc.
1250 Techny Road
Northbrook, Illinois 60062
Attention: General Counsel

Such addresses may be changed by notice to the other parties given in the same manner provided above. Any notice, demand, or request sent pursuant to either clause (a) or (b) hereof shall be deemed received upon such personal service or upon dispatch. Any notice, demand or request sent pursuant to clause (c) shall be deemed received on the day immediately following deposit with the overnight courier and any notices, demands or requests sent pursuant to subsection (d) shall be deemed received two (2) business days following deposit in the mail.

SECTION 18. MISCELLANEOUS

18.01 Amendment. This Agreement and the Exhibits attached hereto may not be amended or modified without the prior written consent of the parties hereto; provided, however, that the City, in its sole discretion, may amend, modify or supplement **Exhibit D** hereto without the consent of any party hereto. It is agreed that no material amendment or change to this Agreement shall be made or be effective unless ratified or authorized by an ordinance duly adopted by the City Council. The term "material" for the purpose of this **Section 18.01** shall be defined as any deviation from the terms of the Agreement which operates to cancel or otherwise reduce any developmental or construction obligations of Developer (including those set forth in **Sections 10.02 and 10.03**) by more than five percent (5%) (except as provided in **Section 3.04(c)** hereof) or materially changes the Project site or character of the Project or any activities undertaken by Developer affecting the Project site, the Project, or both, or increases any time agreed for performance by the Developer by more than ninety (90) days (except as provided in **Section 3.04(d)** hereof).

18.02 Entire Agreement. This Agreement (including each Exhibit attached hereto, which is hereby incorporated herein by reference) constitutes the entire Agreement between the parties hereto and it supersedes all prior agreements, negotiations and discussions between the parties relative to the subject matter hereof.

18.03 Limitation of Liability. No member, official or employee of the City shall be personally liable to the Developer or any successor in interest in the event of any default or breach by the City or for any amount which may become due to the Developer from the City or any successor in interest or on any obligation under the terms of this Agreement.

18.04 Further Assurances. The Developer agrees to take such actions, including the execution and delivery of such documents, instruments, petitions and certifications as may become necessary or appropriate to carry out the terms, provisions and intent of this Agreement.

18.05 Waiver. Waiver by the City or the Developer with respect to any breach of this Agreement shall not be considered or treated as a waiver of the rights of the respective party with respect to any other default or with respect to any particular default, except to the extent specifically waived by the City or the Developer in writing. No delay or omission on the part of a party in exercising any right shall operate as a waiver of such right or any other right unless pursuant to the specific terms hereof. A waiver by a party of a provision of this Agreement shall not prejudice or constitute a waiver of such party's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by a party, nor any course of dealing between the parties hereto, shall constitute a waiver of any such parties' rights or of any obligations of any other party hereto as to any future transactions.

18.06 Remedies Cumulative. The remedies of a party hereunder are cumulative and the exercise of any one or more of the remedies provided for herein shall not be construed as a waiver of any other remedies of such party unless specifically so provided herein.

18.07 Disclaimer. Nothing contained in this Agreement nor any act of the City shall be deemed or construed by any of the parties, or by any third person, to create or imply any relationship of third-party beneficiary, principal or agent, limited or general partnership or joint venture, or to create or imply any association or relationship involving the City.

18.08 Headings. The paragraph and section headings contained herein are for convenience only and are not intended to limit, vary, define or expand the content thereof.

18.09 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same agreement.

18.10 Severability. If any provision in this Agreement, or any paragraph, sentence, clause, phrase, word or the application thereof, in any circumstance, is held invalid, this Agreement shall be construed as if such invalid part were never included herein and the remainder of this Agreement shall be and remain valid and enforceable to the fullest extent permitted by law.

18.11 Conflict. Except as otherwise provided, in the event of a conflict between any provisions of this Agreement and the provisions of the TIF Ordinances, such ordinance(s) shall prevail and control.

18.12 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Illinois, without regard to its conflicts of law principles.

18.13 Form of Documents. All documents required by this Agreement to be submitted, delivered or furnished to the City shall be in form and content satisfactory to the City.

18.14 Approval. Wherever this Agreement provides for the approval or consent of the City, DCD or the Commissioner, or any matter is to be to the City's, DCD's or the Commissioner's satisfaction, unless specifically stated to the contrary, such approval, consent or satisfaction shall be made, given or determined by the City, DCD or the Commissioner in writing and in the reasonable discretion thereof. The Commissioner or other person designated by the Mayor of the City shall act

for the City or DCD in making all approvals, consents and determinations of satisfaction, granting the Certificates or otherwise administering this Agreement for the City. In furtherance of the foregoing, the terms of this Agreement may be modified administratively by the Commissioner without the same being deemed an amendment to this Agreement provided that the Commissioner, in consultation with the Corporation Counsel of the City, has determined that such modification is minor, appropriate and consistent with the terms and conditions of this Agreement and the purposes underlying the provisions hereof.

18.15 Assignment. Peppercorn may not sell, assign or otherwise transfer its interest in this Agreement in whole or in part prior to the issuance of the Phase I Certificate without the written consent of the City. EDI may not sell, assign or otherwise transfer its interest in this Agreement in whole or in part without the written consent of the City unless such sale, assignment or transfer (a) occurs after the issuance of the Phase II Certificate; (b) occurs at least thirty (30) days after the City receives written notification thereof; (c) does not violate any other provision of this Agreement including, without limitation, **Section 8.01(m)**; and (d)(i) is to any of its Affiliates; (ii) is to any entity into which EDI is merged or consolidated or which consolidates into EDI; or (iii) is to any entity that acquires all or substantially all of the assets and liabilities (including this Agreement) of EDI. Any successor in interest to EDI or Peppercorn under this Agreement shall certify in writing to the City its agreement to abide by the terms of this Agreement, including but not limited to **Sections 8.19** (Real Estate Provisions) and **8.21** (Survival of Covenants) hereof, for the Term of the Agreement. The Developer consents to the City's sale, transfer, assignment or other disposal of this Agreement at any time in whole or in part.

18.16 Binding Effect. This Agreement shall be binding upon the Developer, the City and their respective successors and permitted assigns (as provided herein) and shall inure to the benefit of the Developer, the City and their respective successors and permitted assigns (as provided herein). Except as otherwise provided herein, this Agreement shall not run to the benefit of, or be enforceable by, any person or entity other than a party to this Agreement and its successors and permitted assigns. This Agreement should not be deemed to confer upon third parties any remedy, claim, right of reimbursement or other right.

18.17 Force Majeure. Neither the City nor the Developer nor any successor in interest to either of them shall be considered in breach of or in default of its obligations under this Agreement in the event of any delay caused by damage or destruction by fire or other casualty, strike, shortage of material, unusually adverse weather conditions such as, by way of illustration and not limitation, severe rain storms or below freezing temperatures of abnormal degree or for an abnormal duration, tornadoes or cyclones, and other events or conditions beyond the reasonable control of the party affected which in fact interferes with the ability of such party to discharge its obligations hereunder. The individual or entity relying on this section with respect to any such delay shall, upon the occurrence of the event causing such delay, immediately give written notice to the other parties to this Agreement. The individual or entity relying on this section with respect to any such delay may rely on this section only to the extent of the actual number of days of delay effected by any such events described above.

18.18 Exhibits. All of the exhibits attached hereto are incorporated herein by reference.

18.19 Business Economic Support Act. Pursuant to the Business Economic Support Act (30 ILCS 760/1 *et seq.*), if the Developer is required to provide notice under the WARN Act, the Developer shall, in addition to the notice required under the WARN Act, provide at the same time a copy of the WARN Act notice to the Governor of the State, the Speaker and Minority Leader of the

House of Representatives of the State, the President and minority Leader of the Senate of State, and the Mayor of each municipality where the Developer has locations in the State. Failure by the Developer to provide such notice as described above may result in the termination of all or a part of the payment or reimbursement obligations of the City set forth herein.

