

NOTICE OF OPPORTUNITY TO CONSULT

You are hereby notified that the City of Bettendorf is beginning the process to establish the Shopko-Joevan Redevelopment Tax Increment Financing (TIF) District. A meeting time and place has been established as follows so that you may discuss this matter should you so desire:

Date: May 23, 2008
Time: 10:00 am
Place: Bettendorf City Annex Building
Second Floor Conference Room
4403 Devil Glen Road
Bettendorf, Iowa 52722

Should you be unavailable to meet at the above noted time and place, please contact John Soenksen at 344-4083 at your earliest convenience in order to arrange for a meeting prior to that date and time. The following table summarizes the differences between the present taxes generated from the site and taxes anticipated to be generated upon completion of the development and also the length of time anticipated for the diversion of taxes for the TIF financing.

PROJECT

Shopko-Joevan Redevelopment Tax Increment Financing (TIF) District

ESTIMATE OF COST

Total Project \$14,172,710

TAXES PRESENTLY BEING GENERATED FROM SITE

Land & Building Value \$5,172,710
Annual Taxes at Current Rate \$ 129,317

TAXES ESTIMATED TO BE GENERATED FROM DEVELOPMENT

Land & Building \$14,172,710
Estimated annual taxes at current rate \$ 354,317

FISCAL IMPACT OF THE DIVISION OF REVENUE FROM PROPOSED DEVELOPMENT

Property tax base will be increased and new taxes totaling \$225,000 per year will be generated when development is complete.

ESTIMATED SERVICES FROM TAXING ENTITY WILL BE EXPECTED TO PROVIDE THE TIF AREA

Scott County:	Minimal
Bettendorf Community School District:	None (non-residential)
Scott Community College:	None

ESTIMATED DURATION OF DIVERSION OF REVENUE

11 years

ESTIMATED REVENUE AVAILABLE TO EACH TAXING ENTITY AFTER 11 YEARS IF PROJECT SUCCEEDS:

City of Bettendorf	38 %	\$134,641
Bettendorf Community School District	45 %	\$159,443
Scott County	14 %	\$ 49,604
E.I.C.C.	2 %	\$ 7,086
Others	1 %	\$ 3,543
TOTAL		\$354,317

**NOTICE OF A CONSULTATION TO BE HELD
BETWEEN THE CITY OF BETTENDORF, IOWA AND
ALL AFFECTED TAXING ENTITIES CONCERNING
THE PROPOSED SHOPKO-JOEVAN
REDEVELOPMENT TAX INCREMENT FINANCING
DISTRICT IN THE CITY OF BETTENDORF, IOWA**

The City of Bettendorf, Iowa will hold a consultation with all affected taxing entities, as defined in Section 403.17(1) of the Code of Iowa, as amended, commencing at 10:00 o'clock A.M. on May 23, 2008, in the Second Floor Conference Room, Bettendorf Municipal Annex Building, 4403 Devils Glen Road, Bettendorf, Iowa concerning a proposed Shopko-Joevan Redevelopment Tax Increment Financing District.

Each affected taxing entity may appoint a representative to attend the consultation. The consultation may include a discussion of the estimated growth in valuation of taxable property included in the proposed Shopko-Joevan Redevelopment Tax Increment Financing District, the fiscal impact of the division of revenue on the affected taxing entities, the estimated impact on the provision of services by each of the affected taxing entities in the proposed Shopko-Joevan Redevelopment Tax Increment Financing District, and the duration of any bond issuance included in said proposed Shopko-Joevan Redevelopment Tax Increment Financing District.

The designated representative of any affected taxing entity may make written recommendations for modifications to the proposed division of revenue no later than seven days following the date of the consultation. John Soenksen, the designated representative of the City of Bettendorf, shall submit a written response to the affected taxing entity no later than seven days prior to the public hearing on the proposed Shopko-Joevan Redevelopment Tax Increment Financing District, addressing any recommendations made by that entity for modifications to the proposed division of revenue.

This notice is given by order of the City Council of the City of Bettendorf, Iowa, as provided by Section 403.5 of the Code of Iowa, as amended.

Dated this 6th day of May, 2008.

City Clerk, Bettendorf, Iowa

(End of Notice)

DEVELOPMENT AGREEMENT

This Agreement is entered into between the City of Bettendorf, Iowa, an Iowa Municipal Corporation (the "City"), and McDonald Properties East, LLC, Duck Creek II Investors, LLC and Northridge Group, LLC collectively (the "Developer"), as of the ____ day of _____, 2008.

