AGENDA
CHASKA ECONOMIC DEVELOPMENT AUTHORITY
ONE CITY HALL PLAZA, CHASKA CITY HALL
Monday, June 18, 2018
7:00 PM

1. Call to Order

2. Roll Call

3. Adopt Agenda

4. Approve Previous Meeting Minutes

   A. EDA Draft Minutes 06-04-2018

5. Discussion Items

   A. Adopt Resolution EDA 2018-9, Public Hearing: Approving Land Sale and Authorizing the Execution of a Purchase and Development Agreement (Formacoat)

   B. Adopt Res. No. EDA 2018-10, Public Hearing: Approving Conveyance of Property, Establishing Redevelopment Tax Increment Financing Dist. No. 21, Adoption of TIF Plan, and Authorizing Execution of Purchase & Development Agreements (Hot Spot Redevelopment)

6. Other Business

7. Adjourn

- MINUTES -
CHASKA ECONOMIC DEVELOPMENT AUTHORITY
JUNE 4, 2018

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1. Call to Order

President Windschitl called the meeting to order at 8:15 pm.

2. Roll Call

Roll call was taken. Present: Commissioners Boe, Geisler, and President Windschitl.
Absent: Commissioners Schulz and Rohe.

Also Present: Nate Kabat, Assistant Executive Director and Matt Podhradsky, Executive Director.

3. Agenda

Motion by Commissioner Boe, second by Commissioner Geisler, to adopt the agenda as presented.
Motion carried.

4. Minutes

Motion by Commissioner Geisler, second by Commissioner Boe, to approve the minutes of the April 16, 2018 EDA meeting.
Motion carried.

5. Adopt Resolution 2018-07, Calling for a Public Hearing Regarding Sale of Land for Chaska Retail Center Project (Hot Spot Redevelopment)

Assistant Executive Director Kabat presented the item to the Commission.

President Windschitl looked to clarify that this was a formality.

Assistant Executive Director Kabat stated that it was.

President Windschitl asked Executive Director Podhradsky explain the Economic Development Authority (EDA) purchase process that this item will follow.

Executive Director Podhradsky stated there are three properties there; the city is purchasing the old gas station site, another is the old Schneiderman's Furniture building/Michael's Cycles, and the third is CDA's parcel. As part of this process, the EDA helps get under contract and purchase the Hot Spot gas station and utilize the tax increment that will be generated on that site over the next 25 years to pay the EDA back. He explained that initially the EDA will sell it to the developer who then has to implement the approved plan. He noted that although that portion of the property is one dollar, the overall purchase of that property is close to $900,000 and the EDA's involvement is to help make that economically feasible.

Commissioner Geisler looked to clarify that the developer will purchase the other properties.

Executive Director Podhradsky stated the developer has already purchased them. He explained the process is to assemble the property and get rid of the property lines to create one parcel instead of three parcels.

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President Windschitl commented that it was not likely this project would have happened without doing this. He stated this is one of their economic development tools is to be able to step in and purchase that to make the entire site developable.

Executive Director Podhradsky explained that due to the City's ordinances as far as setbacks and such, nothing could be done on the old gas station site except to mimic what was already there.

President Windschitl looked to clarify that the public hearing would be held on June 18, 2018 and then at that point the sale happens.

Executive Director Podhradsky stated that at that point it allows the EDA to go through the sale and the developer still has to complete the planning process. He explained is satisfies their statutory requirement to hold a public hearing prior to selling property and estimated the planning process would finish up in mid-July.

Motion by Commissioner Geisler, second by Commissioner Boe to adopt Resolution No. 2018-07 calling for a Public Hearing Regarding the Sale of Land for the Chaska Retail Center Project.
Motion carried.

6. Adopt Resolution 2018-08, Calling for a Public Hearing Regarding Sale of Land and the Granting of Business Subsidy (Formacoat Project)

Assistant Executive Director Kabat presented the item to the Commission.

Motion by Commissioner Boe, second by Commissioner Geisler to adopt Resolution No. 2018-08 calling for a Public Hearing Regarding the Sale of Land and the Granting of Business Subsidy (Formacoat Project).
Motion carried.

Mark Gross, owner of Formacoat, stated he was excited to see this happen.

7. Other Business

Commissioner Boe looked to verify the date to dig for the Hot Spot is mid to end of July.

Executive Director Podhradsky estimated it would be the end of July.

8. Adjourn

Motion by Commissioner Boe, second by Commissioner Geisler to adjourn the meeting at 8:27 pm.
Motion carried.

REQUEST FOR ACTION
CHASKA ECONOMIC DEVELOPMENT AUTHORITY
06/18/2018

Subject: **Public Hearing: Approving Land Sale and Authorizing the Execution of a Purchase and Development Agreement (Formacoat)**

Prepared By: Nate Kabat

Background
For the past several months Staff has been working with Formacoat, LLC on plans to develop a new manufacturing facility at the former building center site on Chaska Blvd. (Cty. Rd 61).

Incorporated in 2002, Formacoat is privately held and currently located in Savage, MN. Mark Gross, Owner of Formacoat, is a 27-year resident of Chaska and is excited about fulfilling his long-time dream of bringing his company to Chaska. Formacoat is a medical device contract manufacturing company. The company specializes in applying medical device coating applications. Their collaboration with customers includes access to a wide range of coating vendors and their technologies, to bring the right coating to each product.

As described in their preliminary site plan, Formacoat is seeking to build a 31,840 square foot building on 3.85 acres of the former building center site. The preliminary plan for this development has received a recommendation for approval from te Planning Commission on June 13, 2018 and will be considered by the Council for approval on June 18, 2018. The EDA and City Council have expressed support for Formacoat's applications to MN DEED to pursue grant dollars for this project.

The expansion will enable Formacoat to significantly expand is core business and add other technologies to is capabilities. The project would bring about 15 well-paying manufacturing jobs upon opening with plans to expand by 10-15 more jobs within the first 2 to 3 years of operation.

Analysis – Purchase and Development Agreement
Chaska EDA and Formacoat have successfully negotiated terms for a Purchase Agreement and a Development Agreement to transfer property ownership of 3.85 acres of the approximately 7.5 total acres at the former building center site. As mentioned previously, Formacoat intends to build 31,840 square feet of manufacturing space. Following this transaction, the Chaska EDA will continue to own about 3.65 acres which provides enough space for another similar scale development to occur.

Per the Purchase Agreement and the Development Agreement, the developer and the EDA have agreed to terms as generally outlined in the following:

- Formacoat will pay to EDA $251,559 for the site, which reflects the $1.50 per square foot price the property has been marketed at.

- Formacoat agrees to enter into a TIF note agreement, and that the TIF will generate a net present value of $477,303 by 2040.
    - To support the TIF, Formacoat agrees as of January 2, 2019, the minimum market value to be assessed for the developer property, shall be $1,910,400.
- EDA agrees to pay to Bremer Bank, with whom the EDA has a contract for deed on the site $533,862.
- The City agrees to remove all concrete from the development site. To gain efficiencies, the City will ultimately remove concrete from the entire 7.5 acre site.
    - From Buyer's funds provided at closing, $195,000 shall be deposited into an escrow account with the EDA to pay for costs of the concrete removal, to pay the City's area development fees relating to the Development Property including an Area-Water Fee, Area-Sanitary Fee, Area-Storm Sewer Fee, Area-Park Dedication Fee, and Area-Trails Fee, and to pay the costs of the subdivision approvals.
    - EDA agrees to contribute up to Five-Thousand and no/100 Dollars ($5,000.00) additionally to cover costs of removing existing concrete from the site in the event that costs of the site work costs more than $190,000.
- Closing is currently scheduled to occur July 18, 2018

The following table summarizes costs and revenues related to this project:

Expenditures	
Release of Land from Mortgage	$533,862
Site Cleanup and Area Charges	$190,000
Property Subdivision	$5,000
Total	$728,862
Revenue	
TIF (NPV over District after FD)	$477,303
Sale of Land	$251,559
Total	$728,862

Analysis – Public Hearing to Authorize Sale of Property

The transaction of properties from EDA to Formacoat Leasing, LLC requires a public hearing to be held. The property Formacoat will purchase is currently owned by the Chaska EDA through a contract for DEED with Bremer Bank, and therefore requires a public hearing to be held in order to authorize the sale to Formacoat Leasing, LLC.

Recommendation

Staff believes this redevelopment opportunity advances City and EDA goals to redevelop underutilized locations in and around downtown, and to create attractions that increase traffic to the area. This project achieves the goals of all parties involved. Resultingly, staff has three recommendations to the EDA in regards to this redevelopment Project:

1. Staff recommends authorizing the President and Executive Director of the EDA to execute all documents pertaining to the Purchase Agreement and Development Agreement with Formacoat Leasing, LLC.

2. To execute the purchase agreements, staff recommends holding a public hearing in order to authorize the sale of public property.

EDA ACTION REQUESTED

1. **Following the Public Hearing, Motion to Adopt Resolution Approving Land Sale and Authorizing the Execution of a Purchase Agreement and Development Agreement, and Approving an Interfund Loan**

CITY OF CHASKA
CARVER COUNTY, MINNESOTA

RESOLUTION

DATE__________06/18/2018__________RESOLUTION NO._____EDA 2018-9______

MOTION BY COUNCILMEMBER____________SECOND BY COUNCILMEMBER____________

RESOLUTION APPROVING LAND SALE AND AUTHORIZING THE EXECUTION OF A PURCHASE AGREEMENT AND DEVELOPMENT AGREEMENT AND APPROVING AN INTERFUND LOAN

BE IT RESOLVED by the Board of Commissioners (the "Board") of the Chaska Economic Development Authority (the "EDA"), that:

Section 1. Recitals.

1.01. Pursuant to Sections 469.001 through 469.047 and 469.090 through 469.1082, as amended (together, the "Development Act"), the EDA has created Redevelopment Project Area No. 4 (the "Project Area") and has adopted a Redevelopment Plan therefor (the "Redevelopment Plan").

1.02. Pursuant to the provisions of Minnesota Statutes, Section 469.174 through 469.1794, as amended, (the "TIF Act"), on January 23, 2012, the EDA adopted a resolution creating, within the Project Area, Tax Increment Financing (Redevelopment) District No. 18 (Chaska Building Center Project) as a redevelopment tax increment financing district (the "TIF District") and adopted a tax increment financing plan therefor (the "TIF Plan").

1.03. The EDA has an interest in certain property in the City located at 2960 Chaska Boulevard and legally described in **Exhibit A** attached hereto (the "Property") pursuant to a Contract for Deed, dated July 17, 2012, between Klingelhutz Land and Building Company ("Klingelhutz") and the EDA. The EDA proposes to acquire fee title to the Property in accordance with the Contract for Deed. After acquiring fee title to the Property, the EDA proposes to convey the Property to the Developer pursuant to a Purchase Agreement (the "Purchase Agreement") by and between the EDA and Formacoat Leasing, LLC, a Minnesota limited liability company, or an affiliate thereof (the "Developer"). In addition, the EDA proposes to enter into a Development Agreement among the Developer, the City and the EDA (the "Development Agreement") whereby the EDA will provide certain financial assistance to the Developer in connection with the construction of a manufacturing facility for use in its medical device manufacturing business on the Property (the "Development").

1.04. The Purchase Agreement and the Development Agreement have been prepared and presented to the City Council for its consideration, stating the terms and conditions conveyance of the Property and the City's and the EDA's assistance with the financing of certain costs of the Development.

1.05. Under the Development Agreement, the EDA proposes to provide certain tax increment assistance consisting of a land write down (the "TIF Assistance") to the Developer repayable from tax increment generated from the TIF District. The TIF Assistance constitutes a business subsidy within the meaning of Minnesota Statutes, Section 116J.993 to 116J.995, as amended (the "Business Subsidy Act"), and the Development Agreement includes a "business subsidy agreement" as required under the Business Subsidy Act.

1.06. The EDA has on this date conducted a duly noticed public hearing regarding the sale of the Property to the Developer in accordance with Minnesota Statutes, Section 469.105, as amended, and the granting of a business subsidy being provided to the Developer in accordance with the Business Subsidy Law Act, at which all interested persons were give an opportunity to be heard.

1.07. The Board has reviewed the Purchase Agreement and the Development Agreement and has determined that it is in the best interests of the EDA to enter into an execute the Purchase Agreement and the Development Agreement, convey the Property to the Developer and grant a business subsidy to the Developer.