18.20 Venue and Consent to Jurisdiction. If there is a lawsuit under this Agreement, each party may hereto agree to submit to the jurisdiction of the courts of Cook County, the State of Illinois and the United States District Court for the Northern District of Illinois.

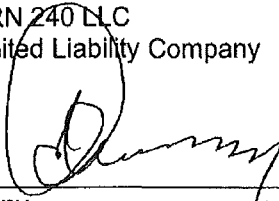
18.21 Costs and Expenses. In addition to and not in limitation of the other provisions of this Agreement, Developer agrees to pay upon demand the City's out-of-pocket expenses, including attorney's fees, incurred in connection with the enforcement of the provisions of this Agreement. This includes, subject to any limits under applicable law, attorney's fees and legal expenses, whether or not there is a lawsuit, including attorney's fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals and any anticipated post-judgment collection services. Developer also will pay any court costs, in addition to all other sums provided by law.

18.22 Business Relationships. The Developer acknowledges (A) receipt of a copy of Section 2-156-030 (b) of the Municipal Code of Chicago, (B) that Developer has read such provision and understands that pursuant to such Section 2-156-030 (b), it is illegal for any elected official of the City, or any person acting at the direction of such official, to contact, either orally or in writing, any other City official or employee with respect to any matter involving any person with whom the elected City official or employee has a "**Business Relationship**" (as defined in Section 2-156-080 of the Municipal Code of Chicago), or to participate in any discussion in any City Council committee hearing or in any City Council meeting or to vote on any matter involving any person with whom the elected City official or employee has a "Business Relationship" (as defined in Section 2-156-080 of the Municipal Code of Chicago), or to participate in any discussion in any City Council committee hearing or in any City Council meeting or to vote on any matter involving the person with whom an elected official has a Business Relationship, and (C) that a violation of Section 2-156-030 (b) by an elected official, or any person acting at the direction of such official, with respect to any transaction contemplated by this Agreement shall be grounds for termination of this Agreement and the transactions contemplated hereby. The Developer hereby represents and warrants that, to the best of its knowledge after due inquiry, no violation of Section 2-156-030 (b) has occurred with respect to this Agreement or the transactions contemplated hereby.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Redevelopment Agreement to be executed on or as of the day and year first above written.

PEPPERCORN 240 LLC
An Illinois Limited Liability Company

By: 
Philip Denny
Its: Managing Member 4/26/10

EUROMARKET DESIGNS, INC
An Illinois corporation
By: _____

Its:

CITY OF CHICAGO

By: _____

Commissioner, Department
of Community Development

IN WITNESS WHEREOF, the parties hereto have caused this Redevelopment Agreement to be executed on or as of the day and year first above written.

PEPPERCORN 240 LLC
An Illinois Limited Liability Company

By: _____
Philip Denny
Its: Managing Member

EUROMARKET DESIGNS, INC
An Illinois corporation
By: Alison G. Garse
Its: Chief Financial Officer

CITY OF CHICAGO

By: _____

Commissioner, Department
of Community Development

IN WITNESS WHEREOF, the parties hereto have caused this Redevelopment Agreement to be executed on or as of the day and year first above written.

PEPPERCORN 240 LLC
An Illinois Limited Liability Company

By: _____
Philip Denny
Its: Managing Member

EUROMARKET DESIGNS, INC
An Illinois corporation

By: _____

Its: _____

CITY OF CHICAGO

By: Christine A. Raguso
Christine A. Raguso
Acting Commissioner, Department
of Community Development

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

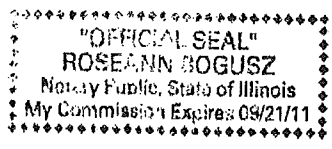
I, Roseann Bogusz, a notary public in and for the said County, in the State aforesaid, DO HEREBY CERTIFY that Phillip Denny, personally known to me to be the Managing Member of Peppercorn 240, LLC an Illinois limited liability company ("Peppercorn") known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed, sealed, and delivered said instrument, pursuant to the authority given to him by Peppercorn, as his free and voluntary act and as the free and voluntary act of Peppercorn, for the uses and purposes therein set forth.

GIVEN under my hand and official seal this 22nd day of April 2010.

Roseann Bogusz
Notary Public

My Commission Expires 9/21/11

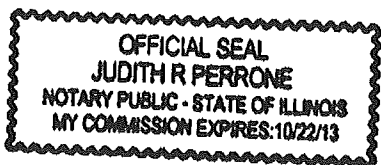
(SEAL)



STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, Judith R Perrone, a notary public in and for the said County, in the State
aforesaid, DO HEREBY CERTIFY that Walter M Pease, personally known to me
to be the Chief Financial Officer of Euromarket Designs, Inc, an Illinois corporation
("EDI") known to me to be the same person whose name is subscribed to the foregoing instrument,
appeared before me this day in person and acknowledged that he/she signed, sealed, and
delivered said instrument, pursuant to the authority given to him/her by the Board of Directors of
EDI, as his/her free and voluntary act and as the free and voluntary act of EDI, for the uses and
purposes therein set forth.

GIVEN under my hand and official seal this 19th day of April, 2010



(SEAL)

Judith R Perrone
Notary Public

My Commission Expires 10/22/13

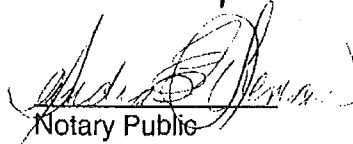
STATE OF ILLINOIS)

) SS

COUNTY OF COOK)

I, the undersigned, a notary public in and for the County and State aforesaid, DO HEREBY CERTIFY THAT Christine A. Raguso, personally known to me to be the Acting Commissioner of the Department of Community Development of the City of Chicago, Illinois (the "City") and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such Commissioner, (s)he signed and delivered the said instrument pursuant to authority, as his/her free and voluntary act, and as the free and voluntary act and deed of said City, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 27th day of April, 2010.


Notary Public

(SEAL)

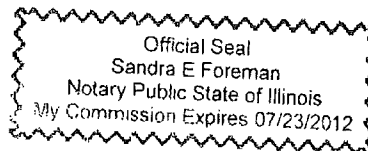


Exhibit A

**REDEVELOPMENT AREA
LEGAL DESCRIPTION**

Street Boundary Description of the Area

The Kinzie Industrial Conservation Redevelopment Project area lies within the area generally bounded by West Walton Street, West Chicago Avenue, West Grand Avenue, West Ohio Street and West Hubbard Street on the north; North Halsted Street, North Union Avenue and North Peoria Street on the east; West Lake Street, West Washington Boulevard, West Randolph Street and West Maypole Avenue on the south; and North Kedzie Avenue on the west.

Exhibit B

**PROPERTY
LEGAL DESCRIPTION
(Subject to Survey and Title Insurance)**

LEGAL DESCRIPTION:

PARCEL 1:

LOTS 1 TO 10, BOTH INCLUSIVE (EXCEPT THAT PART LYING EAST OF A LINE 50.00 FEET WEST OF AND PARALLEL TO THE EAST LINE OF SECTION 7) IN D.W. SUTHERLAND SUBDIVISION IN SECTION 7, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 1A:

THE EAST 1/2 OF THE NORTH/SOUTH VACATED ALLEY LYING WEST OF AND ADJOINING PARCEL 1 AFORESAID, IN COOK COUNTY, ILLINOIS.

PARCEL 2:

LOTS 1 TO 6, BOTH INCLUSIVE, IN H.E. BARBOUR'S SUBDIVISION OF PART OF BLOCK 48 IN CANAL TRUSTEES' SUBDIVISION OF SECTION 7, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 2A:

THE EAST/WEST 10-FOOT VACATED ALLEY LYING SOUTH OF AND ADJOINING THE SOUTH LINE OF LOTS 1, 2 AND 3 AND NORTH OF AND ADJOINING THE NORTH LINE OF LOTS 4, 5 AND 6 OF PARCEL 2 AFORESAID; ALSO, THE WEST 1/2 OF THE NORTH/SOUTH VACATED ALLEY LYING EAST OF AND ADJOINING THE EAST LINE OF LOT 1, THE EAST LINE OF LOT 1 PRODUCED SOUTH 10.00 FEET AND EAST OF AND ADJOINING THE EAST LINE OF LOT 6 OF PARCEL 2 AFORESAID, IN COOK COUNTY, ILLINOIS.