RECITALS

WHEREAS, the Developer owns certain property, more specifically described on Exhibit "A", attached hereto (the "Property"), primarily zoned "C-2" Community Shopping District with one parcel currently zoned "C-4" Automotive Service District, which is located within the Urban Renewal Area #6, and upon which the Developer intends to redevelop the Shopko-Joevan Project and reconstruct certain improvements thereon (the "Project"); and

WHEREAS, the City desires to encourage redevelopment and expansion in said Urban Renewal Area; and

WHEREAS, the Project (as defined below) will help enable the Developer to redevelop this site within the City of Bettendorf rather than see the continued deterioration and increased blight; and

WHEREAS, business redevelopment and blight elimination is a high priority goal for the City of Bettendorf, and

WHEREAS, development within Urban Renewal Area #6 has not occurred at a rate desired by the City of Bettendorf, and

WHEREAS, under Chapter 15A of the State Code, the City is required to determine that a public purpose will reasonably be accomplished and the City Council so FINDS that jobs will be preserved and expanded, blight will be eliminated and tax base increased as a result of the agreement signed herein; and

WHEREAS, under Chapter 403 of the State Code, the City may enter into development agreements to assist and retain local businesses to strengthen and revitalize the economy of the State of Iowa and the City of Bettendorf; and

WHEREAS, Chapters 15A and 403 of the Code of Iowa authorize cities to provide grants, loans, guarantees, tax incentives and other financial assistance to or for the benefit of private persons.

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Developer Obligations. The Developer shall undertake the Shopko-Joevan Project, consisting of the demolition of certain existing structures, the reconstruction / redevelopment of certain existing structures, and construction and installation of certain new buildings, facilities and other improvements, and related improvements to adjacent streets, sanitary sewer lines and water mains as part of the Shopko-Joevan Project. Developer agrees to make the following improvements based upon Shoppes at Duck Creek Plaza Traffic Impact Analysis, both on and off-site to enhance traffic movements with respect to the Project and to post additional security to the City, as follows:

- A. Dedicate certain property identified within the Developer's plat and/or site plan for the purpose of the construction of a deceleration lane traveling east on Middle Road into the Project. Further the Developer will construct said deceleration lane at his expense.
- B. The Developer shall perform the necessary improvements to the existing median currently located on Kimberly Road to create a full ingress / egress entrance for the Project at his expense should he so desire.

- C. The Developer shall perform the necessary improvements to the existing median and intersection currently located on Middle Road to improve the ingress / egress entrance for the Project, as well as its cosmetic appeal, at his expense.
- D. The City shall design and the Developer shall install a traffic signal at the Middle Road entrance to the Project which will serve both developments on either side of Middle Road at his expense.
- E. The Developer shall dedicate the necessary right-of-way at such time as he acquires Bruegger's Bagle Bakery and Blockbuster Video enabling the City to construct a right-hand turn lane on the north side of Middle Road turning north onto Kimberly Road.

Developer shall no later than June 15, 2008 provide a Performance Bond or other mutually acceptable surety instrument with the City in an amount not less than 125% of the following bona fide estimated costs: (i) costs of demolition of the existing improvements located within the development and (ii) costs of the off-site traffic improvements listed above and within this section.

Section 2. Project Phases.

The Developer anticipates that the Project will be redeveloped in phases. Phases I shall consist of partial demolition of the existing shopping center, the redevelopment of the former Shopko building containing 79,158 square feet and the construction of a free-standing building closest to the Middle Road entrance measuring 8,500 square feet. Phase II shall consist of the construction of a building in-line with the Shopko building measuring 10,000 square feet and the construction of three additional free-standing buildings measuring a total of 18,700 square feet (more or less).

Prior to the construction of the Project, the Developer shall submit to the City copies of all plans and engineering documents related to the Project as customarily required under existing City Ordinances. The City may request reasonable changes to such plans and documents to insure compliance with existing applicable City Ordinances and engineering requirements plus a quality appearance. The Developer agrees that under no circumstances will the following types of businesses ever be allowed as tenants or owners within the Project: Adult entertainment. The total Project shall consist of a series of buildings having at least 116,402 gross square feet (more or less). The Project shall commence promptly upon City approval of plans and issuance of a building permit, and the Developer shall diligently prosecute construction to be completed prior to the end of calendar year 2010.