Section 2. Approval of Interfund Loan. The Board of Commissioners hereby approves a policy on interfund loans or advances ("Loans") in connection with the Development, as follows:

2.01. The authorized tax increment eligible costs (including without limitation out-of-pocket administrative expenses incurred prior to or after the date hereof in an amount up to $1,737,429 and other eligible project costs in an amount up to $6,318,186, including without limitation an interfund loan for land acquisition costs in the amount of $477,303) payable from the TIF District for costs associated with the Development in accordance with the TIF Plan as it was originally adopted or as it may be amended may need to be financed on a short-term and/or long-term basis via one or more Loans, as may be determined by the City Administrator from time to time.

2.02. The Loans may be advanced if and as needed from available monies in the City's or the EDA's general fund or other City or EDA fund designated by the City Administrator.

2.03. Neither the maximum principal amount of any one Loan nor the aggregate principal amount of all Loans in connection with this Development may exceed $8,050,615 outstanding at any time.

2.04. All Loans shall mature not later than February 1, 2040 or such earlier date as the City Administrator may specify in writing. All Loans may be pre-paid, in whole or in part, whether from tax increment revenue, tax increment revenue bond proceeds or other eligible sources.

2.05. The outstanding and unpaid principal amount of each Loan shall bear interest at the rate prescribed by the statute (Minnesota Statutes, Section 469.178, Subdivision 7), which is the greater of the rates specified under Minnesota Statutes, Sections 270C.40 or 549.09 at the time a Loan, or any part of it, is first made, subject to the right of the City Administrator to specify a lower rate (but not less than the City's or the EDA's then-current average investment return for similar amount and term).

2.06. Such Loans within the above guidelines are pre-approved. The Loans need not take any particular form and may be undocumented, except that the City Administrator shall specify the principal amount and interest rate and maintain all necessary or applicable data on the Loans.

Section 3. Approval of Development Agreement.

3.01. The EDA hereby approves the conveyance of the Property to the Developer. In addition, the EDA hereby approves the Purchase Agreement and Development Agreement substantially in accordance with the terms set forth in the forms presented to the Board, including the provisions for the conveyance of the Property and the granting of a business subsidy, together with any related documents necessary in connection therewith, including without limitation all documents or certifications referenced in or attached to the Purchase Agreement and the Development Agreement (collectively, the "Development Documents") and hereby authorizes the President and Executive Director to negotiate the final terms thereof and, in their discretion and at such time as they may deem appropriate, to execute the Development Documents on behalf of the EDA, and to carry out, on behalf of the EDA, the EDA's obligations thereunder when all conditions precedent thereto have been satisfied.

3.02. The approval hereby given to the Development Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the EDA and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the EDA. The execution of any instrument by the appropriate officers of the EDA herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. In the event of absence or disability of the officers, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Board by any duly designated acting official, or by such other officer or officers of the Board as, in the opinion of the City Attorney, may act in their behalf.

3.03. Upon execution and delivery of the Development Documents, the officers and employees of the EDA are hereby authorized and directed to take or cause to be taken such actions as may be necessary on behalf of the EDA to implement the Development Documents when all conditions precedent thereto have been satisfied.

3.04. The Board hereby determines that the execution and performance of the Development Documents will help realize the public purposes of the Act.

Approved by the Board of Commissioners of the Chaska Economic Development Authority this 18th day of June, 2018.

____

President

ATTEST:

____

Executive Director

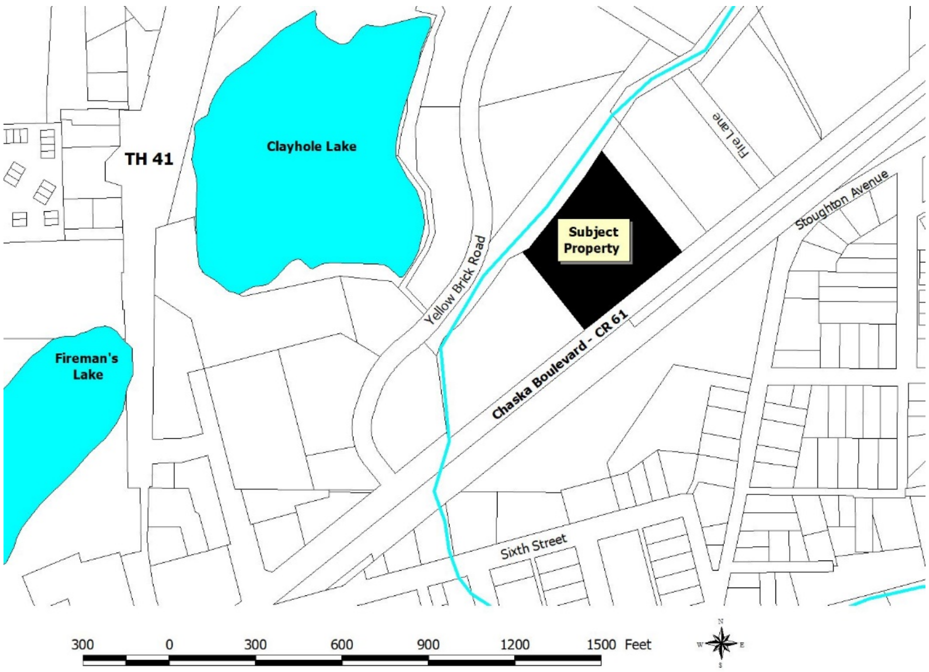
EXHIBIT A

LEGAL DESCRIPTION

A portion of the property located in the City of Chaska, Carver County, Minnesota legally described as:

Tracts F, G, H, I and J, REGISTERED LAND SURVEY NO. 107

as depicted on the map below:



To be replatted as:

Lot 1, Block 1, Formacoat Addition

PURCHASE AGREEMENT

1. **PARTIES.** This Purchase Agreement (this "Agreement") is made on this __ day of _______, 2018 (the "Effective Date"), by and between the Chaska Economic Development Authority, a body corporate and politic organized and existing under the laws of the State of Minnesota (the "EDA") and FORMACOAT LEASING, LLC, a Minnesota limited liability company, or its assigns (the "Buyer").

2. **SALE OF PROPERTY.** . The EDA agrees to sell to the Buyer and the Buyer agrees to buy from the EDA, the real property located in Carver County, Minnesota, legally described on the attached Exhibit A (the "Property"). Said Property is a portion of land presently held in title by Klingelhutz Land and Building Company ("Klingelhutz"), all of which is subject to that certain contract for deed entered into by Klingelhutz, as vendor, and EDA, as vendee. The portion of said real property being sold under this Agreement is planned to contain approximately 167,706 square feet. EDA will perform under said contract for deed, thereby acquire fee title in the Property, and subsequently convey fee title in the Property to Buyer under this Agreement. EDA and Bremer Bank have negotiated and agreed to a price certain for release of mortgagee's interests in said Property.

3. **PURCHASE PRICE; CONSTRUCTION ESCROW AND MANNER OF PAYMENT.**

3.1, Purchase Price. The Buyer shall pay to EDA Two Hundred Fifty One Thousand Five Hundred Fifty Nine and no/100 Dollars ($251,559) in cash or equivalent and shall execute and deliver to EDA that certain Purchase Price Note in the amount of Four Hundred Seventy Seven Thousand Three Hundred and Three and no/100 Dollars ($477,303) for the Property (the "Purchase Price"). The Buyer will deposit Twenty-Thousand and no/100 Dollars ($20,000) of earnest money in escrow within 5 days of signing this Agreement and the balance at closing. EDA agrees to pay to Bremer Bank Five Hundred Thirty Three Thousand Eight Hundred Sixty Two and no/100 Dollars ($533,862) (the "Release Price"), paid in part from an interfund loan from the EDA to be provided upon delivery of said Purchase Price Note from Buyer in favor of the EDA which is in substantially the form attached to the Development Agreement (the "Development Agreement"), between the Buyer and the EDA, and the remainder due to Bremer Bank from funds paid at closing by Buyer.

3.2. Construction Escrow. From Buyer's funds provided at closing, $195,000 shall be deposited into an escrow account with the EDA to pay for costs of the City Site Work (as defined in the Development Agreement), to pay the City's area development fees relating to the Development Property including an Area-Water Fee, Area-Sanitary Fee, Area-Storm Sewer Fee, Area-Park Dedication Fee, and Area-Trails Fee, and to pay the costs of the subdivisions approvals. EDA agrees to contribute up to Five-Thousand and no/100 Dollars ($5,000.00) additionally to cover costs of removing existing concrete from the site in that event that costs of the Site Work costs more than $190,000.

4. **OBLIGATIONS OF THE EDA.** The EDA shall provide for the following:

4.1. Representations and Warranties. The representations and warranties of the EDA contained in this Agreement must be true now and on the Closing Date in all material respects as if made on the Closing Date and the EDA shall have delivered to the Buyer on the Closing Date, a certificate dated the Closing Date, signed by an authorized representative of the EDA, certifying that such representations and warranties are true as of the Closing Date in all material respects (the "Closing Certificate").

4.2. Title. Title shall have been found marketable, or been made marketable, in accordance with the requirements and terms of Section 8 below.

4.3. Performance of the EDA's Obligations. The EDA shall have performed all of the obligations required to be performed by the EDA under this Agreement in all material respects. Included within the obligations of the EDA under this Agreement shall be the following:

4.3.1. The EDA agrees to cooperate with the Buyer as reasonably necessary to permit the Buyer to investigate the Property.

4.3.2. The EDA shall deliver to the Buyer the Title Evidence required in Section 8 within 10 days from the Effective Date of this Agreement, or as soon as reasonably available.

4.3.2 The EDA shall deliver to the Buyer copies of all plans, contracts, permits, warranties, written reports, studies or test results relating to the Property which are in the EDA's possession or control within 10 days from the Effective Date of this Agreement.

5. CONTINGENCIES TO BUYER'S REQUIREMENT TO CLOSE WHICH MUST BE EXERCISED BY WRITTEN NOTICE TO THE EDA ON OR BEFORE JULY 20, 2018 OR SUCH OTHER DATE ON WHICH THE PARTIES MAY AGREE IN WRITING (THE "CONTINGENCY DATE"):

5.1. Buyer's Contingencies.

5.1.1. Testing. The Buyer shall have determined that the Buyer is satisfied with the results of, and matters disclosed by, any environmental site assessments, soil tests, engineering inspections, hazardous substances and environmental reviews of the Property, all such tests, assessments, inspections and reviews to be obtained at the Buyer's sole cost and expense.

a. The Buyer shall pay all costs and expenses of such investigation and testing and shall promptly repair and restore any damage to the Property caused by the Buyer's testing and return the Property to substantially the same condition as existed prior to entry. The Buyer shall indemnify, defend and hold the EDA harmless from any claim for damage to person or property arising from any investigation or inspection of the Property conducted by the Buyer, the Buyer's agents or contractors, including the cost of attorneys' fees.

b. Copies of any written reports, studies or test results obtained by the Buyer in connection with the Buyer's inspection of the Property or investigation relating to the Property shall be delivered to the EDA promptly upon receipt of the same at no cost to the EDA.

5.1.2. Land Use Approvals. The Buyer shall have obtained, at the Buyer's sole cost and expense, on or before the Contingency Date, all consents, agreements, approvals, easements, variances, conditional use permits, licenses and adequate assurances that are determined to be reasonably necessary for the Buyer to use the Property as intended, in Buyer's discretion, including, but not limited to, land use approvals from the City of Chaska, Minnesota (the "City").

5.1.3. Subdivision or Replatting. The Buyer and the Seller shall have obtained final plat approval, and obtained EDA consent to such plat, or obtained the necessary subdivision approvals to create the Property as a separate legal parcel.

5.1.4. Title. Title shall have been found marketable, or been made marketable, in accordance with the requirements and terms of Section 8 below.

5.2. EDA's Contingencies.

5.2.1. Approval of this Agreement by the EDA. The EDA shall have approved the sale of the Property pursuant to this Agreement following a public hearing.

5.2.2. Tax Increment. The EDA shall have determined that the development proposed by the Buyer on the Property is in conformance with the EDA's Tax Increment Financing Plan for Tax Increment Financing (Redevelopment) District No. 18 (Chaska Building Center Project).

5.2.3. Title. The EDA shall have reached a written agreement with Bremer Bank to release the Property from any existing mortgages, and the EDA shall have obtained fee title to the Property from Klingelhutz.

5.2.4. City Site Work Bids Accepted. The City shall have awarded a contract for completion of the City Site Work on the Property and adjacent parcels for a total project cost not to exceed $250,000.