PARCEL 3:

LOTS 1 TO 8, BOTH INCLUSIVE, LOT 9 (EXCEPT THE WEST 18.00 FEET THEREOF) ALL OF LOTS 26 TO 32, BOTH INCLUSIVE IN C.J. HULL'S SUBDIVISION OF PART OF BLOCK 48 IN CANAL TRUSTEES' SUBDIVISION OF SECTION 7, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 3A:

THE EAST/WEST 16-FOOT VACATED ALLEY LYING SOUTH OF AND ADJOINING THE SOUTH LINE OF LOTS 1 TO 4, LOT 5 (EXCEPT THE WEST 16.00 FEET THEREOF) AND NORTH OF AND ADJOINING THE NORTH LINE OF LOT 28 (EXCEPT THE WEST 16.00 FEET THEREOF) AND LOTS 29 TO 32 OF PARCEL 3 AFORESAID, IN COOK COUNTY, ILLINOIS.

PARCEL 3B:

THE EAST/WEST 16-FOOT VACATED ALLEY LYING SOUTH OF AND ADJOINING THE SOUTH LINE OF THE WEST 16.00 FEET OF LOT 5 AND LOTS 6 AND 7 AND NORTH OF AND ADJOINING THE NORTH LINE OF LOTS 26, 27 AND THE WEST 16.00 FEET OF LOT 28 OF PARCEL 3 AFORESAID, IN COOK COUNTY, ILLINOIS.

Exhibit B

**PROPERTY
LEGAL DESCRIPTION
(Continued)**

PINS: 17-07-411-007-0000, 17-07-411-008-0000, 17-07-411-016-0000, 17-07-411-024-0000,
17-07-411-025-0000, 17-07-411-026-0000, 17-07-411-027-0000, 17-07-411-028-0000

Street Address: 240 North Ashland, Chicago, IL

Exhibit C**TIF-FUNDED IMPROVEMENTS**

Line Item	Cost
Land Acquisition & Assembly Cost	\$13,601,000
Renovation Cost of Existing Building	
Construction of Interior Buildout	\$ 1,025,000
Elevator Construction	\$ 400,000
Renovation to Base Building for Southside Tenants	\$ 250,000
Soft Cost Associated with Eligible Rehab Cost	
Architectural and Engineering	\$ 110,000
TOTAL	\$15,386,000*

*Notwithstanding the total of TIF-Funded Improvements or the amount of TIF-eligible costs, the assistance to be provided by the City is limited to the amount described in **Section 4.03** and shall not exceed the lesser of \$3,400,000 or 21% of the Project Budget.

Exhibit D

**REDEVELOPMENT PLAN
(Intentionally Omitted)**



Exhibit E

CONSTRUCTION CONTRACT

(Intentionally Omitted)



EXHIBIT F

PERMITTED LIENS

1. Liens or encumbrances against the Property:

Those matters set forth as Schedule B title exceptions in the owner's title insurance policy issued by the Title Company as of the date hereof, but only so long as applicable title endorsements issued in conjunction therewith on the date hereof, if any, continue to remain in full force and effect.

2. Liens or encumbrances against the Developer or the Project, other than liens against the Property, if any: None

EXHIBIT G-1
PROJECT BUDGET

Cost Item	Amount	2008	2009
PEPPERCORN			
Purchase Price of Building	\$12,675,000	\$ 12,675,000	
Legal, Closing, and Additional Carry	\$926,000	\$ 926,000	
Total Acquisition and Assembly Costs of Land	\$ 13,601,000	\$13,601,000	
EDI			
Architectural and Engineering Related to Renovation of Building	\$110,000		\$110,000
Construction of Interior Buildout	\$1,025,000		\$1,025,000
Elevator Construction	\$400,000		\$400,000
Permits	\$34,000		\$34,000
Travel	\$1,000		\$1,000
Payroll	\$30,000		\$30,000
Contingency	\$200,000		\$200,000
Furniture, Fixtures, and Equipment	\$400,000		\$400,000
Moving Costs of Crate and Barrel Renovation to Base Building for Southside Additional Tenants	\$175,000		\$175,000
	\$250,000		\$250,000
Total Hard and Soft Costs	\$2,625,000		\$2,625,000
Total Cost of Project	\$16,226,000	\$13,601,000	\$2,625,000
Cost Already Incurred or to Be Incurred by Peppercorn			
Acquisition and Related Costs		\$13,601,000	
Payment for the Interior Buildout		\$2,200,000	
Total Amount to be Incurred by Peppercorn		\$15,801,000	
Costs to Be Incurred by EDI		\$ 425,000	

EXHIBIT G-2**M/WBE BUDGET**

<u>M/WBE Budget Category</u>	<u>Amount</u>
Architectural and Engineering Related to Renovation of Building	\$110,000
Construction of Interior Buildout	1,025,000
Elevator Construction	400,000
Contingency	200,000
Renovation to Base Building for Southside Additional Tenants	<u>250,000</u>
Total Hard and A/E Cost	\$1,985,000
Exclusion Budget**	
Elevators	\$400,000
M/WBE Total:	\$1,585,000

TOTAL	\$1,585,000
MBE (24%)	\$ 380,400
WBE (4%)	\$ 63,400

Notes: EDI will be installing special automatic freight elevators and has not yet been able to confirm if an M/WBE contractor can provide this type of elevator. If EDI is able to find an M/WBE contractor that can provide the specified elevators, the cost of the elevators will be included in the M/WBE Budget.

****M/WBE Budget applies only to work in EDI Initial Operating Space**

EXHIBIT H
APPROVED PRIOR EXPENDITURES
(Intentionally Omitted)



EXHIBIT I

OPINION OF DEVELOPER'S COUNSEL

(Intentionally Omitted)



EXHIBIT J

**PRELIMINARY TIF PROJECTION
REAL ESTATE TAXES
(to be recorded)**

Year	Estimated FMV	Assessment Ratio	Equalization Multiplier (10-Year Average)	Minimum EAV
2009		25%	2.47516	
2010	\$13,912,080	25%	2.47516	\$8,608,656
2011	\$13,912,080	25%	2.47516	\$8,608,656
2012	\$14,981,789	25%	2.47516	\$9,270,581
2013	\$14,981,789	25%	2.47516	\$9,270,581
2014	\$14,981,789	25%	2.47516	\$9,270,581
2015	\$16,133,748	25%	2.47516	\$9,983,402
2016	\$16,133,748	25%	2.47516	\$9,983,402
2017	\$16,133,748	25%	2.47516	\$9,983,402
2018	\$17,374,282	25%	2.47516	\$10,751,032
2019	\$17,374,282	25%	2.47516	\$10,751,032
2020	\$17,374,282	25%	2.47516	\$10,751,032
2021	\$18,710,201	25%	2.47516	\$11,577,685
2022	\$18,710,201	25%	2.47516	\$11,577,685

EXHIBIT L-1

FORM OF CITY NOTE A

REGISTERED
NO. R-1

MAXIMUM AMOUNT
\$2,150,000

**UNITED STATES OF AMERICA
STATE OF ILLINOIS
COUNTY OF COOK
CITY OF CHICAGO
TAX INCREMENT ALLOCATION REVENUE NOTE
(KINZIE INDUSTRIAL CONSERVATION REDEVELOPMENT PROJECT AREA),
TAXABLE SERIES 20__A**

Registered Owner: Peppercorn 240, LLC

Interest Rate: an annual rate equal to the median value of the 10-year Treasury constant maturity published in the daily Federal Reserve Release for 15 business days prior to the date of issuance of City Note A plus 275 basis points, but in no event exceeding 8 percent