Section 3. Economic Development Payments. In recognition of the Developer's commitment set out herein, the City agrees to make economic development tax increment payments (the "Payments") to the Developer in each fiscal year during the term of this Agreement, pursuant to Chapters 15A and 403 of the Code of Iowa, to reimburse the Developer for a portion of the cost of the project, in an amount equal to the tax incremental revenue derived from the project. For the purposes of this agreement, the tax incremental revenues derived from the entire project encompassing the total site shall mean only the taxes available for division by the City under the Urban Renewal Law in excess of an assumed base year assessment of \$5,172,710. The Developer shall agree to execute a minimum assessment agreement effective from 12/30/08 through 12/30/20 as to the entire project encompassing the total site in the amount of \$5,172,710.

The Payments shall be made solely and only from incremental property taxes received by the City from the Scott County Treasurer, which are attributable to the improvements made to the Property as called for herein. The Payments to the Developer are subject to the timely payment of property taxes by the Developer or other owners of the Property, and to the satisfactory completion of the Improvements.

Section 4. Term. On or about November 1st of each year, the Developer and/or its assigns, shall report to the City the Status of payment of all property taxes then due on the property and certify to the City the development costs associated with the project. Such costs may be aggregated for purposes of the certification, including all previously certified costs and new costs, and shall be reduced by all payment of incremental tax money then received by the Developer and/or its assigns. This certification may be hand delivered, or may be mailed by certified or registered mail, return receipt requested to the City Administrator, City of Bettendorf, 1609

State Street, Bettendorf, Iowa 52722. On December 1st of each year, and based upon the Developer's and/or assigns' certification to the City, the City shall certify said amount to the County Auditor pursuant to Iowa Code Section 403.19(5) as debt incurred within the District (as established by the Tax Increment Financing Ordinance).

The payment shall be made on December 1st and June 1st of each fiscal year, commencing with the fiscal year of tax payments arising from the January 1st tax assessment which follows completion of the contemplated improvements, and continuing for a maximum of eleven (11) fiscal years of taxes or until a maximum of \$2,475,000 in incremental tax revenue has been rebated to the developer, whichever first occurs. Until the Project Phases are undertaken, no payments will be made to the Developer.

1. The maximum of eleven (11) years of payments under this Agreement shall be reduced by one (1) year for each year the Developer fails to timely pay real estate taxes on the parcel. No payments shall be made by the City until all real estate taxes are paid in full.
2. The maximum of eleven (11) years of payments under this Agreement shall be reduced by one (1) year for failure to construct Phase I by December 30, 2008
3. The maximum of eleven (11) years of payments under this Agreement shall be reduced by one (1) year for every 1,000 square feet under the amount of square feet the Developer agreed to construct in Phase II by December 30, 2010.

Section 5. Assignment. This Agreement may not be amended or assigned by either party without the express permission of the other party. However, the City hereby agrees and consents that the Developer's right to receive the Payments hereunder may be assigned by the Developer to a private lender, as security, or to another entity which is controlled by the Developer, without further action or approval on the part of the City. In the event that Developer sells the Property subject to the minimum assessment agreement as herein required, the Developer may without any further consent of the City assign its rights to the remaining payments. The City agrees, further, not to unreasonably withhold its permission upon receipt of a request from the Developer for assignment of all or any portion of its rights and obligations hereunder to any other party and to either approve or deny such request within sixty (60) days after receipt of such request by the City Council.

Section 6. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

Section 7. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State of Iowa and for all purposes shall be governed by and construed in accordance with the laws of the State of Iowa.

Section 8. Dispute Resolution. All disputes, controversies and questions directly or indirectly arising under, out of, in connection with or in relation to this Agreement or its' subject matter, including without limitation, all disputes, controversies and questions relating to validity, negotiation, interpretation, construction, performance, termination and enforcement of the Agreement, shall be resolved finally and conclusively in accordance with this section, which shall be the sole and exclusive procedure for the resolution of any dispute.

The parties shall attempt in good faith to resolve any dispute promptly by negotiation. If the matter has not been resolved within twenty (20) days after a party's request for negotiation ("Negotiation Period"), either party may initiate arbitration as provided herein.

Initiation of Arbitration. If the dispute is not resolved during the Negotiation Period, any unresolved dispute, controversy or claim arising out of or relating to this Agreement or the relationship resulting in or from this Agreement (each a "Dispute" and collectively, the "Disputes") shall be settled by binding arbitration. The expedited procedures of the Commercial Arbitration Rules ("Commercial Rules") of the American Arbitration Association ("AAA") in effect on the date that the arbitration is initiated as provided herein shall govern the procedure for the arbitration, except to the extent modified by the provisions of this Section 8. The arbitration shall be initiated by sending to the other party and the AAA a written demand for arbitration that complies with the requirements of the Commercial Rules (the "Arbitration Demand") and by requesting from the AAA a list of qualified arbitrators (the