If, on or before the Contingency Date, either party determines that any of their respective contingencies listed in this Section have not been satisfied in their sole discretion, then this Agreement may be terminated by written notice from the party to the other, which notice must given no later than the Contingency Date. If the party does not give written notice of termination on or before the Contingency Date, all of such contingencies will be deemed to have been satisfied and the parties shall proceed to close this transaction in accordance with the terms of this Agreement. If this Agreement is terminated by either party in accordance with this Section, all earnest money shall be returned to Buyer and neither party shall have any further rights or obligations regarding this Agreement or the Property. All of the contingencies set forth in this Agreement are specifically stated and agreed to be for the sole and exclusive benefit of the respective party and each party shall have the right to unilaterally waive any of its contingencies by written notice to the other party.

6. CLOSING. The closing of the purchase and sale contemplated by this Agreement (the "Closing") shall occur on or before July 20, 2018 or such date on which the parties may agree in writing (the "Closing Date"). The EDA agrees to deliver possession of the Property to the Buyer on the Closing Date.

6.1. <u>EDA's Closing Documents</u>. On the Closing Date, the EDA shall execute and deliver to the Buyer the following (collectively, "EDA's Closing Documents"), all in form and content reasonably satisfactory to the EDA and the Buyer:

6.1.1. A quit claim deed conveying the Property to the Buyer in substantially the form set forth in **Exhibit B** hereto.

6.1.2. An Affidavit of Title by the EDA stating that on the Closing Date there are no outstanding, unsatisfied judgments, tax liens or bankruptcies against or involving the EDA or the Property; that there has been no skill, labor or material furnished to the Property for which payment has not been made or for which mechanics' liens are provided at closing or have been recorded; and that there are no other unrecorded instruments affecting the Property, together with whatever standard owner's affidavit (ALTA form) which may be required by the Title Company to issue an Owner's Policy of Title Insurance with the standard exceptions waived.

6.1.3. Original copies of any surveys, plans and records in the EDA's possession.

6.1.4. A non-foreign affidavit, properly executed, containing such information as is required by the Internal Revenue Code Section 1445(b)(2) and its regulations.

6.1.5. Any other documents reasonably required in order to complete the transaction contemplated by this Agreement.

6.2. <u>Buyer's Closing Documents</u>. On the Closing Date, the Buyer shall execute, as appropriate and deliver to the EDA the following (collectively, "Buyer's Closing Documents"):

6.2.1. The Purchase Price as evidenced by the Purchase Price Note and good funds (certified or cashier's check or wire transfer).

6.2.2. The executed Development Agreement;

6.2.3. Construction Plans (as defined in the Development Agreement) for completion of the Minimum Improvements (as defined in the Development Agreement) which have been approved by the City;

6.2.4. Evidence that the Buyer has closed on construction financing for the Minimum Improvements with the lender thereof in an amount which the Buyer shall certify is sufficient, together with equity commitments, to complete construction of the Project in accordance with the Construction Plans approved by the City;

6.2.5. Evidence that the Buyer has obtained all necessary permits, licenses, and authorizations necessary to commence and complete the construction of the Project;

6.2.6. The executed Assessment Agreement, establishing the value of the Property as of January 2, 2019 as $1,910,400;

6.2.7. Such affidavits of Buyer, Certificates of Value or other documents as may be reasonably required in order to complete the transaction contemplated by this Agreement.

7. PRORATIONS. The EDA and the Buyer agree to the following proration and allocation of costs regarding this Agreement:

7.1. Title Insurance and Closing Fees. The EDA shall pay the costs to record any document required to establish marketable title in the EDA, and to record a quit claim deed conveying title to Buyer, including any state deed tax thereon. The Buyer shall pay the owner's title insurance premium, and any premiums for endorsements.

7.2. Real Estate Taxes and Special Assessments. The EDA shall pay, on or before the Closing Date, all levied special assessments, constituting a lien against the Property as of the effective date, including, without limitation, any installments of special assessments that are payable with general real estate taxes in the year in which Closing occurs. Any general real estate taxes due and payable in all years prior to the year in which the Closing occurs shall be paid by EDA. Any general real estate taxes due and payable in 2018 shall be prorated to the date of closing, and EDA shall be responsible for that portion in 2018 up to the day of closing, after which all due and payable general real estate taxes shall be the responsibility of the Buyer.

7.3. Recording Costs. The EDA shall pay the cost of recording all documents necessary to vest marketable title in the Buyer and cure title objections, if any. The Buyer shall pay the cost of recording all other documents, including, but not limited to, the quit claim deed.

8. TITLE EXAMINATION. Title Examination shall be conducted as follows:

8.1. EDA's Title Evidence. Within 10 days of the Effective Date, the EDA shall furnish the following (collectively, "Title Evidence") to the Buyer:

8.1.1. Abstract of Title. A currently certified Abstract or current Registered Property Abstract for the Property.

8.1.2. Survey. A copy of any existing land survey of the Property in the EDA's possession or control. The Buyer, at the Buyer's option, also may obtain, at the Buyer's expense, a new survey of the Property. Any new survey shall be certified and delivered to the EDA as well as the Buyer and any other parties that the Buyer may designate.

8.2. Buyer's Objections. No later than 7 days after receiving the Title Commitment prepared at the Buyer's sole cost and expense, the Buyer must make written objections ("Objections") to the marketability of title to the Real Property based on the Title Evidence. If the Buyer elects to obtain a new survey, objections based upon the survey must be made within 7 days after receipt of said survey but in no event later than the Contingency Date. The Buyer's failure to make Objections within such time period will constitute a waiver of Objections. However, any matter which is not referenced in the Ownership and Encumbrances Report or the Title Commitment and is first recorded, discovered or disclosed after the effective date of the Ownership and Encumbrances Report or the Title Commitment, whichever is later may be objected to by the Buyer in the manner described herein. The Buyer need not object to mortgages or other liens. If not sooner satisfied, the EDA shall cause the Property to be released from any mortgages or other liens against the Property as of the Closing Date. Any matter shown on such Title Evidence, other than a mortgage or other lien and not objected to by the Buyer shall be a "Permitted Encumbrance" hereunder. Within 7 days after receipt of the Buyer's Objections, the EDA shall notify the Buyer in writing if the EDA elects not to cure the Objections. If such notice is given within said seven day period, the Buyer may either waive the Objections or terminate this Agreement by giving written notice of termination to the EDA within 10 days after the EDA's notice is given to the Buyer. If written notice by the EDA is not given within the 10 day period, the EDA shall use commercially reasonable efforts to correct any Objections within 30 days after the expiration of the 10 day period ("Cure Period"). If the Title Company is willing to issue a title insurance policy to the Buyer that does not except from title insurance coverage an item the Buyer has objected to, the objection relating to such item shall be deemed cured. If the Objections are not cured within the Cure Period, the Buyer shall have the option to do any of the following:

8.2.1. Terminate this Agreement by giving written notice to the EDA within 10 days after the expiration of the Cure Period, all earnest money shall be returned to Buyer and neither the EDA nor the Buyer shall have further rights or obligations hereunder.

8.2.2. Waive the objections and proceed to close without reduction in the Purchase Price.

The Buyer shall make the election within 10 days after expiration of the EDA's Cure Period. A failure to make an election within such period shall be deemed an election to proceed to close pursuant to subsection 8.2.2.

9. REPRESENTATIONS AND WARRANTIES BY THE EDA. The EDA represents and warrants to the Buyer that the following are true in all material respects now and, as modified by any changes about which the EDA notifies the Buyer in writing following after the date hereof, will be true in all material respects on the Closing Date:

9.1. EDA. The EDA is a public body corporate and politic, duly created under and subject to the laws of the State of Minnesota; the EDA has the requisite power and authority to enter into and perform this Agreement and those EDA Closing Documents signed by it; such documents have been or will be duly authorized by all necessary action on the part of the EDA and have been or will be duly executed and delivered; such execution, delivery and performance by the EDA of such documents does not conflict with or result in a violation of any judgment, order, or decree of any court or arbiter to which the EDA is a party; such documents are valid and binding obligations of the EDA, and are enforceable in accordance with their terms, subject to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally and principles of equity.

9.2. Utilities. The EDA has received no notice of actual or threatened curtailment of any utility service now supplied to the Property.

9.3. Rights of Others to Purchase the Property. The EDA has not entered into any other contracts for the sale of the Property, nor are there any rights of first refusal or options to purchase the Property or any other rights of others that might prevent the sale of the Property contemplated by this Agreement.

9.4. Use of the Property. To the best of the EDA's knowledge without investigation, the Property is usable for its current uses without violating any federal, state, local or other governmental building, zoning, health, safety, platting, subdivision or other law, ordinance or regulation, or any applicable private restriction, and such use is a legal conforming use.

9.5. Proceedings. There is no action, litigation, investigation, condemnation or proceeding of any kind pending or, to the best of the EDA's knowledge without investigation, threatened against the EDA or any portion of the Property.

9.6. Wells. No wells exist on the Property.

9.7. Sewage Treatment Systems. No sewage treatment system exists on the Property.

9.8. Title. On the Closing Date, the EDA will own fee title to the Property.

The EDA's representations shall be true, accurate and complete as of the date of this Agreement, in all material respects and, as modified by any notices given by the EDA to the Buyer, on the Closing Date in all material respects. If any time prior to Closing, the Buyer shall determine that any representation herein made by the EDA was not true in all material respects when made, the Buyer's sole remedy shall be to terminate this Agreement by giving notice to the EDA and seeking any applicable remedies for breach from the EDA.

Notwithstanding the above paragraph, all representations and warranties shall continue with respect to prior to Closing Date but terminate on the Closing Date with respect to all times thereafter. Any claim by the Buyer not made by written notice delivered to the EDA before the date the representation or warranty terminates shall be deemed waived.

10. "AS IS, WHERE IS." The Buyer acknowledges that the Buyer has inspected or has had the opportunity to inspect the Property and agrees to accept the Property "AS IS" with no right of set off or reduction in the Purchase Price. Such sale shall be without representation of warranties, express or implied, either oral or written, made by the EDA or any official, employee or agent of the EDA with respect to the physical condition of the Property, including but not limited to, the existence or absence of petroleum, hazardous substances, pollutants or contaminants in, on, or under, or affecting the Property or with respect to the compliance of the Property or its operation with any laws, ordinances, or regulations of any government or other body, except as stated above. The Buyer acknowledges and agrees that the EDA has not made and does not make any representations, warranties, or covenants of any kind or character whatsoever, whether expressed or implied, with respect to warranty of income potential, operating expenses, uses, habitability, tenant ability, or suitability for any purpose, merchantability, or fitness of the Property for a particular purpose, all of which warranties EDA hereby expressly disclaims, except as stated above. The Buyer is relying entirely upon information and knowledge obtained from the Buyer's own investigation, experience and knowledge obtained from the Buyer's own investigation, experience or personal inspection of the Property. The Buyer expressly assumes, at closing, all environmental and other liabilities with respect to the Property and release and indemnify the EDA from same, whether such liability is imposed by statute or derived from common law including, but not limited to, liabilities arising under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), the Hazardous and Solid Waste Amendments Act, the Resource Conservation and Recovery Act ("RCRA"), the federal Water Pollution Control Act, the Safe Drinking Water Act, the Toxic Substances Act, the Superfund Amendments and Reauthorization Act, the Toxic Substances Control Act and the Hazardous Materials Transportation Act, all as amended, and all other comparable federal, state or local environmental conservation or protection laws, rules or regulations. All statements of fact or disclosures, if any, made in this Agreement or in connection with this Agreement, do not constitute warranties or representations as to the physical condition of the Property. The foregoing assumption and release shall survive Closing. The foregoing provision shall survive Closing and shall not be deemed merged into any instrument of conveyance delivered at Closing.

11. REPRESENTATIONS AND WARRANTIES BY THE BUYER. The Buyer represents and warrants to the EDA that the Buyer is a limited liability company; that the Buyer has the requisite capacity, power and authority to enter into this Agreement and the Buyer's Closing Documents; such execution, delivery and performance by the Buyer of such documents does not conflict with or result in a violation of any judgment, order or decree of any court or arbiter to which the Buyer is a party; such documents are valid and binding obligations of the Buyer, and are enforceable in accordance with their terms.

12. CONDEMNATION. If, prior to the Closing, eminent domain proceedings are commenced against all or any material part of the Property, the EDA shall immediately give notice to the Buyer of such fact and at the Buyer's option (to be exercised within 15 days after the EDA's notice), this Agreement shall terminate, in which event all earnest money shall be returned to Buyer and neither party will have further obligations under this Agreement. If the Buyer fails to give such notice, then there shall be no reduction in the Purchase Price, and the EDA shall assign to the Buyer at the Closing all of EDA's right, title and interest in and to any award made or to be made in the condemnation proceedings. Prior to the Closing, the EDA shall not designate counsel, appear in, or otherwise act with respect to the condemnation proceedings without the Buyer's prior written consent. For purposes of this section, the words "a material part" means a part if acquired by a condemning authority would materially hinder Buyer's operations on the Property.