Maturity Date: June 10, 2021

KNOW ALL PERSONS BY THESE PRESENTS, that the City of Chicago, Cook County, Illinois (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on or before the Maturity Date identified above, but solely from the sources hereinafter identified, the principal amount of this Note from time to time advanced by the Registered Owner to pay costs of the Project (as hereafter defined) in accordance with the ordinance hereinafter referred to up to the principal amount of \$2,150,000 and to pay the Registered Owner interest on that amount at the Interest Rate per year specified above from the date of the advance. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. Accrued but unpaid interest on this Note shall also accrue at the interest rate per year specified above until paid. Principal of and interest on this Note shall be paid from the Available Incremental Taxes (as defined in the hereinafter defined Redevelopment Agreement); provided however, (i) if Available Incremental Taxes (as defined in the hereinafter

defined Redevelopment Agreement) are insufficient and only if the Property is classified by the Cook County Assessor's Office as industrial, then payments of principal and interest under this Note shall be made from Area Wide Incremental Taxes (as defined in the hereinafter defined Redevelopment Agreement); or (ii) if the City elects to prepay this Note as provided for in Section 4.03(b)(i) of the Redevelopment Agreement (as defined hereinafter), then at the City's election, payments of principal and interest under this Note may be made from Area Wide Incremental Taxes (as defined in the hereinafter defined Redevelopment Agreement). Payments of principal and interest under this Note are due March 1 of each year until the earlier of Maturity or until this Note is paid in full. Payments shall first be applied to interest. The principal of and interest on this Note are payable in lawful money of the United States of America, and shall be made to the Registered Owner hereof as shown on the registration books of the City maintained by the Comptroller of the City, as registrar and paying agent (the "Registrar"), at the close of business on the fifteenth day of the month immediately prior to the applicable payment, maturity or redemption date, and shall be paid by check or draft of the Registrar, payable in lawful money of the United States of America, mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in writing by such Registered Owner to the Registrar; provided, that the final installment of principal and accrued but unpaid interest will be payable solely upon presentation of this Note at the principal office of the Registrar in Chicago, Illinois or as otherwise directed by the City. The Registered Owner of this Note shall note on the Payment Record attached hereto the amount and the date of any payment of the principal of this Note promptly upon receipt of such payment.

This Note is issued by the City in the principal amount of advances made from time to time by the Registered Owner up to \$2,150,000 for the purpose of paying the costs of certain eligible redevelopment project costs incurred by Peppercorn 240, LLC in connection with the acquisition and leasing of an approximately 80,000 square foot commercial facility (the "Project") in the Kinzie Industrial Conservation Redevelopment Project Area (the "Project Area") in the City, all in

accordance with the Constitution and the laws of the State of Illinois, and particularly the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.) (the "TIF Act") , the Local Government Debt Reform Act (30 ILCS 350/1 et seq.) and an Ordinance adopted by the City Council of the City on _____(the "Ordinance"), in all respects as by law required.

The City has assigned and pledged certain rights, title and interest of the City in and to certain incremental ad valorem tax revenues from the Project Area which the City is entitled to receive pursuant to the TIF Act and the Ordinance, in order to pay the principal and interest of this Note. Reference is hereby made to the aforesaid Ordinance and the Redevelopment Agreement for a description, among others, with respect to the determination, custody and application of said revenues, the nature and extent of such security with respect to this Note and the terms and conditions under which this Note is issued and secured. **THIS NOTE IS A SPECIAL LIMITED OBLIGATION OF THE CITY, AND IS PAYABLE SOLELY FROM AVAILABLE INCREMENTAL TAXES AND TO THE EXTENT THAT AVAILABLE INCREMENTAL TAXES ARE INSUFFICIENT TO PAY DEBT SERVICE ON THIS NOTE, THE BALANCE OF THE PAYMENT SHALL BE MADE FROM EXCESS INCREMENTAL TAXES, AND SHALL BE A VALID CLAIM OF THE REGISTERED OWNER HEREOF ONLY AGAINST SAID SOURCES. THIS NOTE SHALL NOT BE DEEMED TO CONSTITUTE INDEBTEDNESS OR A LOAN AGAINST THE GENERAL TAXING POWERS OR CREDIT OF THE CITY, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION. THE REGISTERED OWNER OF THIS NOTE SHALL NOT HAVE THE RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER OF THE CITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF TO PAY THE PRINCIPAL OR INTEREST OF THIS NOTE. THE PAYMENT OF PRINCIPAL AND INTEREST ON THIS NOTE IS SUBJECT AND SUBORDINATE TO THE PAYMENT OF THE MODERN SCHOOLS ACROSS CHICAGO BONDS (AS DEFINED IN THE REDEVELOPMENT AGREEMENT).** The principal of this Note is subject to redemption on any date, as a whole or in part, at a redemption price of 100%

of the principal amount thereof being redeemed. There shall be no prepayment penalty. Notice of any such redemption shall be sent by registered or certified mail not less than five (5) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of this Note at the address shown on the registration books of the City maintained by the Registrar or at such other address as is furnished in writing by such Registered Owner to the Registrar.

This Note is issued in fully registered form in the denomination of its outstanding principal amount. This Note may not be exchanged for a like aggregate principal amount of notes or other denominations.

This Note is transferable by the Registered Owner hereof in person or by its attorney duly authorized in writing at the principal office of the Registrar in Chicago, Illinois, but only in the manner and subject to the limitations provided in the Ordinance, and upon surrender and cancellation of this Note. Upon such transfer, a new Note of authorized denomination of the same maturity and for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Registrar shall not be required to transfer this Note during the period beginning at the close of business on the fifteenth day of the month immediately prior to the maturity date of this Note nor to transfer this Note after notice calling this Note or a portion hereof for redemption has been mailed, nor during a period of five (5) days next preceding mailing of a notice of redemption of this Note. Such transfer shall be in accordance with the form at the end of this Note.

This Note hereby authorized shall be executed and delivered as the Ordinance and the Redevelopment Agreement provide.

Pursuant to the Redevelopment Agreement dated as of _____ between the City and the Registered Owner (the "Redevelopment Agreement"), the Registered Owner has agreed to complete Phase I (as defined in the Redevelopment Agreement) and to advance funds in connection with the same. The cost of such acquisition and construction in the amount of \$2,150,000 shall be deemed to be a disbursement of the proceeds of this Note.

Pursuant to Section 15.02 of the Redevelopment Agreement, the City has reserved the right to suspend or terminate payments of principal and of interest on this Note upon the occurrence of certain conditions. The City shall not be obligated to make payments under this Note in the event of a violation of Sections 4.08 or 8.06(a) has occurred. Such rights shall survive any transfer of this Note. The City and the Registrar may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and for all other purposes and neither the City nor the Registrar shall be affected by any notice to the contrary, unless transferred in accordance with the provisions hereof.

It is hereby certified and recited that all conditions, acts and things required by law to exist, to happen, or to be done or performed precedent to and in the issuance of this Note did exist, have happened, have been done and have been performed in regular and due form and time as required by law; that the issuance of this Note, together with all other obligations of the City, does not exceed or violate any constitutional or statutory limitation applicable to the City.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Registrar.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, the City of Chicago, Cook County, Illinois, by its City Council, has caused its official seal to be imprinted by facsimile hereon or hereunto affixed, and has caused this Note to be signed by the duly authorized signature of the Mayor and attested by the duly authorized signature of the City Clerk of the City, all as of _____.

Mayor

(SEAL)
Attest:

City Clerk

**CERTIFICATE
OF
AUTHENTICATION**

Registrar
and Paying Agent
Comptroller of the
City of Chicago,
Cook County, Illinois

This Note is described in the within mentioned Ordinance and is the Tax Increment Allocation Revenue Note (Kinzie Industrial Conservation Redevelopment Project Area), Taxable Series 20__A] of the City of Chicago, Cook County, Illinois.