"Arbitrator List") meeting the requirements of the following paragraph. The AAA shall not administer the arbitration and shall only provide the list of qualified arbitrators and appoint one or more arbitrators under the circumstances set forth herein. Each party to the arbitration shall be responsible to pay an equal share of the fees payable to the AAA in connection with the arbitration, subject to the right to recover such fees as a cost or expense incurred in connection with the Dispute as otherwise provided in this Section 8. If a party fails to pay its share of such fees within the time required by the AAA, any other party may advance such share and recover it from the party failing to pay it, together with interest at the annual rate of 18%. The party advancing such share shall be entitled to have an immediate award entered by the arbitrator, once appointed, for the full amount of such party's payment with interest thereon and attorney's fees and expenses incurred in connection therewith.

Appointment of Arbitrator. The arbitration shall be conducted by a single arbitrator selected by the parties from the Arbitrator List or, if they cannot agree on that arbitrator, by the appointment of an arbitrator by the AAA. The parties agree that the arbitrator selected by the parties or the AAA must be a person with extensive knowledge in the subject matter of the Dispute(s) and at least five (5) years of experience in arbitrating substantially similar issue(s) as those described in the Arbitration Demand and submitted to arbitration hereunder.

Location of Arbitration. The arbitration, including the rendering of the award, shall take place in Bettendorf, Iowa.

Arbitrator's Award. Any award rendered by the arbitrator may be entered as a judgment or order and confirmed or enforced by either party in the division of the United States District Court located in the Southern District of Iowa which includes Bettendorf, Iowa. If either party brings or appeals any judicial action to vacate or modify any award rendered pursuant to arbitration or opposes the confirmation of such award and the party bringing or appealing such action or opposing confirmation of such award does not prevail, such party will pay all of the costs and expenses (including, without limitation, court costs and attorney fees) incurred by the other party in defending such action. Additionally, if either party brings any action for judicial relief (other than injunctive relief) in the first instance without pursuing arbitration prior thereto, the party bringing such action will be liable for and will immediately pay to the other party all of the other party's costs and expenses (including, without limitation, court costs and attorney fees) to stay or dismiss such judicial action and/or remove it to arbitration. The arbitrator may only grant a remedy or relief that is within the scope of this Agreement, including, but not limited to, any limitations on remedies imposed by other provisions of this Agreement. The arbitrator shall not award punitive or exemplary damages, and each party to this Agreement waives their respective right to recover punitive or exemplary damages under any circumstances. In making an award, the arbitrator shall apply and follow the laws of the State of Iowa applicable to contracts and to the extent applicable, the Federal Arbitration Act, found at 9 USC §1, et. seq. (the "Federal Arbitration Act"), which shall supersede any state laws governing arbitration of Disputes; provided, however, that the procedural rules in the Commercial Rules and the evidentiary and discovery rules set forth in the following subsections of this Section 8 shall be applied notwithstanding state or federal law to the contrary. The prevailing party in an arbitrated Dispute shall be entitled to recover as a part of any award the costs and expenses (including without limitation reasonable attorneys' fees) incurred by such party in connection with the arbitrated Dispute.

Discovery. Except as hereafter provided, discovery shall be at the discretion of the arbitrator and allowed only upon a showing of good cause. The parties shall comply with the requirements of Federal Rule of Civil Procedure 26(a)(1)(A), (B) and (C); Federal Rule of Civil Procedure 26(a)(2)(A) and (B); and Federal Rule of Civil Procedure 26(a)(3)(A), (B) and (C) within sixty (60) days after the date of the Arbitration Demand. Any party failing to comply with such requirements shall be subject to sanctions as provided in Federal Rule of Civil Procedure 37(b)(2)(A), (B), (C) and the final unlettered paragraph thereof; Federal Rule of Civil Procedure 37(c)(1); and Federal Rule of Civil Procedure 37(d); provided, however, that the arbitrator may permit a party to have one additional period of up to thirty (30) days to cure any such failure. The arbitrator shall permit, as a matter of right, the depositions of the parties and any expert witnesses to be taken. The arbitrator shall not allow more than one (1) set of interrogatories limited in number to no more than thirty (30), including subparts thereof. The arbitrator shall have the right to enter protective orders under Federal Rule of Civil Procedure 26(c)(2), (3), (4), (5), (6), (7) and (8). The parties shall supplement responses to discovery permitted in this subsection under the circumstances described in Federal Rule of Civil Procedure 26(e). Discovery requests and responses, including objections, shall be signed in the manner described in Federal Rule of Civil Procedure 26(g) and the certification described in Federal Rule of Civil Procedure 26(g)(2) and penalties described in Federal Rule of Civil Procedure 26(g)(3) shall apply to each signature. The arbitrator shall enforce the discovery provisions set forth in this subsection.