13. BROKERS. Both the Buyer and the Seller retained real estate brokers identified below. Seller has agreed, and shall be responsible, to pay any broker's fee due to Buyer's broker and Seller's broker identified herein in an amount not to exceed 10% of the Release Price of the Property:

Seller's Broker:	Newmark Knight Frank Brian Netz, Agent 150 South Fifth Street, Suite 2700 Minneapolis, MN 55402
Buyer's Broker:	Gonyea Commercial Properties Hunter Stanek, Agent 12010 12th Ave South Burnsville MN 55337

14. REMEDIES.

14.1. Buyer's Remedies. the EDA fails to consummate this Agreement for any reason except the Buyer's default or the termination of this Agreement pursuant to a right to terminate given herein, the Buyer, as its only and exclusive remedies, may: (i) terminate this Agreement by giving 30 days' written notice to the EDA, pursuant to Minnesota Statutes Section 559.21, as amended from time to time, and upon such release, all earnest money shall be returned to Buyer and neither party shall be further obligated to the other (except for the Buyer's and the EDA's indemnities set forth in this Agreement); or seek specific performance under provisions in this Agreement. The Buyer specifically waives any right to make a claim against the

EDA for compensatory or consequential damages or any other type of monetary claim, except for the indemnity obligations set forth in this Agreement.

14.2. EDA's Remedy. If the Buyer fails to consummate this Agreement for any reason except the EDA's default or the termination of this Agreement pursuant to a right to terminate given herein, the EDA's sole and exclusive remedy shall be to terminate this Agreement by giving 30 days' written notice to the Buyer, pursuant to Minnesota Statutes Section 559.21, as amended from time to time.

14.3 Indemnification Remedy. Notwithstanding the foregoing provisions of this Section 14, in the event of any default by the Buyer or the EDA under or in connection with any indemnification pursuant to this Agreement, and in the event of any failure by the defaulting party to cure such default within 30 days after the date of notice of default by the non-defaulting party to the defaulting party, the non-defaulting party shall be entitled to seek and recover all legal and equitable relief available under applicable law, including, without limitation, monetary damages.

15. REVERTER. EDA's conveyance of the Property to Buyer pursuant to the Deed will be made subject to a right of re-entry for breach of conditions subsequent in favor of EDA. The condition subsequent is that, barring any Unavoidable Delays, Buyer shall commence construction of an approximate 35,000 square foot manufacturing facility on the Property by June 25, 2019. For purposes of this Section 15, the term "commence" means the making of visible improvements, including without limitation subsurface excavation but excluding mere surface grading. If Buyer breaches such condition subsequent, Buyer shall re-convey the Property to EDA. If Buyer fails to re-convey the Property to EDA, EDA may elect to exercise its right of re-entry by commencing an action in Carver County District Court to establish the breach of the condition subsequent. If EDA establishes a breach of the condition subsequent, title to and the right to possession of the Property and title to all improvements located thereon shall revert to EDA, and Buyer is not entitled to any compensation from EDA or the City for the value of any improvements Buyer has made to the Property. Buyer shall notify EDA when the construction in accordance with an approved site plan on the Property has commenced beyond the point of site preparation. Notwithstanding anything to the contrary herein, in the event the Property has been replatted as of the date of EDA's exercise of its rights under this Section, Buyer will cooperate with EDA in obtaining any subdivision necessary to revest title to the Property in EDA.

"Unavoidable Delays" means delays beyond the reasonable control of the party seeking to be excused as a result thereof which are the direct result of war, terrorism, strikes, other labor troubles, prolonged adverse weather or acts of God, fire or other casualty, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, or acts of any federal, state or local governmental unit (other than EDA in exercising its rights under this Agreement), which directly result in delays. Unavoidable Delays shall not include delays in Buyer's obtaining of permits or governmental approvals necessary to enable construction of the Minimum Improvements, so long as the Construction Plans have been approved in accordance with the Development Agreement.

16. ASSIGNMENT. The Buyer may not assign the Buyer's rights under this Agreement, without prior consent of the EDA.

17. SURVIVAL. All of the terms of this Agreement and warranties and representations herein contained shall survive and be enforceable after the Closing.

18. NOTICES. Any notice required or permitted hereunder shall be given by personal delivery upon an authorized representative of a party hereto; or if mailed by United States mail postage prepaid; or if transmitted by facsimile copy followed by mailed notice; or if deposited cost paid with a nationally recognized, reputable overnight courier, properly addressed as follows:

If to the EDA:
Chaska Economic Development Authority
Chaska City Hall
One City Hall Plaza
Chaska, MN 55318
Attn: Executive Director

If to the Buyer:
FORMACOAT LEASING, LLC
12500 Zinran Ave
Savage, MN 55378-1081
Attn. Mark C. Gross, CEO

Notices shall be deemed effective on the earlier of the date of receipt or the date of deposit, as aforesaid; provided, however, that if notice is given by deposit, the time for response to any notice by the other party shall commence to run one business day after any such deposit. Any party may change its address for the service of notice by giving notice of such change 10 days prior to the effective date of such change.

20. CAPTIONS. The paragraph headings or captions appearing in this Agreement are for convenience only, are not a part of this Agreement and are not to be considered in interpreting this Agreement.

21. ENTIRE AGREEMENT, MODIFICATIONS. This written Agreement constitutes the complete agreement between the parties and supersedes any prior oral or written agreements between the parties regarding the Property. There are no verbal agreements that change this Agreement and no waiver of any of its terms will be effective unless in writing executed by the parties.

22. BINDING EFFECT. This Agreement binds and benefits the parties and their successors and assigns.

23. CONTROLLING LAW. This Agreement has been made under the substantive laws of the State of Minnesota, and such laws shall control its interpretation.

MG

BUYER
FORMACOAT LEASING, LLC

By: Mark C. Gross,
Its: Managing Member

Signature page to Purchase Agreement.

SELLER

CHASKA ECONOMIC DEVELOPMENT AUTHORITY

By:______________________________________
Mark Windschitl
Its: President

By:______________________________________
Matt Podhradsky
Its: Executive Director

Signature page to Purchase Agreement.

EXHIBIT A

Legal Description of the Property

The property located in the City of Chaska, Carver County, Minnesota legally described as:

Lot 1, Block 1, Formacoat Addition

EXHIBIT B

Form of Quitclaim Deed

(Top 3 inches reserved for recording data)

QUIT CLAIM DEED

DEED TAX DUE: $____________________ DATE: ______________________

(*month/day/year)*

FOR VALUABLE CONSIDERATION, CHASKA ECONOMIC DEVELOPMENT AUTHORITY

a body corporate and politic under the laws of Minnesota, (**"Grantor"**), hereby conveys and quitclaims to FORMACOAT LEASING, LLC, (**"Grantee"**), real property in Carver County, Minnesota, legally described as follows:

Lot 1, Block 1, Formacoat Addition

Check here if all or part of the described real property is Registered (Torrens) ☐

together with all hereditaments and appurtenances and subject to the Right of Re-Entry for Breach of Condition Subsequent in favor of Grantor which is described on **Exhibit A**.

This Deed conveys after-acquired title.

Check applicable box:

- ☐ The Grantor certifies that the Grantor does not know of any wells on the described property.
- ☐ A well disclosure certificate accompanies this document. (If electronically filed, insert WDC number: __________________).
- ☐ I am familiar with the property described in this instrument and I certify that the status and number of wells on the described real property have not changed since the last previously filed well disclosure certificate.

Grantor

CHASKA ECONOMIC DEVELOPMENT AUTHORITY
(*name of Grantor*)

By: ________________________________
(*signature*)

Its: President
(type of authority)

By: ________________________________
(*signature*)

Its: Executive Director
(*type of authority*)

State of Minnesota, County of ____

This instrument was acknowledged before me on ___________________________ by ______________________________
(month/day/year)

____ as President ________________________
(name of authorized signer) (type of authority)

and by ____
(name of authorized signer)

as Executive Director ________________________ of Chaska Economic Development Authority, a Minnesota body corpora
(name of Grantor) (type of authority)

(Seal, if any)

____
(signature of notarial officer)

Title (and Rank): ____

My commission expires:____________________________________
(month/day/year)

THIS INSTRUMENT WAS DRAFTED BY:
(insert name and address)

Kennedy & Graven, Chartered (JSB)
470 U.S. Bank Plaza
200 South 6th Street
Minneapolis, MN 55402

TAX STATEMENTS FOR THE REAL PROPERTY DESCRIBED IN THIS INSTRUMENT SHOULD BE SENT TO:

FORMACOAT LEASING, LLC

____
________, MN _______

EXHIBIT A
TO QUIT CLAIM DEED EXECUTED BY
CHASKA ECONOMIC DEVELOPMENT AUTHORITY, GRANTOR,
TO FORMACOAT LEASING, LLC, GRANTEE.

The Chaska Economic Development Authority, Grantor, is conveying title to the property described in the attached Quit Claim Deed (the "EDA Parcel") to FORMACOAT LEASING, LLC, Grantee, subject to a right of reentry for breach of conditions subsequent in favor of Grantor. The condition subsequent is that, barring any Unavoidable Delays, Grantee shall commence construction in accordance with an approved site plan for the EDA Parcel (the "Minimum Improvements") beyond the point of site preparation by June 25, 2019, as set forth in Section 15 of that certain Purchase Agreement between the Grantor and Grantee dated as of _________, 2018. If Grantee breaches the condition subsequent, the Grantee shall re-convey the EDA Property to the Grantor. If the Grantee fails to re-convey the EDA Property to the Grantor, the Grantor may elect to exercise its right of reentry by commencing an action in Carver County District Court to establish the breach of the condition subsequent. If Grantor establishes a breach of the condition subsequent, title to and the right to possession of all portions of the EDA Parcel for which Grantor has not issued a Certificate of Release, in the form attached as **Exhibit B** to this Deed, and title to all improvements located thereon reverts to Grantor, and Grantee is not entitled to any compensation from Grantor or the City of Chaska, Minnesota for the value of any improvements Grantee has made to the EDA Parcel.

The Grantee shall notify the Grantor when construction of the Minimum Improvements has commenced beyond the point of site preparation. The Grantor shall, within 14 days after such notification, inspect the Minimum Improvements in order to determine whether construction of the Minimum Improvements has been commenced. If the Grantor determines that construction of the Minimum Improvements has commenced beyond the point of site preparation, the Grantor shall furnish to the Grantee a Certificate of Release in the form attached hereto as **Exhibit B**. The Certificate of Release issued for the Minimum Improvements shall conclusively satisfy and terminate the right of reentry of the Grantor in this Quit Claim Deed or the Development Agreement.

EXHIBIT B

TO QUIT CLAIM DEED EXECUTED BY
THE CHASKA ECONOMIC DEVELOPMENT AUTHORITY, GRANTOR,
TO FORMACOAT LEASING, LLC, GRANTEE.

CERTIFICATE OF RELEASE

1. Recitals.

Recital One. FORMACOAT LEASING, LLC (the "Grantee") is the owner of the real property legally described in Exhibit A hereto (the "EDA Parcel").

Recital Two. Grantee acquired title to the EDA Parcel from the Chaska Economic Development Authority (the "EDA") pursuant to a deed dated ___________, 2018 and recorded in the office of the Carver County Recorder on __________________2018 as Document No. ______________ (the "Deed").

Recital Three. The Deed includes a right of re-entry for breach of conditions subsequent in favor of the EDA (the "Right of Re-entry").

Recital Four. The EDA and the Grantee are parties to a Purchase Agreement dated __________, 2018 (the "Agreement").

Recital Five. Pursuant to Section 15 of the Agreement, the Grantee is obligated to commence, or cause to be commenced, construction in accordance with approved construction plans (the "Minimum Improvements") beyond the point of site preparation by __________, 2019.

Recital Six. The EDA's Right of Re-entry would be triggered by the Grantee's failure to commence, or cause to be commenced, construction of the Minimum Improvements beyond the point of site preparation by __________, 2019.

Recital Seven. The Grantee has represented to the EDA that the Grantee has commenced construction of the Minimum Improvements beyond the point of site preparation and has requested this Certificate of Release from the EDA.

2. Certificate of Release. The EDA hereby certifies that the Grantee has satisfied its obligations with respect to commencing construction of the Minimum Improvements beyond the point of site preparation on the EDA Parcel. The EDA further acknowledges and agrees that the EDA Parcel is released from the Right of Re-Entry.