City Comptroller
Date:

PRINCIPAL PAYMENT RECORD

DATE OF PAYMENT PRINCIPAL PAYMENT PRINCIPAL BALANCE DUE



(ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Note and does hereby irrevocably constitute and appoint attorney to transfer the said Note on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

By: Registered Owner

By: _____

Name: _____

Its: _____

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the Note in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

Notice: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company.

Consented to by:

CITY OF CHICAGO
DEPARTMENT OF COMMUNITY DEVELOPMENT

By:

Name:

Its:

CERTIFICATION OF EXPENDITURE

(Closing Date)

To: Registered Owner

Re: City of Chicago, Cook County, Illinois (the "City")
\$2,150,000 Tax Increment Allocation Revenue Note
(Kinzie Industrial Conservation Redevelopment Project Area, Taxable Series 20__A)
(the "Redevelopment Note")

This Certification is submitted to you, Registered Owner of the Redevelopment Note, pursuant to the Ordinance of the City authorizing the execution of the Redevelopment Note adopted by the City Council of the City on _____, ____ (the "Ordinance"). All terms used herein shall have the same meaning as when used in the Ordinance.

The City hereby certifies that \$_____ is advanced as principal under the Redevelopment Note as of the date hereof. Such amount has been properly incurred, is a proper charge made or to be made in connection with the redevelopment project costs defined in the Ordinance and has not been the basis of any previous principal advance. As of the date hereof, the outstanding principal balance under the Redevelopment Note is \$_____, including the amount of this Certificate and less payment made on the Note.

IN WITNESS WHEREOF, the City has caused this Certification to be signed on its behalf as of (Closing Date).

CITY OF CHICAGO

By: _____
Commissioner
Department of Community Development

AUTHENTICATED BY:

REGISTRAR

EXHIBIT L-2

FORM OF CITY NOTE B

REGISTERED
NO. R-1

MAXIMUM AMOUNT
\$1,250,000

**UNITED STATES OF AMERICA
STATE OF ILLINOIS
COUNTY OF COOK
CITY OF CHICAGO
TAX INCREMENT ALLOCATION REVENUE NOTE
(KINZIE INDUSTRIAL CONSERVATION REDEVELOPMENT PROJECT AREA),
TAXABLE SERIES 20__B**

Registered Owner: Peppercorn 240, LLC

Interest Rate: an annual rate equal to the median value of the 10-year Treasury constant maturity published in the daily Federal Reserve Release for 15 business days prior to the date of issuance of City Note B plus 275 basis points, but in no event exceeding 8 percent

Maturity Date: June 10, 2021

KNOW ALL PERSONS BY THESE PRESENTS, that the City of Chicago, Cook County, Illinois (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on or before the Maturity Date identified above, but solely from the sources hereinafter identified, the principal amount of this Note from time to time advanced by the Registered Owner to pay costs of the Project (as hereafter defined) in accordance with the ordinance hereinafter referred to up to the principal amount of \$1,250,000 and to pay the Registered Owner interest on that amount at the Interest Rate per year specified above from the date of the advance. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. Accrued but unpaid interest on this Note shall also accrue at the interest rate per year specified above until paid. Principal of and interest on this Note shall be paid from the Available Incremental Taxes (as defined in the hereinafter defined Redevelopment Agreement); provided however, (i) if Available Incremental Taxes (as defined in the hereinafter defined Redevelopment Agreement) are insufficient and only if the Property is classified by the Cook

County Assessor's Office as industrial, then payments of principal and interest under this Note shall be made from Area Wide Incremental Taxes (as defined in the hereinafter defined Redevelopment Agreement); or (ii) if the City elects to prepay this Note as provided for in Section 4.03(b)(ii) of the Redevelopment Agreement (as defined hereinafter), then, at the City's election, payments of principal and interest under this Note may be made from Area Wide Incremental Taxes (as defined in the hereinafter defined Redevelopment Agreement). Payments of principal and interest under this Note are due March 1 of each year until the earlier of Maturity or until this Note is paid in full. Payments shall first be applied to interest. The principal of and interest on this Note are payable in lawful money of the United States of America, and shall be made to the Registered Owner hereof as shown on the registration books of the City maintained by the Comptroller of the City, as registrar and paying agent (the "Registrar"), at the close of business on the fifteenth day of the month immediately prior to the applicable payment, maturity or redemption date, and shall be paid by check or draft of the Registrar, payable in lawful money of the United States of America, mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in writing by such Registered Owner to the Registrar; provided, that the final installment of principal and accrued but unpaid interest will be payable solely upon presentation of this Note at the principal office of the Registrar in Chicago, Illinois or as otherwise directed by the City. The Registered Owner of this Note shall note on the Payment Record attached hereto the amount and the date of any payment of the principal of this Note promptly upon receipt of such payment.

This Note is issued by the City in the principal amount of advances made from time to time by the Registered Owner up to \$1,250,000 for the purpose of paying the costs of certain eligible redevelopment project costs incurred by Peppercorn 240, LLC in connection with the development of and leasing of an approximately 80,000 square foot commercial facility (the "Project") in the Kinzie Industrial Conservation Redevelopment Project Area (the "Project Area") in the City, all in accordance with the Constitution and the laws of the State of Illinois, and particularly the Tax

Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.) (the "TIF Act") , the Local Government Debt Reform Act (30 ILCS 350/1 et seq.) and an Ordinance adopted by the City Council of the City on _____ (the "Ordinance"), in all respects as by law required.

The City has assigned and pledged certain rights, title and interest of the City in and to certain incremental ad valorem tax revenues from the Project Area which the City is entitled to receive pursuant to the TIF Act and the Ordinance, in order to pay the principal and interest of this Note. Reference is hereby made to the aforesaid Ordinance and the Redevelopment Agreement for a description, among others, with respect to the determination, custody and application of said revenues, the nature and extent of such security with respect to this Note and the terms and conditions under which this Note is issued and secured. **THIS NOTE IS A SPECIAL LIMITED OBLIGATION OF THE CITY, AND IS PAYABLE SOLELY FROM AVAILABLE INCREMENTAL TAXES AND TO THE EXTENT THAT AVAILABLE INCREMENTAL TAXES ARE INSUFFICIENT TO PAY DEBT SERVICE ON THIS NOTE, THE BALANCE OF THE PAYMENT SHALL BE MADE FROM EXCESS INCREMENTAL TAXES, AND SHALL BE A VALID CLAIM OF THE REGISTERED OWNER HEREOF ONLY AGAINST SAID SOURCES. THIS NOTE SHALL NOT BE DEEMED TO CONSTITUTE INDEBTEDNESS OR A LOAN AGAINST THE GENERAL TAXING POWERS OR CREDIT OF THE CITY, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION. THE REGISTERED OWNER OF THIS NOTE SHALL NOT HAVE THE RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER OF THE CITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF TO PAY THE PRINCIPAL OR INTEREST OF THIS NOTE. THE PAYMENT OF PRINCIPAL AND INTEREST ON THIS NOTE IS SUBJECT AND SUBORDINATE TO THE PAYMENT OF THE MODERN SCHOOLS ACROSS CHICAGO BONDS (AS DEFINED IN THE REDEVELOPMENT AGREEMENT).** The principal of this Note is subject to redemption on any date, as a whole or in part, at a redemption price of 100% of the principal amount thereof being redeemed. There shall be no prepayment penalty. Notice of

any such redemption shall be sent by registered or certified mail not less than five (5) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of this Note at the address shown on the registration books of the City maintained by the Registrar or at such other address as is furnished in writing by such Registered Owner to the Registrar.

This Note is issued in fully registered form in the denomination of its outstanding principal amount. This Note may not be exchanged for a like aggregate principal amount of notes or other denominations.