Evidence. The formal rules of evidence shall not be applicable to the arbitration. Any relevant evidence, including hearsay to the extent it is determined by the arbitrator to be reliable, may be admitted by the arbitrator if it is the sort of evidence upon which responsible persons are accustomed to rely in the conduct of serious business affairs, regardless of the admissibility of such evidence in a court of law.

Time Limits. The award shall be made by the arbitrator on or before thirty (30) days after final submission of all matters, or within such extended time, not exceeding an additional thirty (30) days (sixty (60) days total) as the arbitrator may determine is necessary.

Form of Award. The arbitrator shall render the award in writing, which shall set forth in detail the reasons for such award. The arbitrator shall sign and date the award and serve upon each party a signed copy of the award.

Section 9. NOTICE. Any notice or demand desired or required to be given hereunder shall be in writing and deemed given when personally delivered or when deposited in the United States mail, postage prepaid, sent certified or registered and addressed as follows:

**To the City of Bettendorf:
Mr. Decker Ploehn
City Administrator
1609 State Street
Bettendorf, Iowa 52722
Office Phone (563) 344-4007**

**To McDonald Properties East, LLC:
Attn: Mr. Curtis McDonald, President
1100 North Fourth Street, Suite 211
Fairfield, Iowa 52556
Office Phone (641) 472-0061**

**To Northridge Group, LLC
Attn: Mr. Kevin Koellner
1805 State Street, Suite 101
Bettendorf, Iowa 52722
Office Phone (563) 355-2022**

Section 10. ENTIRE AGREEMENT. This Agreement and the Exhibits attached hereto constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, and supercede all negotiations, preliminary agreements and all prior and contemporaneous discussions and understandings of the parties in connection with the subject matter hereof. All Exhibits attached hereto are hereby incorporated into and made a part of this Agreement.

Section 11. AMENDMENTS. No amendment, waiver, change or modification of any of the terms, provisions or conditions of this Agreement shall be effective unless made in writing and signed or initialed by the parties. Waiver of any provision of this Agreement shall not be deemed a waiver of future compliance herewith and such provision shall remain in full force and effect.

Section 12. SEVERABILITY. In the event any provision of this Agreement is held invalid, illegal or unenforceable, in whole or in part, the remaining provisions of this Agreement shall not be affected thereby and shall continue to be valid and enforceable, and, if for any reason a court finds that any provision of this Agreement is invalid, illegal or unenforceable as written, but that by limiting such provision it would become valid, legal and enforceable, then such provision shall be deemed to be written and shall be construed and enforced as so limited.

Section 13. CONSTRUCTION. The titles or captions of paragraphs in this Agreement are provided for convenience of reference only and shall not be considered a part hereof for purposes of interpreting or applying this Agreement, as such titles or captions do not define, limit, extend, explain or describe the scope or extent of

this Agreement or any of its terms or conditions. Words and phrases herein shall be construed as in the singular or plural number and as masculine, feminine or neuter gender, according to the context.

Section 14. WAIVER OF JURY TRIAL. EACH OF THE DEVELOPER AND THE CITY HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT THAT IS NOT OTHERWISE REQUIRED TO BE SUBMITTED TO ARBITRATION IN ACCORDANCE WITH SECTION 8 OF THIS AGREEMENT.

Section 15. UNAVOIDABLE DELAYS: Any delays resulting from acts or occurrences outside the reasonable control of the party claiming the delay including but not limited to storms, floods, fires, explosions or other casualty losses, unusual weather conditions, strikes, boycotts, lockouts or other labor disputes, delays in transportation or delivery of material or equipment necessary for construction and installation of the Project, litigation commenced by third parties, or the acts of any federal, State or local governmental unit (other than the City) are "Unavoidable Delays". Time lost as a result of Unavoidable Delays shall be added to extend the _____, 2008 deadline by the number of days equal to the number of days lost as a result of Unavoidable Delays.

Section 16. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, and in making proof hereof, it shall not be necessary to produce or account for more than one (1) such counterpart.

The City and the Developer have caused this agreement to be signed, and the City's seal to be affixed, in their names and on their behalf by their duly authorized officers, all as of the day and date written above.

CITY OF BETTENDORF, IOWA

By: _____
Its Mayor

Attested by:

By: _____
Its City Clerk

McDonald Properties East LLC

By: _____
Its President

Northridge Group, LLC

By: _____
Its Manager