IN WITNESS WHEREOF, the EDA has caused this certificate to be duly executed on its behalf this ____ day of _______________, 20__.

CHASKA ECONOMIC DEVELOPMENT AUTHORITY

By___________________________________
Its President

And

By___________________________________
Its Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF CARVER)

The foregoing instrument was acknowledged before me on this ____ day of ____________, 20__ by ____________ and ______________, the President and Executive Director of the Chaska Economic Development Authority, a body corporate and politic established pursuant to Minnesota Statutes, Chapter 469, on behalf of the EDA.

____
Notary Public

DRAFTED BY:

Kennedy & Graven, Chartered (JSB)
470 U.S. Bank Plaza
200 South 6th Street
Minneapolis, MN 55402

DEVELOPMENT AGREEMENT

BETWEEN

CHASKA ECONOMIC DEVELOPMENT AUTHORITY,

CITY OF CHASKA, MINNESOTA

AND

FORMACOAT LEASING LLC

This document drafted by:
KENNEDY & GRAVEN, CHARTERED (JSB)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402

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DEVELOPMENT AGREEMENT

THIS AGREEMENT (the "Agreement"), made as of the ___ day of June, 2018, by and between the Chaska Economic Development Authority (the "EDA"), a body corporate and politic organized and existing under the laws of the State of Minnesota, the City of Chaska, Minnesota (the "City"), a municipal corporation under the Constitution and laws of the State of Minnesota, and Formacoat Leasing LLC, a Minnesota limited liability company (the "Developer"),

WITNESSETH:

WHEREAS, pursuant to Sections 469.001 through 469.047 and 469.090 through 469.1082, as amended (together, the "Development Act"), the EDA has created Redevelopment Project Area No. 4 (the "Project Area") and has adopted or proposes to adopt a Redevelopment Plan therefor (the "Redevelopment Plan"); and

WHEREAS, pursuant to the provisions of Minnesota Statutes, Section 469.174 through 469.1794, as amended, (the "TIF Act"), on January 23, 2012, the EDA adopted a resolution creating, within the Project Area, Tax Increment Financing (Redevelopment) District No. 18 (Chaska Building Center Project) as a redevelopment tax increment financing district (the "TIF District"), the legal description of which is attached hereto as **Exhibit A**, and adopted a tax increment financing plan therefor (the "TIF Plan") which provides for the use of tax increment financing in connection with certain development within the Project Area and the TIF District; and

WHEREAS, the Developer proposes to construct an approximately 31,840 square foot manufacturing facility for use in its medical device manufacturing business on the Development Property the "Project") and has requested that the EDA use tax increment financing to assist the Developer with certain costs thereof in order to fill the gap between the Total Development Costs (as hereinafter defined) and the funds available to pay such costs; and

WHEREAS, the requirements of the Minnesota Statutes, Sections 116J.993 through 116J.995, as amended (the "Business Subsidy Law"), apply to this Agreement; and

WHEREAS, the City has adopted criteria for awarding business subsidies that comply with the Business Subsidy Law, after public hearings for which notice was published; and

WHEREAS, in connection with the assistance provided under this Agreement, this agreement constitutes a subsidy agreement under the Business Subsidy Law

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

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. All capitalized terms used and not otherwise defined herein shall have the following meanings unless a different meaning clearly appears from the context:

Agreement means this Development Agreement, as the same may be from time to time modified, amended or supplemented;

Affiliate means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or a state thereof which is directly controlled by or under common control with the Developer or any other Affiliate. For purposes of this definition, control means the power to direct management and policies through the ownership of at least a majority of its voting securities or interests, or the right to designate or elect at least a majority of the members of its governing body by contract or otherwise;

Architect means Rosa Architectural Group, Inc.;

Assessment Agreement means the agreement, in substantially the form of the agreement contained in **Exhibit F** attached hereto and made a part of this Agreement, between the Developer and the EDA and including the attached certification by the assessor for the County, entered into pursuant to Article III of this Agreement;

Assessor's Minimum Market Value means the agreed minimum market value of the Project for calculation of real property taxes as determined by the assessor for the County as of January 2, 2019 and as further set forth in the Assessment Agreement;

Available Tax Increments means 90% of the Tax Increments received by the EDA less the amount of Tax Increments, if any, which the EDA must pay to the school district, the County and the State pursuant to Minnesota Statutes, Sections 469.177, Subds. 3, 9, 10, and 11; 469.176, Subd. 4h; and 469.175, Subd. 1a, as the same may be amended from time to time;

Business Day means any day except a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City are authorized by law or executive order to close;

City means the City of Chaska, Minnesota and its authorized successors and assigns;

City Site Work means the removal of existing building slabs, foundation and pavement from the Development Property;

Closing Date or Closing means the date on which the EDA conveys the Development Property to the Developer, which date shall be the date determined in accordance with the Purchase Agreement;

Completion Date means the date on which the Certificate of Completion with respect to the Project is executed by the EDA and the City pursuant to Section 3.7;

Construction Costs means the capital costs of the construction of the Project, including the costs of labor and materials; construction management and supervision expenses; insurance and payment or performance bond premiums; architectural and engineering fees and expenses; property taxes; usual and customary fees or costs payable to the EDA or the City, or any other public body with regulatory authority over construction of the Project (e.g. building permits and inspection fees); the developer fee; and all other costs chargeable to the capital account of the Project under generally accepted accounting principles;

Construction Documents shall mean the following documents, all of which shall be in form and substance acceptable to the Developer, the EDA and the City: (a) evidence satisfactory to EDA and the City showing that the Project conforms to applicable zoning, subdivision and building code laws and ordinances, including a copy of the building permit for the Project; (b) a copy of the executed standard form of agreement between owner and architect for architectural services for the Project, if any, and (c) a copy of the executed general contractor's contract for the Project, if any;

Construction Plans means the plans, specifications, drawings and related documents for the construction of the Project which shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the building inspector of the City;

County means Carver County, Minnesota;

Deed means the Quit Claim Deed in the form attached to the Purchase Agreement, to be executed by the EDA conveying the Development Property to the Developer;

Design Drawings means the floor plans, renderings, elevations and material specifications for the Project to be prepared by the Architect;

Developer means Formacoat Leasing LLC, a Minnesota limited liability company, and its authorized successors and assigns;

Development Property means the real property legally described in **Exhibit B** attached to this Agreement under the heading "Development Property", which property is within the Project Area;

EDA means the Chaska Economic Development Authority and its authorized successors and assigns;

Event of Default means any of the events described in Section 5.1 hereof;

Interfund Loan means the interfund loan of non-federal funds from the City's Electric Fund or other fund of the City which was used to finance certain costs of the Project, in the aggregate amount of $477,303, with interest thereon at the rate of 4.00% per annum, all as set forth in a resolution adopted by the EDA;

Interfund Payment Date has the meaning as set forth in Section 3.2.

Organizational Documents shall mean the following which shall be in form and substance acceptable to EDA and the City: (a) Articles of Organization and Operating Agreement of the Developer, accompanied by a Certificate of Good Standing from the Minnesota Secretary of State; (b) An opinion of counsel for Developer stating that the Developer is a Minnesota limited liability company duly organized and existing under the laws of the State of Minnesota, that each of the Developer's Documents have been duly executed and delivered and are the legal and binding obligations of Developer, enforceable in accordance with their respective terms, subject to matters of bankruptcy, stay, insolvency, reorganization or other laws relating to or affecting creditors' rights generally or by principles of equity;

Project means the construction of an approximately 31,840 square foot manufacturing facility to be located on the Development Property in the City for use by the Developer in its medical device manufacturing business;

Purchase Agreement means the Purchase Agreement dated June ___, 2018 between the EDA and the Developer related to the sale of the Development Property to the Developer;

State means the State of Minnesota;

Tax Increments means the tax increments derived from the Development Property and the improvements thereon which have been received and retained by the EDA in accordance with Minnesota law, as amended from time to time, including without limitation the provisions of Minnesota Statutes, Section 469.177; for purposes of this definition, "generated by the Development Property and any improvements thereon" means the portion of Tax Increments actually received by the EDA from the TIF District determined by the EDA, in its sole determination, to have been derived from the Project based on the ratio that the captured tax capacity of the Development Property bears to the total captured tax capacity of the TIF District, taking into account tax delinquencies and petitions;

TIF Act means Minnesota Statutes, Sections 469.174 through 469.1794, as amended;

TIF District means the Tax Increment Financing (Redevelopment) District No. 18 (Chaska Building Center Project) consisting of the property legally described in **Exhibit A** attached hereto, which the EDA has established as a redevelopment district under the TIF Act;

TIF Plan means the tax increment financing plan approved for the TIF District;

Title Company means Title Mark, LLC, or other title company designated by Developer;

Termination Date means the earlier of (i) February 1, 2040; or (ii) any earlier date this Agreement is cancelled in accordance with the terms hereof or deemed paid in full; or (iii) the final Interfund Payment Date following the final collection of Tax Increments prior to the decertification of the TIF District in accordance with the law;

Total Development Costs means the costs as set forth on **Exhibit D**; and

Unavoidable Delays means delays, outside the control of the party claiming their occurrence, which are the direct result of strikes, other labor troubles, unusually severe or prolonged bad weather, acts of God, acts of war or terrorism, fire or other casualty to the Project, litigation commenced by third parties which, by injunction or other similar judicial action or by the exercise of reasonable discretion, directly results in delays, or acts of any federal, state or local governmental unit (other than the City or the EDA) which directly result in delays, acts of the public enemy or acts of terrorism and discovery of unknown hazardous materials or other concealed site conditions or delays of contractors due to such discovery.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the EDA. The EDA makes the following representations and warranties:

(1) The EDA is a body corporate and politic organized and existing under the laws of the State and has the power to enter into this Agreement and carry out its obligations hereunder.

(2) The development contemplated by this Agreement is in conformance with the development objectives set forth in the Redevelopment Plan.

(3) The EDA proposes, subject to the further provisions of this Agreement, to apply Tax Increments to repay the Interfund Loan and provide the proceeds of the Interfund Loan to the Developer as set forth herein.

(4) The EDA makes no representation or warranty, either express or implied, as to the Development Property or its condition, or that the Development Property shall be suitable for the Developer's purposes or needs.

(5) No member of the Board of Commissioners of the EDA, or officer of the EDA, has either a direct or indirect financial interest in this Agreement.

Section 2.2. Representations and Warranties of the City. The City makes the following representations and warranties:

(1) The City is a municipal corporation organized and existing under the laws of the State and has the power to enter into this Agreement and carry out its obligations hereunder.

(2) The City approved the creation of the TIF District and TIF Plan in accordance with the provisions of the TIF Act.

(3) The development contemplated by this Agreement is in conformance with the development objectives set forth in the Redevelopment Plan.

(4) The City proposes, subject to the further provisions of this Agreement, to provide certain financial assistance to the Developer for certain costs incurred in connection with the Project as further provided in this Agreement.

(5) The City makes no representation or warranty, either express or implied, as to the Development Property or its condition, or that the Development Property shall be suitable for the Developer's purposes or needs.

(6) No Councilmember of the City, or officer of the City, benefit financially from this Agreement within the meaning of Minnesota Statutes, Sections 412.311 and 471.87.

Section 2.3. Representations and Warranties of the Developer. The Developer makes the following representations and warranties:

(1) The Developer is a Minnesota limited liability company duly and validly organized and existing in good standing under the laws of the State, and has power and authority to enter into this Agreement and to perform its obligations hereunder and is not in violation of any provision of the laws of the State.

(2) The Developer has or will acquire, fee title to the Development Property, and will cause the Project to be constructed in accordance with the terms of this Agreement, the Redevelopment Project, and all local, state and federal laws and regulations including, but not limited to, environmental, zoning, energy conservation, building code and public health laws and regulations.

(3) The Total Development Costs of the Project are estimated to be approximately $5,010,753, and the sources of revenue to pay such costs are approximately $4,540,753, excluding the reimbursement of a portion of the purchase price for the Development Property provided herein by the EDA, and the Developer has been unable to obtain additional private financing or investment for the total estimated Total Development Costs at rates or returns that allow the Project to be economically feasible within the reasonably foreseeable future.

(4) The Project would not be undertaken by the Developer, and in the opinion of the Developer would not be economically feasible within the reasonably foreseeable future, without the assistance and benefit to the Developer provided for in this Agreement.

(5) The Developer will obtain, or cause to be obtained, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state, and federal laws and regulations which must be obtained or met for the construction and operation of the Project.