This Note is transferable by the Registered Owner hereof in person or by its attorney duly authorized in writing at the principal office of the Registrar in Chicago, Illinois, but only in the manner and subject to the limitations provided in the Ordinance, and upon surrender and cancellation of this Note. Upon such transfer, a new Note of authorized denomination of the same maturity and for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Registrar shall not be required to transfer this Note during the period beginning at the close of business on the fifteenth day of the month immediately prior to the maturity date of this Note nor to transfer this Note after notice calling this Note or a portion hereof for redemption has been mailed, nor during a period of five (5) days next preceding mailing of a notice of redemption of this Note. Such transfer shall be in accordance with the form at the end of this Note.

This Note hereby authorized shall be executed and delivered as the Ordinance and the Redevelopment Agreement provide.

Pursuant to the Redevelopment Agreement dated as of _____ between the City and the Registered Owner (the "Redevelopment Agreement"), the Registered Owner has agreed to construct the Project and to advance funds for the construction of certain facilities related to the Project on behalf of the City. The cost of such acquisition and construction in the amount of \$1,250,000 shall be deemed to be a disbursement of the proceeds of this Note.

The City and the Registrar may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and for all

other purposes and neither the City nor the Registrar shall be affected by any notice to the contrary, unless transferred in accordance with the provisions hereof.

It is hereby certified and recited that all conditions, acts and things required by law to exist, to happen, or to be done or performed precedent to and in the issuance of this Note did exist, have happened, have been done and have been performed in regular and due form and time as required by law; that the issuance of this Note, together with all other obligations of the City, does not exceed or violate any constitutional or statutory limitation applicable to the City.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Registrar.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, the City of Chicago, Cook County, Illinois, by its City Council, has caused its official seal to be imprinted by facsimile hereon or hereunto affixed, and has caused this Note to be signed by the duly authorized signature of the Mayor and attested by the duly authorized signature of the City Clerk of the City, all as of _____, _____.

Mayor

(SEAL)
Attest:

City Clerk

**CERTIFICATE
OF
AUTHENTICATION**

Registrar
and Paying Agent
Comptroller of the
City of Chicago,
Cook County, Illinois

This Note is described in the within mentioned Ordinance and is the Tax Increment Allocation Revenue Note (Kinzie Industrial Conservation Redevelopment Project Area), Taxable Series 20__B of the City of Chicago, Cook County, Illinois.

City Comptroller
Date:

PRINCIPAL PAYMENT RECORD

DATE OF PAYMENT PRINCIPAL PAYMENT PRINCIPAL BALANCE DUE



(ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Note and does hereby irrevocably constitute and appoint attorney to transfer the said Note on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

By: Registered Owner

PEPPERCORN 240, LLC

By: _____

Name: _____

Its: _____

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the Note in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

Notice: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company.

Consented to by:

CITY OF CHICAGO
DEPARTMENT OF COMMUNITY DEVELOPMENT

By: _____

Name: _____

Its: _____

CERTIFICATION OF EXPENDITURE

(Closing Date)

To: Registered Owner

Re: City of Chicago, Cook County, Illinois (the "City")
\$1,250,000 Tax Increment Allocation Revenue Note
(Kinzie Industrial Conservation Redevelopment Project Area, Taxable Series B)
(the "Redevelopment Note")

This Certification is submitted to you, Registered Owner of the Redevelopment Note, pursuant to the Ordinance of the City authorizing the execution of the Redevelopment Note adopted by the City Council of the City on _____, _____ (the "Ordinance"). All terms used herein shall have the same meaning as when used in the Ordinance.

The City hereby certifies that \$_____ is advanced as principal under the Redevelopment Note as of the date hereof. Such amount has been properly incurred, is a proper charge made or to be made in connection with the redevelopment project costs defined in the Ordinance and has not been the basis of any previous principal advance. As of the date hereof, the outstanding principal balance under the Redevelopment Note is \$_____, including the amount of this Certificate and less payment made on the Note.

IN WITNESS WHEREOF, the City has caused this Certification to be signed on its behalf as of (Closing Date).

CITY OF CHICAGO

By: _____
Commissioner
Department of Community Development

AUTHENTICATED BY:

REGISTRAR

EXHIBIT M**SPECIAL PAYMENT PROVISIONS APPLICABLE TO CITY NOTE B
DURING AND AFTER THE COVENANT PERIOD**

- In each year EDI maintains the Required Jobs EDI shall receive the full amount of principal and interest provided in the amortization schedule attached to City Note B (the "**Scheduled Payment**") and the principal balance of City Note B shall be reduced by such amount. The City shall only be required to make a payment to EDI if 30 of the Required Jobs are performed by employees of EDI (it being understood that any FTE job over 30 may be performed by an Exclusive and Dedicated Contract Employee). Notwithstanding the foregoing, in no event shall the principal balance of City Note B ever exceed \$1,250,000.

Targeted New/Retained Jobs	59 (59 represents the anticipated maximum employment of the EDI Leased Space)
Less: 10% allowance before penalty is applied	6
Required Jobs	53

Example:

In year 1, if the actual jobs equal or exceed 53, EDI shall receive the full Scheduled Payment but shall not be entitled to receive a payment in excess of the full Scheduled Payment.

- In each year EDI maintains fewer than the Required Jobs, but in no event less than 30 FTE Required Jobs, EDI shall receive a prorated amount of the Scheduled Payment; provided however, the principal balance of City Note B shall be reduced by the full amount of the Scheduled Payment.

Example:

In Year 1, EDI maintains FTE 30 jobs. EDI shall receive 66% of the Scheduled Payment as follows:

Actual Jobs	30
Required Jobs	53
Prorata Percentage	66%

For illustrative purposes, if the Scheduled Payment for Year 1 is \$100,000, EDI shall receive:

$$\boxed{\$100,000 \times 66\% = \$66,000}$$

- In (i) any year that EDI maintains more than the number of Required Jobs (a "**Compliance Year**"), (ii) EDI maintained less than 53 FTE jobs in any year prior to the Compliance Year, and (iii) there are funds available in the Fund, then EDI, notwithstanding that the principal balance of City Note B has been reduced as provided above, EDI shall receive a prorata increase in the Scheduled Payment for that year.

Example:

Extending the previous example and assuming that in Year 2 EDI maintains the Required Jobs, in Year 3, EDI maintains 65 FTE jobs, EDI should receive 123% of the Scheduled Payment for Year 3, but only to the extent that funds are available in the Fund.

For illustrative purposes, if the Scheduled Payment for Year 3 is \$100,000 and \$34,000 are available in the Fund since in Year 1 EDI was only entitled to a reduced Scheduled Payment because it only maintained 30 FTE jobs, then EDI shall be entitled to receive:

$$\boxed{\$100,000 \times 123\% = \$123,000}$$

Assuming there are \$34,000 available in the Fund, EDI shall receive an additional \$23,000 above the Scheduled Payment for Year 3 from such available funds; leaving potentially \$11,000 (subsequently, such amount is not included in the principal amount of City Note B nor incurs any interest) for EDI to recover in future years if the number of Required Jobs is exceeded and if there are available funds in the Fund.

Similarly, if in Year 3 EDI maintained 80 FTE Required Jobs EDI shall be entitled to receive:

$$\boxed{\$100,000 \times 151\% = \$151,000}$$

In this case, as the amount to be paid to EDI is limited by the amount of monies available in the Fund (i.e., \$34,000), EDI shall only receive \$34,000 in addition to the Scheduled Payment for Year 3.