(6) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provision of any contractual restriction, evidence of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(7) The Developer understands that the EDA and the City may subsidize or encourage the development of other developments in the City, including properties that compete with the Development Property and the Project, and that such subsidies may be more favorable than the terms of this Agreement, and that neither the EDA nor the City has represented that development of the Development Property will be favored over the development of other properties.

(8) Subject to Unavoidable Delays, the construction of the Project will commence on or before September 15, 2018 and, barring Unavoidable Delays, the Project will be substantially completed by September 15, 2019. Notwithstanding the foregoing, failure of the Developer to

substantially complete the Project shall not be an Event of Default unless the Project is not substantially completed by March 15, 2020.

(9) The Developer's estimate of the Total Development Costs of the Project and sources of revenue to pay such costs are set forth on **Exhibit D** attached hereto.

(10) As of January 2, 2019, the estimated market value of the property described in **Exhibit A** is expected to be at least $1,910,400.

ARTICLE III
UNDERTAKINGS BY DEVELOPER, EDA AND CITY

Section 3.1. Total Development Costs and Public Costs. Based on the Developer's representation that the Total Development Costs are approximately $5,010,753, that the sources of revenue available to pay such costs, excluding the EDA's land cost reimbursement contemplated herein, is $4,540,753, and that the Developer is unable to obtain additional private financing or investment for the total estimated Total Development Costs at rates or returns that allow the Project to be economically feasible within the reasonably foreseeable future, the EDA has agreed to provide tax increment financing assistance as hereinafter set forth. The Developer agrees that it will construct the Project on the Development Property.

Section 3.2. Agreement to Pay Tax Increment Shortfall. In order to assist with the costs of site acquisition, subject to the satisfaction of all conditions set forth in the Purchase Agreement and satisfaction of all other conditions required by law to implement the terms of this Agreement, the EDA agrees to convey the Development Property to the Developer in accordance with the terms of the Purchase Agreement and to reimburse the Developer from proceeds of the Interfund Loan in an amount equal to $477,303 as further set forth in this Agreement.

Commencing August 1, 2020, on each February 1 and August 1 thereafter to and including February 1, 2040, or, if the first day of either February 1 or August 1 should not be a Business Day, the next succeeding Business Day (the "Interfund Payment Dates") the EDA will credit against the principal amount of the Interfund Loan, an amount equal to Available Tax Increments received by the EDA in the 6-month period preceding such Interfund Payment Date. If, on any Interfund Payment Date, the Available Tax Increments received by the EDA in the 6-month period preceding such Interfund Payment Date are less than the amount shown in the schedule below, the Developer shall pay, by check or draft mailed to the EDA, an amount equal to the deficiency. The Developer's obligation to make such payments is evidenced by the Purchase Price Note delivered in accordance with the Purchase Agreement and Section 4.1 hereof.

Date	Amount	Date	Amount	Date	Amount	Date	Amount
8/1/20	$15,998.50	8/1/25	$17,388.00	8/1/30	$18,886.00	8/1/35	$20,499.00
2/1/21	$15,998.50	2/1/26	$17,388.00	2/1/31	$18,886.00	2/1/36	$20,499.00
8/1/21	$16,267.50	8/1/26	$17,678.50	8/1/31	$19,199.00	8/1/36	$20,837.00
2/1/22	$16,267.50	2/1/27	$17,678.50	2/1/32	$19,199.00	2/1/37	$20,837.00
8/1/22	$16,541.50	8/1/27	$17,974.00	8/1/32	$19,516.50	8/1/37	$21,179.00
2/1/23	$16,541.50	2/1/28	$17,974.00	2/1/33	$19,516.50	2/1/38	$21,179.00
8/1/23	$16,819.50	8/1/28	$18,273.00	8/1/33	$19,839.50	8/1/38	$21,526.00
2/1/24	$16,819.50	2/1/29	$18,273.00	2/1/34	$19,839.50	2/1/39	$21,526.00
8/1/24	$17,102.00	8/1/29	$18,577.50	8/1/34	$20,166.50	8/1/39	$21,879.00
2/1/25	$17,102.00	2/1/30	$18,577.50	2/1/35	$20,166.50	2/1/40	$21,879.00

If, as of the termination date of the TIF District, the EDA has received Available Tax Increments in excess of an amount sufficient to repay the principal amount of $477,303, with interest thereon at the rate of 4.00% per annum, the EDA will, on or before December 31, 2040, apply such excess to reimburse the Developer for any amounts paid to the EDA pursuant to this Section 3.2 or the Purchase Price Note in an amount equal to such excess.

If, as of the termination date of the TIF District, the EDA has received Available Tax Increments in an amount less than $477,303, with interest thereon at the rate of 4.00% per annum, the EDA will, if the Available Tax Increments have been received by the EDA in an amount at least equal to the amounts set forth above or the Developer has paid all deficiency amounts in accordance with this Section 3.2 and the Purchase Price Note, forgive the remaining principal amount of the Purchase Price Note.

Section 3.3. Developer to Pay Certain EDA and City Fees and Expenses. In accordance with the City's ordinances, policies and fee schedules, the Developer will pay the EDA's and City's fees and expenses in connection with the Project, including but not limited to certain engineering fees, environmental advisor fees, land use fees, zoning fees, subdivision fees and other costs related to the development of the Development Property.

Section 3.4. Compliance with Environmental Requirements.

(1) The Developer shall comply with all applicable local, state, and federal environmental laws and regulations, and will obtain, and maintain compliance under, any and all necessary environmental permits, licenses, approvals or reviews.

(2) The EDA and the City make no warranties or representations regarding, nor does it indemnify the Developer with respect to, the existence or nonexistence on or in the vicinity of the Development Property or anywhere within the TIF District of any toxic or hazardous substances or wastes, pollutants or contaminants (including, without limitation, asbestos, urea formaldehyde, the group of organic compounds known as polychlorinated biphenyls, petroleum products including gasoline, fuel oil, crude oil and various constituents of such products, or any hazardous substance as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), 42 U.S.C. §§ 961-9657, as amended) (collectively, the "Hazardous Substances").

(3) The Developer agrees to take all necessary action to remove or remediate any Hazardous Substances located on the Development Property to the extent required by and in accordance with all applicable local, state and federal environmental laws and regulations.

(4) The Developer waives any claims against the EDA or the City, for indemnification, contribution, reimbursement or other payments arising under federal and state law and the common law or relating to the environmental condition of the land comprising the Development Property.

Section 3.5. Construction Plans.

(1) Prior to the commencement of construction of the Project, the Developer will deliver to the EDA and the City the Construction Plans and a sworn construction cost statement

certified by the Developer and the general contractor (the "Sworn Construction Cost Statement"). The EDA and the City shall promptly review any Construction Plans upon submission and deliver to the Developer a written statement approving the Construction Plans or a written statement rejecting the Construction Plans and specifying the deficiencies in the Construction Plans. The EDA and the City shall approve the Construction Plans if: (i) the Construction Plans substantially conform to the terms and conditions of this Agreement; (ii) the Construction Plans are consistent with the goals and objectives of the Redevelopment Project; (iii) the Construction Plans comply with the site plan, including without limitation using consistent construction materials and architectural style; and (iv) the Construction Plans do not violate any applicable federal, State or local laws, ordinances, rules or regulations. If the Construction Plans are not approved by the EDA and the City, then the Developer shall make such changes as the EDA and the City may reasonably require and resubmit the Construction Plans to the EDA or the City for approval. If the EDA and the City have not rejected the Construction Plans in writing within 15 calendar days of submission, such Construction Plans shall automatically be deemed approved by the EDA and the City.

(2) The approval of the Construction Plans, or any proposed amendment to the Construction Plans, by the EDA or the City does not constitute a representation or warranty by the EDA or the City that the Construction Plans or the Project comply with any applicable building code, health or safety regulation, zoning regulation, environmental law or other law or regulation, or that the Project will meet the qualifications for issuance of a certificate of occupancy, or that the Project will meet the requirements of the Developer or any other users of the Project. Approval of the Construction Plans, or any proposed amendment to the Construction Plans, by the EDA or the City will not constitute a waiver of an Event of Default. Nothing in this Agreement shall be construed to relieve the Developer of its obligations to receive any required approval of the Construction Plans from any City department.

Section 3.6. Commencement and Completion of Construction. Subject to the terms and conditions of this Agreement and to Unavoidable Delays, the Developer will commence construction of the Project by September 15, 2018 and shall substantially complete the Project by September 15, 2019. Notwithstanding the foregoing, failure of the Developer to substantially complete the Project shall not be an Event of Default unless the Project is not substantially completed by March 15, 2020. The Project will be constructed by the Developer on the Development Property in conformity with this Agreement and the Construction Plans approved by the EDA and the City. No changes shall be made to the Construction Plans for the Project without the EDA's and the City's prior written approval, unless the aggregate of such changes do not increase or decrease the Total Development Costs by more than 10%. No changes which materially alter (a) the Project's site plan, (b) exterior appearance, (c) quality, (d) exterior materials, or (e) number of parking spaces included in the Design Drawings and Construction Plans shall be made without the EDA's and the City's prior written consent, which will not be unreasonably withheld, unreasonably conditioned or unreasonably delayed. Prior to completion, upon the request of the EDA or the City, and subject to applicable safety rules, the Developer will provide the EDA or the City reasonable access to the Development Property. "Reasonable access" means at least one site inspection per week during regular business hours. During construction, marketing and rentals of the Project, the Developer will deliver progress reports to the EDA and the City from time to time as mutually agreed upon by the EDA, the City and the Developer.

Section 3.7. Certificate of Completion. The Developer shall notify the EDA and the City when construction of the Project has been substantially completed. At no cost to Developer, the EDA and the City shall promptly inspect the Project in order to determine whether the Project has been constructed in substantial conformity with this Agreement, the approved Construction Plan. If the EDA and the City determine that the Project has not been constructed in substantial conformity with this Agreement, the approved Construction Plans, the EDA and the City shall deliver a written statement to the Developer indicating in adequate detail the specific respects in which the Project has not been constructed in substantial conformity with the approved Construction Plans and Developer shall promptly remedy such deficiencies. Promptly upon determining that the Project has been constructed in substantial conformity with this Agreement, the approved Construction Plans, the EDA and the City will furnish to the Developer a Certificate of Completion in the form attached hereto as **Exhibit E** certifying the completion of the Project. The Certificate of Completion issued for the Project shall conclusively satisfy and terminate the agreements and covenants of the Developer in this Agreement to construct the Project. The Developer may cause the Certificate of Completion to be recorded in the proper office for recordation of deeds and other instruments pertaining to the Development Property.

Section 3.8. Additional Responsibilities of the Developer.

(1) The Developer will construct, operate and maintain, or cause to be operated and maintained, the Project in substantial accordance with the terms of this Agreement, the Redevelopment Project and all local, State, and federal laws and regulations including, but not limited to zoning, building code, public health laws and regulations, except for approved variances necessary to construct the Project contemplated in the Construction Plans approved by the EDA and the City.

(2) The Developer will obtain, in a timely manner, all required permits, licenses, and approvals, and will meet, in a timely manner, all requirements of all applicable local, State, and federal laws and regulations which must be obtained or met before the Project may be lawfully constructed.

(3) The Developer will not construct any building or other structures on, over, or within the boundary lines of any public utility easement unless such construction is provided for in such easement or has been approved by the utility involved.

(4) The Developer, at its own expense, will replace any public facilities and public utilities damaged during the construction of the Project, in accordance with the technical specifications, standards and practices of the owner thereof.

(5) The Developer will provide and maintain or cause to be maintained at all times and, from time to time at the request of the EDA or the City, furnish the EDA or the City with proof of payment of premiums on insurance of amounts and coverages normally held by owners of property similar to the Project.

Section 3.9. Encumbrance of the Development Property. Until the final Interfund Payment Date, without the prior written notice to the EDA, neither the Developer nor any successor in interest to the Developer will engage in any financing or any other transaction creating any mortgage or other encumbrance or lien upon the Development Property, or portion thereof, whether by express agreement or operation of law, or suffer any encumbrance or lien to be made on or attach to the Development Property, except for any encumbrance required herein, including delivery of the Assessment Agreement at Closing.

Section 3.10. Business Subsidy Act.

(1) *Goals.* In order to satisfy the provisions of the Minnesota Statutes, Sections 116J.993 to 116J.995, as amended (the "Business Subsidies Act"), the Developer acknowledges and agrees that the amount of the "Business Subsidy" granted to the Developer under this Agreement is equal to the amount of the Purchase Price Note, and that the Business Subsidy is needed because the Project is not sufficiently feasible for the Developer to undertake without the Business Subsidy. The public purpose of the Business Subsidy is to increase the tax base in the EDA, provide employment opportunities, and encourage economic development. The Developer agrees that it will meet the following goals (the "Goals") within two years from the Benefit Date: at least 15 full time (i.e. at least 35 hours per week) jobs will created in connection with the development of the Project at an average hourly wage of at least $19.00 per hour excluding benefits, within two years from the Benefit Date.

(2) *Remedies.* If none of the Goals are met, the Developer agrees to repay all of the Business Subsidy to the EDA, plus interest ("Interest") set at the implicit price deflator defined in Minnesota Statutes, Section 275.70, Subdivision 2, accruing from and after the Benefit Date, compounded semiannually. If the Goals are met in part, the Developer will repay a portion of the Business Subsidy (plus Interest) determined by multiplying the Business Subsidy by a fraction, the numerator of which is the number of jobs in the Goals which were not created at the wage level set forth above and the denominator of which is 15 (i.e. number of jobs set forth in the Goals).

In addition to the remedy described in this Section and any other remedy available to the EDA for failure to meet the Goals stated in this Section, the Developer agrees and understands that it may not receive a business subsidy from the EDA or any other grantor (as defined in the Business Subsidies Act) for a period of 5 years from the date of the failure unless the Developer satisfies its repayment obligation under this Section, whichever occurs first.

(3) *Reports.* The Developer agrees to (i) report its progress on achieving the Goals to the EDA until the later of the date the Goals are met or two years from the Benefit Date, or, if the Goals are not met, until the date the Business Subsidy is repaid, (ii) include in the report the information required in Section 116J.994, Subdivision 7 of the Business Subsidies Act on forms developed by the Minnesota Department of Employment and Economic Development, and (iii) send completed reports to the EDA. The Developer agrees to file these reports no later than March 1 of each year commencing March 1, 2019, and within 30 days after the deadline for meeting the Goals. The EDA agrees that if it does not receive the reports, it will mail the Developer a warning letter (and email the Developer said letter to any email address the EDA has been provided by Developer) within one week of the required filing date. If within 14 days of the post marked date of the warning the reports are not made, the Developer agrees to pay to the EDA a penalty of $100 for each subsequent day until the report is filed up to a maximum of $1,000.

(4) *Continued Operation.* The Developer agrees that the Project will operate as a manufacturing facility for at least 5 years after the Benefit Date.

(5) *Other assistance.* In addition to the assistance provided under this Agreement, the Developer also intends to apply for financial assistance from other "grantors" as defined in the Business Subsidy Act in connection with the Project, including a grant from the Minnesota Department of Employment and Economic Development Jobs Creation Fund or Minnesota Department of Employment and Economic Development Minnesota Investment Fund.

(6) *Parent Corporation.* There is no parent corporation of the Developer.

Section 3.11. Execution of Assessment Agreement.

(1) On the Closing Date, the Developer and the EDA shall execute the Assessment Agreement relating to the Project pursuant to the provisions of Minnesota Statutes, Section 469.177, Subdivision 8, specifying the Assessor's Minimum Market Value for calculation of real property taxes. Specifically, the Developer shall agree to a market value in the amount of $1,910,400 as of January 2, 2019. Nothing in the Assessment Agreement or this Agreement limits the discretion of the assessor for the County to assign a market value to the property in excess of such Assessor's Minimum Market Value nor prohibits the Developer from seeking, through the exercise of legal or administrative remedies, a reduction in such market value for property tax purposes, provided however, the Developer shall not seek a reduction of such market value below the Assessor's Minimum Market Value for any year so long as the Assessment Agreement remains in effect for that year.

(2) The Assessment Agreement shall remain in effect until the earlier of (i) January 31, 2040, or (ii) the date on which the TIF District expires or is otherwise terminated. Minnesota Statutes, Section 469.177, Subdivision 8, upon a finding by the assessor of the County that the Assessor's Minimum Market Value represents a reasonable estimate based upon the plans and specifications for the Project to be constructed on the Development Property. Pursuant to Minnesota Statutes, Section 469.177, Subdivision 8, the Assessment Agreement shall be filed for record in the office of the county recorder or registrar of titles of the County prior to any lien on the Development Property, including any mortgage, and such filing shall constitute notice to any subsequent encumbrancer or purchaser of the Development Property, whether voluntary or involuntary, and such Assessment Agreement shall be binding and enforceable in its entirety against any such subsequent purchaser or encumbrancer, including the holder of any mortgage.

(3) The Developer agrees to pay the cost of filing such Assessment Agreement with the Carver County Recorder and Registrar of Titles.

(4) The Developer agrees that prior to the Termination Date it will not cause a reduction in the real property taxes paid with respect to the Project through willful destruction of the Project or any part of the Development Property; or willful refusal to reconstruct damaged or destroyed property. Developer also agrees that it will not, prior to the Termination Date, apply for a deferral of property tax on the Development Property and the improvements thereon pursuant to any law, or transfer or permit transfer of the Development Property to any entity

whose ownership or operation of the property would result in the Development Property being exempt from real estate taxes under State law.

(5) The Developer shall notify the City and the EDA within 10 days of filing any petition to seek reduction in market value or property taxes on any portion of the Development Property under any State law (referred to as a "Tax Appeal"). If as of any Interfund Payment Date, any Tax Appeal is then pending, the EDA will withhold payments of Available Tax Increments attributable to the disputed tax payment that is the subject of the Tax Appeal to determine any shortfall pursuant to Section 3.2. The EDA will apply any withheld amount to the extent not reduced as a result of the Tax Appeal promptly after the Tax Appeal is fully resolved and the amount of Available Tax Increment attributable to the disputed tax payments is finalized.

Section 3.12. City Site Work. The City agrees to commence construction of the City Site Work within 30 days after the Developer has deposited $195,000 into an escrow account in accordance with Section 3.2 of the Purchase Agreement. At the same time as the City Site Work will be completed, the City will undertake site clearance for adjacent parcels. If the City Site Work has not been completed prior to the Closing Date, the Developer shall provide a temporary access and construction easement over the Development Property so that the City can complete the City Site Work. Funds on deposit in the escrow account may be drawn upon by the City to pay for actual costs incurred for the City Site Work and to pay for the City's area development fees relating to the Development Property including an Area-Water Fee, Area-Sanitary Fee, Area-Storm Sewer Fee, Area-Park Dedication Fee, and Area-Trails Fee.

Section 3.13. Subdivision or Replatting of Development Property. Within 10 days after execution of the Purchase Agreement, at the Developer's sole cost and expense, and as part of the planning process, the Developer shall commence the process necessary to legally subdivide the proposed 3-acre parcel described in the Purchase Agreement from the existing property owned by the EDA. On or before the Closing Date, the Developer shall prepare and complete the process, subject to and in accordance with all City ordinances and procedures, to obtain final City approval of a plat or subdivision of the Development Property as necessary to transfer title of the Development Property to the Developer.

ARTICLE IV
CONVEYANCE OF DEVELOPMENT PROPERTY

Section 4.1. Purchase and Sale of Development Property; Purchase Price. Subject to satisfaction of all conditions set forth in the Purchase Agreement and satisfaction of all other conditions required by law to implement the terms of this Agreement, including but not limited to the delivery of the Purchase Price Note and other funds of the Borrower on the Closing Date in accordance with the Purchase Agreement, the EDA will convey the Development Property to the Developer as provided in the Purchase Agreement.

Section 4.2. Conveyance Subject to Right of Re-entry. The EDA's conveyance of the Development Property to the Developer pursuant to the Purchase Agreement will be made subject to a right of re-entry for breach of a condition subsequent in favor of the EDA. The condition subsequent is that, barring any Unavoidable Delays, Buyer shall commence construction of an approximately 31,840 square foot manufacturing facility on the Property by June 25, 2019. For purposes of this Section, the term "commence" means the making of visible improvements, including without limitation subsurface excavation but excluding mere surface grading. If Developer breaches such condition subsequent, the EDA shall give notice to Developer thereof and Developer shall have 30 days from receipt of said notice to comply with the condition. If the Developer fails to comply within said 30 days, the Developer shall re-convey the Development Property back to the EDA. If the Developer fails to re-convey the Development Property to the EDA, the EDA may elect to exercise its right of reentry by commencing an action in Carver County District Court to establish the breach of the condition subsequent. If the EDA establishes a breach of the condition subsequent, title to and the right to possession of the Development Property and title to all improvements located thereon reverts to the EDA, and the Developer is not entitled to any compensation from the EDA for the value of any improvements the Developer has made to the Development Property.

ARTICLE V
EVENTS OF DEFAULT

Section 5.1. Events of Default Defined. The following shall be "Events of Default" under this Agreement and the term "Event of Default" shall mean whenever it is used in this Agreement any one or more of the following events:

(1) Failure by the Developer to timely pay any ad valorem real property taxes assessed with respect to the Development Property.

(2) Subject to Unavoidable Delays, failure by the Developer to proceed with due diligence to substantially complete the construction of the Project pursuant to the terms, conditions and limitations of this Agreement by March 15, 2020.

(3) Failure of the Developer to observe or perform any other material covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement.

(4) Failure by the Developer to make a payment within 10 days after such payment is due under the Purchase Price Note or pursuant to Section 3.2.

(5) If, prior to the Completion Date, the Developer shall

(a) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act of 1978, as amended or under any similar federal or state law; or

(b) be adjudicated a bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Developer, as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within 60 days after the filing thereof; or a receiver, trustee or liquidator of the Developer, or of the Project, or part thereof, shall be appointed in any proceeding brought against the Developer, and shall not be discharged within 60 days after such appointment, or if the Developer, shall consent to or acquiesce in such appointment.

Section 5.2. Remedies on Default. Whenever any Event of Default referred to in Section 5.1 occurs and is continuing, either the EDA or the City, as specified below, may take any one or more of the following actions after the giving of 30 days' written notice to the Developer, but only if the Event of Default has not been cured within said 30 days; provided that if such Event of Default cannot be reasonably cured within the 30 day period, and the Developer has provided reasonable assurances to EDA and the City that it is proceeding with due diligence to cure such default, such 30-day cure period shall be extended for an additional period deemed reasonably necessary by the EDA and the City to effect the cure, but in any event not to exceed an additional 180 days:

(1) The EDA or the City may suspend its performance under this Agreement until it receives assurances from the Developer, deemed reasonably adequate by the EDA and the City, that the Developer will cure its default and continue its performance under this Agreement.

(2) The EDA or the City may terminate this Agreement.

(3) The EDA may accelerate the payments of the Purchase Price Note and the obligations of the Developer under Section 3.2.

(4) The EDA and the City may exercise its remedies pursuant to Section 3.10 hereof.

(5) If the Event of Default constitutes a breach of the condition subsequent set forth in the right of re-entry in Section 4.2 and in the Deed, the EDA may exercise its right of re-entry as set forth in the Deed and Section 4.2 hereof.

(6) The EDA may seek specific performance of the obligations of the Developer pursuant to this Agreement and the Purchase Price Note or damages to the extent otherwise set forth herein as to any obligation, agreement, or covenant of the Developer under this Agreement or the Purchase Price Note.

(7) The EDA or the City may take any action, including legal or administrative action, in law or equity, which may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant of the Developer under this Agreement.

Section 5.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the EDA or the City is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 5.4. No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 5.5. Indemnification of EDA and the City.

(1) The Developer releases from and covenants and agrees that the EDA and the City, and their governing bodies' members, officers, agents, including the independent contractors, consultants and legal counsel, servants and employees thereof (hereinafter, for purposes of this Section, collectively the "Indemnified Parties") shall not be liable for and agrees to indemnify and hold harmless the Indemnified Parties against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Project, except to the extent caused by any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties.

(2) Except for any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties, the Developer agrees to protect and defend the Indemnified Parties, now and forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from the actions or inactions of the Developer (or if other persons acting on its behalf or under its direction or control) under this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Project; provided, that this indemnification shall not apply to the warranties made or obligations undertaken by the EDA or the City in this Agreement.

(3) All covenants, stipulations, promises, agreements and obligations of the EDA or the City, respectively, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the EDA or the City, respectively, and not of any governing body member, officer, agent, servant or employee of the EDA or the City, respectively.