After the Covenant Period:

- If the City does not elect to make a lump sum payment to EDS as contemplated in **Section 4.03(b)(ii)** and (i) EDI continues to occupy the EDI Leased Space after the expiration of the Covenant Period; or (ii) EDI no longer occupies the EDI Leased Space after the expiration of the Covenant Period, then EDI shall receive the full amount of the Scheduled Payments during each year after the expiration of the Covenant Period.
- If, at the end of the Covenant Period, the Lease has expired and the City, as contemplated in Section 4.03(b)(ii) above, elects to make a lump sum payment to EDI, then the amount of such lump sum payment shall be equal to and in no event greater than the outstanding principal balance of City Note B as of the date of the expiration of the Covenant Period (the "Final Payout"). The Final Payout shall be made within 90 days of the City's receipt of notice from EDI that the Lease has expired. Notwithstanding the foregoing, if, during the final three years of the Covenant Period, EDI has maintained fewer than the Required Jobs and the Scheduled Payment during any of those three years was reduced pursuant to the terms of this Exhibit, then the Final Payout shall be reduced proportionately in accordance with the following formula (the "Reduced Final Payout"):

Reduced Final Payout =

(The aggregate of all Scheduled Payments actually earned by EDI in the final three years of the Covenant Period divided by the aggregate of the Scheduled Payments set forth in the

amortization schedule attached to City Note B for the final three years of the Covenant Period)

Multiplied by

the amount of the Final Payout

Example:

Assume that (i) in year 8 of the Covenant Period EDI did not maintain the Required Jobs and received a reduced Scheduled Payment of 66.0%; (ii) in year 9 of the Covenant Period EDI did not maintain the Required Jobs and received a reduced Scheduled Payment of 84.0%; and (iii) in year 10 of the Covenant Period EDI maintained all of the Required Jobs and received a full Scheduled Payment.

For illustrative purposes, if the Scheduled Payment for each of years 8, 9 and 10 of the Covenant Period is \$100,000, then the total Scheduled Payments for the three remaining years of the Covenant Period equals \$300,000. Based on the percentage of compliance in the paragraph above, the total Scheduled Payments earned by EDI in the final three years of the Covenant Period would be \$66,000, \$84,000 and \$100,000, respectively, for a total of \$250,000. Based on the foregoing, the Reduced Final Payout would be calculated as follows:

$\$250,000$ divided by $\$300,000 = 83.333\%$ of the Final Payout.

If the Final Payout (i.e., the outstanding principal amount of City Note B) equals \$300,000, EDI would receive a Reduced Final Payout in the amount \$250,000 ($\$300,000 \times 83.333\%$).

EXHIBIT N
FORM OF SUBORDINATION AGREEMENT

(Intentionally Omitted)

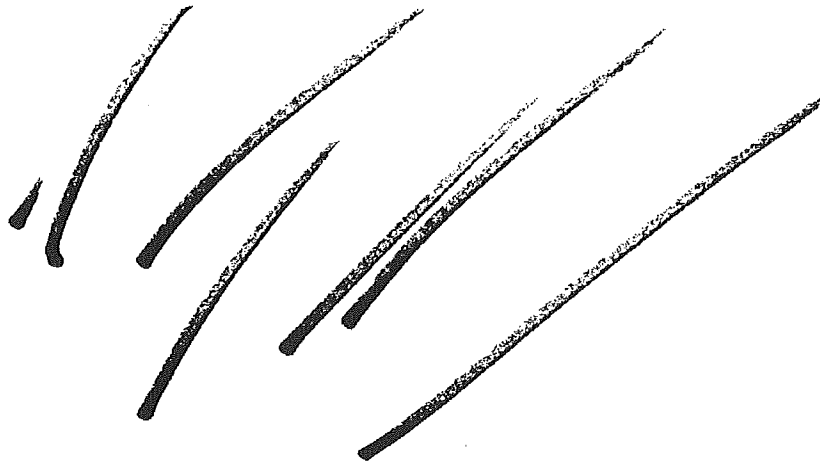


EXHIBIT O

PROHIBITED USES

- Adult-oriented businesses
- Astrology, card reading or fortune-telling businesses
- Currency exchanges
- Houses of worship
- Inter-track wagering facilities
- Pawn shops
- Pay-day loan stores/predatory lenders
- Tattoo parlors
- Night clubs or discotheques unless otherwise consented to by the Commissioner
- Flea markets and other types of similar establishments conducting liquidation sales

CITY OF CHICAGO, ILLINOIS
KINZIE INDUSTRIAL CORRIDOR
REDEVELOPMENT PROJECT

FINANCIAL REPORT

DECEMBER 31, 2010

CITY OF CHICAGO, ILLINOIS
KINZIE INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

C O N T E N T S

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AREA CODE 312 263.2700

INDEPENDENT AUDITOR'S REPORT

The Honorable Rahm Emanuel, Mayor
Members of the City Council
City of Chicago, Illinois

We have audited the accompanying financial statements of the Kinzie Industrial Corridor Redevelopment Project of the City of Chicago, Illinois, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the City of Chicago's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Kinzie Industrial Corridor Redevelopment Project and do not purport to, and do not present fairly the financial position of the City of Chicago, Illinois, as of December 31, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kinzie Industrial Corridor Redevelopment Project of the City of Chicago, Illinois, as of December 31, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Rahm Emanuel, Mayor
Members of the City Council

- 2 -

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of expenditures by statutory code on page 11, which is also the responsibility of the City of Chicago's management, is presented for purposes of additional analysis and is not a required part of the financial statements of Kinzie Industrial Corridor Redevelopment Project of the City of Chicago, Illinois. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bansley and Kiemer, L.L.P.

Certified Public Accountants

June 9, 2011

CITY OF CHICAGO, ILLINOIS
KINZIE INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

As management of the Kinzie Industrial Corridor Tax Increment Redevelopment Project Area (Project), we offer the readers of the Project's financial statements this narrative overview and analysis of the Project's financial performance for the year ended December 31, 2010. Please read it in conjunction with the Project's financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Project's basic financial statements. The Project's basic financial statements include three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information concerning the Project's expenditures by statutory code.

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the Project – the *Government-Wide Financial Statements* and the *Governmental Fund Financial Statements*. These financial statements also include the notes to the financial statements that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements

The government-wide financial statements provide both long-term and short-term information about the Project's financial status and use accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the project's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Project's net assets and how they have changed. Net assets – the difference between the Project's assets and liabilities – is one way to measure the Project's financial health, or position.

Governmental Fund Financial Statements

The governmental fund financial statements provide more detailed information about the Project's significant funds – not the Project as a whole. Governmental funds focus on: 1) how cash and other financial assets can readily be converted to cash flows and 2) the year-end balances that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more financial resources that can be spent in the near future to finance the Project. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the statements to explain the relationship (or differences) between them.

CITY OF CHICAGO, ILLINOIS
KINZIE INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
(Continued)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements follow the basic financial statements.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents a schedule of expenditures by statutory code. This supplementary information follows the notes to the financial statements.

Condensed Comparative Financial Statements

The condensed comparative financial statements are presented on the following page.

Analysis of Overall Financial Position and Results of Operations

Property tax revenue for the Project was \$18,336,661 for the year. This was an increase of 8 percent over the prior year. The change in net assets (including operating transfers out) produced an increase in net assets of \$1,533,170. The Project's net assets increased by 2 percent from the prior year making available \$65,827,289 of funding to be provided for purposes of future redevelopment in the Project's designated area.

CITY OF CHICAGO, ILLINOIS
KINZIE INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
(Concluded)

Government-Wide

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
Total assets	\$ 67,601,243	\$ 65,506,194	\$ 2,095,049	3%
Total liabilities	<u>1,773,954</u>	<u>1,212,075</u>	<u>561,879</u>	46%
Total net assets	<u>\$ 65,827,289</u>	<u>\$ 64,294,119</u>	<u>\$ 1,533,170</u>	2%
Total revenues	\$ 18,516,006	\$ 17,004,033	\$ 1,511,973	9%
Total expenses	<u>14,008,782</u>	<u>9,583,908</u>	<u>4,424,874</u>	46%
Operating transfers out	<u>2,974,054</u>	<u>3,058,845</u>	<u>(84,791)</u>	-3%
Changes in net assets	<u>1,533,170</u>	<u>4,361,280</u>	<u>(2,828,110)</u>	-65%
Ending net assets	<u>\$ 65,827,289</u>	<u>\$ 64,294,119</u>	<u>\$ 1,533,170</u>	2%

CITY OF CHICAGO, ILLINOIS
KINZIE INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2010

<u>A S S E T S</u>	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash and investments	\$48,909,804	\$ -	\$48,909,804
Property taxes receivable	18,642,000	-	18,642,000
Accrued interest receivable	49,439	-	49,439
Total assets	<u>\$67,601,243</u>	<u>\$ -</u>	<u>\$67,601,243</u>
 <u>LIABILITIES</u> 			
Vouchers payable	\$ 1,183,767	\$ -	\$ 1,183,767
Due to other City funds	590,187	-	590,187
Deferred revenue	15,433,895	(15,433,895)	-
Total liabilities	17,207,849	(15,433,895)	1,773,954
 <u>FUND BALANCE/NET ASSETS</u> 			
Fund balance:			
Designated for future redevelopment project costs	50,393,394	(50,393,394)	-
Total liabilities and fund balance	<u>\$67,601,243</u>		
Net assets:			
Restricted for future redevelopment project costs		65,827,289	65,827,289
Total net assets		<u>\$ 65,827,289</u>	<u>\$65,827,289</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental fund	\$ 50,393,394
Property tax revenue is recognized in the period for which levied rather than when "available". A portion of the deferred property tax revenue is not available.	<u>15,433,895</u>
Total net assets - governmental activities	<u>\$65,827,289</u>

The accompanying notes are an integral part of the financial statements.

CITY OF CHICAGO, ILLINOIS
KINZIE INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Property tax	\$ 17,458,853	\$ 877,808	\$ 18,336,661
Interest	51,842	-	51,842
Miscellaneous revenue	127,503	-	127,503
	<hr/>	<hr/>	<hr/>
Total revenues	17,638,198	877,808	18,516,006
Expenditures/expenses:			
Economic development projects	14,008,782	-	14,008,782
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	3,629,416	877,808	4,507,224
Other financing uses:			
Operating transfers out (Note 2)	(2,974,054)	-	(2,974,054)
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures and other financing uses	655,362	(655,362)	-
Change in net assets	-	1,533,170	1,533,170
Fund balance/net assets:			
Beginning of year	49,738,032	14,556,087	64,294,119
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 50,393,394</u>	<u>\$ 15,433,895</u>	<u>\$ 65,827,289</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - governmental fund	\$ 655,362
Property tax revenue is recognized in the period for which levied rather than when "available". A portion of the deferred property tax revenue is not available.	<hr/> 877,808
Change in net assets - governmental activities	<hr/> <u>\$ 1,533,170</u>

The accompanying notes are an integral part of the financial statements.

CITY OF CHICAGO, ILLINOIS
KINZIE INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

(a) *Reporting Entity*

In June 1998, the City of Chicago (City) established the Kinzie Industrial Corridor Tax Increment Redevelopment Project Area (Project). The area has been established to finance improvements, leverage private investment and create and retain jobs. The Project is accounted for within the special revenue funds of the City.

(b) *Government-Wide and Fund Financial Statements*

The accompanying financial statements of the Project have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB unanimously approved Statement No. 34 (as amended by Statement No. 37), *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* and at a later date, Statement No. 38 *Certain Financial Statements Disclosures*, and include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Project's overall financial position and results of operations.
- Government-wide financial statements prepared using the economic resources measurement focus and the *accrual basis of accounting* for all the Project's activities.
- Fund financial statements, which focus on the Project's governmental funds *current financial resources measurement focus*.

(c) *Measurement Focus, Basis of Accounting and Financial Statements Presentation*

The government-wide financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The governmental fund financial statements are prepared on the *modified accrual basis of accounting* with only current assets and liabilities included on the balance sheet. Under *the modified accrual basis of accounting*, revenues are recorded when susceptible to accrual, i.e., both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are susceptible to accrual and recognized as a receivable in the year levied. Revenue recognition is deferred unless the taxes are received within 60 days subsequent to year-end. Expenditures are recorded when the liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

CITY OF CHICAGO, ILLINOIS
KINZIE INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 1 – Summary of Significant Accounting Policies (Concluded)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

(d) *Assets, Liabilities and Net Assets*

Cash and Investments

Cash belonging to the City is generally deposited with the City Treasurer as required by the Municipal Code of Chicago. The City Comptroller issues warrants for authorized City expenditures which represent a claim for payment when presented to the City Treasurer. Payment for all City warrants clearing is made by checks drawn on the City's various operating bank accounts.

The City Treasurer and City Comptroller share responsibility for investing in authorized investments. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances.

The City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

Capital Assets

Capital assets are not capitalized in the governmental fund but, instead, are charged as current expenditures when purchased. The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) of the City includes the capital assets and related depreciation, if any, of the Project in which ownership of the capital asset will remain with the City (i.e. infrastructure, or municipal building). All other construction will be expensed in both the government-wide financial statements and the governmental fund as the City nor Project will retain the right of ownership.

(e) *Stewardship, Compliance and Accountability*

Illinois Tax Increment Redevelopment Allocation Act Compliance

The Project's expenditures include reimbursements for various eligible costs as described in subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act and the Redevelopment Agreement relating specifically to the Project. Eligible costs include but are not limited to survey, property assembly, rehabilitation, public infrastructure, financing and relocation costs.

Reimbursements

Reimbursements, if any, are made to the developer for project costs, as public improvements are completed and pass City inspection.

CITY OF CHICAGO, ILLINOIS
KINZIE INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS
(Concluded)

Note 2 – Operating Transfers Out

During 2010, in accordance with State statutes, the Project transferred \$2,974,054 to the contiguous Chicago/Central Park Redevelopment Project to fund debt service for Phase I of the Modern Schools Across Chicago Bonds, Series 2007.

Note 3 – Commitments

The City has pledged certain amounts solely from available excess incremental taxes to provide financial assistance to a developer under the terms of a redevelopment agreement for the purpose of paying costs of certain eligible redevelopment project costs.

As of December 31, 2010 the Project has entered into contracts for approximately \$394,000 for services and construction projects.

SUPPLEMENTARY INFORMATION

CITY OF CHICAGO, ILLINOIS
KINZIE INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

SCHEDULE OF EXPENDITURES BY STATUTORY CODE

Code Description

Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, marketing	\$ 292,828
Costs of property assembly, including but not limited to acquisition of land and other property, real or personal, or rights or interests therein, demolition of buildings, and the clearing and grading of land	827,458
Costs of rehabilitation, reconstruction or repair or remodeling of existing public or private buildings and fixtures	912,669
Costs of the construction of public works or improvements	11,502,138
Costs of job training and retraining projects	432,492
Costs of interest incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project	<u>41,197</u>
	<u>\$ 14,008,782</u>



BANSLEY AND KIENER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Rahm Emanuel, Mayor
Members of the City Council
City of Chicago, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of net assets and governmental fund balance sheet of Kinzie Industrial Corridor Redevelopment Project of the City of Chicago, Illinois as of December 31, 2010, and the related statement of activities and governmental fund revenues, expenditures and changes in fund balance for the year then ended, and have issued our report thereon dated June 9, 2011.

In connection with our audit, nothing came to our attention that caused us to believe that the Project failed to comply with the regulatory provisions in Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Allocation Redevelopment Act and Subsection (o) of Section 11-74.6-10 of the Illinois Industrial Jobs Recovery Law as they relate to the eligibility for costs incurred incidental to the implementation of the Kinzie Industrial Corridor Redevelopment Project of the City of Chicago, Illinois.

This report is intended for the information of the City of Chicago's management. However, this report is a matter of public record, and its distribution is not limited.

Bansley and Kiener, L.L.P.

Certified Public Accountants

June 9, 2011

INTERGOVERNMENTAL AGREEMENTS
FY 2010

A list of all intergovernmental agreements in effect in FY 2010 to which the municipality is a part, and an accounting of any money transferred or received by the municipality during that fiscal year pursuant to those intergovernmental agreements. [65 ILCS 5/11-74.4-5 (d) (10)]

Name of Agreement	Description of Agreement	Amount Transferred Out	Amount Received
None			