Section 5.6. Reimbursement of Attorneys' Fees. If the Developer shall default under any of the provisions of this Agreement, and the EDA and the City shall employ attorneys or incur other reasonable expenses for the collection of payments due hereunder, or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer contained in this Agreement, the Developer will on demand therefor reimburse the EDA and the City for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 5.7. Developer Remedies on Default. Whenever any Event of Default occurs by the EDA or the City, the Developer may, after 30 days' prior written notice to the City and the EDA, suspend its performance under this Agreement and/or take whatever action at law or in equity may appear necessary or desirable to the Developer to enforce performance and observance of any obligation, agreement, or covenant of the EDA or the City under this Agreement. Nothing in this Agreement shall entitle the Developer to make any claim against the EDA or the City for any damages whatsoever and the Developer's remedies are strictly limited to the foregoing.

ARTICLE VI
ADDITIONAL PROVISIONS

Section 6.1. Restrictions on Use. The Developer agrees for itself, its successors and assigns and every successor in interest to the Development Property, or any part thereof, that, throughout the term of this Agreement, the Developer and such successors and assigns shall operate, or cause to be operated, the Project as a manufacturing facility in accordance with City zoning, which does not qualify for an exemption from property taxes. The conversion of any portion of the Project to any other use shall result in the termination of the use of the Tax Increments and require immediate payment in full of the outstanding balance of the Purchase Price Note and the Interfund Loan, unless the City first approves said change in use.

Section 6.2. Reports. The Developer shall provide the EDA and the City reports in a timely manner with such information about the Project as the EDA or the City may reasonably request for purposes of satisfying any reporting requirements imposed by law on the EDA and the City.

Section 6.3. Limitations on Transfer and Assignment.

(1) Except as provided in Section 3.9 or Section 6.3(4), the Developer will not sell, assign, convey, lease or transfer in any other mode or manner (collectively, "Transfer") this Agreement or the Development Property or the Project, or any interest therein, without the express written approval of the EDA and the City, which consent will not be unreasonably withheld, conditioned or delayed;

(2) The EDA and the City shall be entitled to require, as conditions to any approval of any Transfer of this Agreement, the Development Property, the Project, or applicable portion thereof, that:

(a) Any proposed transferee shall have the qualifications and financial responsibility, as reasonably determined by the EDA and the City, necessary and adequate to fulfill the obligations undertaken in this Agreement and the Purchase Price Note by the Developer;

(b) Any proposed transferee, by instrument in writing satisfactory to the EDA and the City shall, for itself and its successors and assigns, and expressly for the benefit of the EDA and the City have expressly assumed any of the remaining obligations of the Developer under this Agreement and the Purchase Price Note and agreed to be subject to all the conditions and restrictions to which the Developer is subject.

(c) There shall be submitted to the EDA and the City for review all instruments and other legal documents involved in effecting transfer, and if approved by EDA and the City, their approval shall be promptly indicated to the Developer in writing;

(d) The Developer and its transferees shall comply with such other conditions as the EDA may reasonably require in order to achieve and safeguard the purposes of the Act, the TIF Act, this Agreement, and the Purchase Price Note; and

(e) In the absence of a specific written agreement by the EDA and the City to the contrary, no such transfer or approval by the EDA and the City thereof shall be deemed to relieve the Developer or any other party bound in any way by this Agreement or otherwise with respect to the construction of the Project, from any of its obligations with respect thereto.

(3) The Developer agrees to pay all reasonable legal fees and expenses of the EDA and the City, including fees of the city attorney and outside counsel retained by the EDA or the City to review the documents submitted to the EDA in connection with any Transfer.

(4) Nothing contained in this Section shall prohibit the Developer from (i) entering into leases with tenants in the ordinary course of business, (ii) entering into easement or other agreements necessary for the operation of the Project, (iii) admitting or removing members in accordance with the applicable organizational documents, (iv) Transferring this Agreement or the Development Property or the Project to an Affiliate so long as the proposed transferee expressly assumes in writing provided to the City and the EDA the obligations of the Developer hereunder.

Section 6.4. Conflicts of Interest. No member of the governing body or other official of the EDA or the City shall have any financial interest, direct or indirect, in this Agreement, the Development Property or the Project, or any contract, agreement or other transaction contemplated to occur or be undertaken thereunder or with respect thereto, nor shall any such member of the governing body or other official participate in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. No member, official or employee of the EDA or the City shall be personally liable to the EDA or the City in the event of any default or breach by the Developer or successor or on any obligations under the terms of this Agreement.

Section 6.5. Titles of Articles and Sections. Any titles of the several parts, articles and sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 6.6. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by any party to any other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, and

(a) in the case of the Developer is addressed to or delivered personally to:

Formacoat Leasing LLC
12500 Zinran Avenue
Savage, Minnesota 55378

(b) in the case of the EDA is addressed to or delivered personally to the EDA at:

Chaska Economic Development Authority
Chaska City Hall
One City Hall Plaza
Chaska, MN 55318
Attn: Executive Director

(c) in the case of the City is addressed to or delivered personally to the City at:

City of Chaska
Chaska City Hall
One City Hall Plaza
Chaska, MN 55318
Attn: City Administrator

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

Section 6.7. No Additional Waiver Implied by One Waiver. If any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 6.8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 6.9. Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

Section 6.10. Term; Termination. This Agreement shall terminate on the Termination Date. In addition, the Developer may elect to terminate this Agreement and the Assessment Agreement at any time by prepaying the outstanding principal balance of and accrued interest on the Purchase Price Note as of the date of such prepayment and termination. After the Termination Date, if requested by the Developer, the EDA and the City will provide a termination certificate as to the Developer's obligations hereunder.

Section 6.11. Provisions Surviving Rescission, Expiration or Termination. Sections 5.5 and 5.6 shall survive any rescission, termination or expiration of this Agreement with respect to or arising out of any event, occurrence or circumstance existing prior to the date thereof.

Section 6.12. Superseding Effect. This Agreement and the Purchase Agreement reflect the entire agreement of the parties with respect to the development of the Development Property, and supersede in all respects all prior agreements of the parties, whether written or otherwise, with respect to the development of the Development Property.

Section 6.13. Relationship of Parties. Nothing in this Agreement is intended, or shall be construed, to create a partnership or joint venture among or between the parties hereto, and the rights and remedies of the parties hereto shall be strictly as set forth in this Agreement. All covenants, stipulations, promises, agreements and obligations of the EDA or the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the EDA and the City and not of any governing body member, officer, agent, servant or employee of the EDA or the City.

Section 6.14. Venue. All matters, whether sounding in tort or in contract, relating to the validity, construction, performance, or enforcement of this Agreement shall be controlled by and determined in accordance with the laws of the State of Minnesota, and the Developer agrees that all legal actions initiated by the Developer, the City or the EDA with respect to or arising from any provision contained in this Agreement shall be initiated, filed and venued exclusively in the State of Minnesota, Carver County, District Court and shall not be removed therefrom to any other federal or state court.

Section 6.15. Merger. None of the provisions of this Agreement are intended to or shall be merged by reason of any deed transferring any interest in the Development Property and any such deed shall not be deemed to affect or impair the provisions and covenants of this Agreement. No waiver, consent, modification or change of terms of this Agreement shall bind any party unless in writing and signed by all parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instance and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this Agreement.

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

CHASKA ECONOMIC DEVELOPMENT AUTHORITY

By: ______________________________
Mark Windschitl
Its: President

By: ______________________________
Matt Podhradsky
Its: Executive Director

This is a signature page to the Development Agreement, dated as of the date first written above, by and between the Chaska Economic Development Authority, the City of Chaska, Minnesota, and Formacoat Leasing LLC

CITY OF CHASKA, MINNESOTA

By: ______________________________
Mark Windschitl
Its: Mayor

By: ______________________________
Matt Podhradsky
Its: City Administrator

This is a signature page to the Development Agreement, dated as of the date first written above, by and between the Chaska Economic Development Authority, the City of Chaska, Minnesota, and Formacoat Leasing LLC

FORMACOAT LEASING LLC

By: ______________________

Its: Managing Member

This is a signature page to the Development Agreement, dated as of the date first written above, by and between the Chaska Economic Development Authority, the City of Chaska, Minnesota, and Formacoat Leasing LLC

EXHIBIT A

DESCRIPTION OF TIF DISTRICT

The real property situated in the City of Chaska, County of Carver, State of Minnesota, described as follows:

Parcel ID No. 30.5440110

Parcel ID No. 30.544.0060

EXHIBIT B

LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY

The real property situated in the City of Chaska, County of Carver, State of Minnesota, described as follows:

Lot 1, Block 1, Formacoat Addition

EXHIBIT C

PURCHASE PRICE NOTE

Formacoat Leasing LLC (the "Developer"), hereby acknowledges itself to be indebted and, for value received, hereby promises to pay to the Chaska Economic Development Authority (the "EDA") or its registered assigns (the registered owner of this Note is referred to herein as the "Registered Owner"), the principal sum of Four Hundred Seventy Seven Three Hundred Two Dollars ($477,303), with interest thereon at the rate of 4.00% per annum.

The principal amount of this Note shall equal, from time to time, the principal amount stated above, as reduced to the extent that such principal shall have been paid in whole or in part pursuant to the terms hereof. This Note is issued pursuant to that certain Development Agreement, dated as of June ___, 2018, as the same may be amended from time to time (the "Development Agreement"), by and between the EDA and the Developer.

The amounts due under this Note shall be payable in 40 semiannual installments, commencing August 1, 2020, and on each February 1 and August 1 thereafter to and including February 1, 2040, or, if the first day of either February 1 or August 1 should not be a Business Day (as defined in the Development Agreement), the next succeeding Business Day (the "Payment Dates") in the amounts shown in the schedule below (each a "Payment Installment"). On each Payment Date the EDA will credit against the Payment Installment then due, an amount equal to Available Tax Increments (as defined in the Development Agreement) received by the EDA in the 6-month period preceding such Payment Date. If, on any Payment Date, 90% of the Available Tax Increments received by the EDA in the 6-month period preceding such Payment Date is less than the amount shown in the schedule below, the Developer shall pay, by check or draft mailed to the EDA, an amount equal to the deficiency.

Date	Amount	Date	Amount	Date	Amount	Date	Amount
8/1/20	$15,998.50	8/1/25	$17,388.00	8/1/30	$18,886.00	8/1/35	$20,499.00
2/1/21	$15,998.50	2/1/26	$17,388.00	2/1/31	$18,886.00	2/1/36	$20,499.00
8/1/21	$16,267.50	8/1/26	$17,678.50	8/1/31	$19,199.00	8/1/36	$20,837.00
2/1/22	$16,267.50	2/1/27	$17,678.50	2/1/32	$19,199.00	2/1/37	$20,837.00
8/1/22	$16,541.50	8/1/27	$17,974.00	8/1/32	$19,516.50	8/1/37	$21,179.00
2/1/23	$16,541.50	2/1/28	$17,974.00	2/1/33	$19,516.50	2/1/38	$21,179.00
8/1/23	$16,819.50	8/1/28	$18,273.00	8/1/33	$19,839.50	8/1/38	$21,526.00
2/1/24	$16,819.50	2/1/29	$18,273.00	2/1/34	$19,839.50	2/1/39	$21,526.00
8/1/24	$17,102.00	8/1/29	$18,577.50	8/1/34	$20,166.50	8/1/39	$21,879.00
2/1/25	$17,102.00	2/1/30	$18,577.50	2/1/35	$20,166.50	2/1/40	$21,879.00

This Note is prepayable at any time without penalty.

If, as of the termination date of the TIF District (as defined in the Development Agreement), the EDA has received Available Tax Increments in excess of an amount sufficient to repay the principal amount of $477,303, with interest thereon at the rate of 4.00% per annum, the EDA will, on or before December 31, 2040, apply such excess to reimburse the Developer for any amounts paid to the EDA pursuant to Section 3.2 of the Development Agreement and this Note in an amount equal to such excess.

If, as of the termination date of the TIF District, the EDA has received Available Tax Increments in an amount less than $477,303, with interest thereon at the rate of 4.00% per annum, the EDA will, if the Available Tax Increments have been received by the EDA in an amount at least equal to the amounts set forth above or the Developer has paid all deficiency amounts in accordance with Section 3.2 of the Development Agreement and this Note, forgive the remaining principal amount of this Note.

MK

IN WITNESS WHEREOF, Formacoat Leasing LLC has caused this Note to be executed and delivered as of June 14, 2018.

FORMACOAT LEASING LLC

By: ______________________

Its: Managing Member

EXHIBIT D

SOURCES AND USES

EXHIBIT E

CERTIFICATE OF COMPLETION OF PROJECT

THIS CERTIFICATE, made this ____ day of __________, 201___ from the CHASKA ECONOMIC DEVELOPMENT AUTHORITY, a body corporate and politic organized and existing under the laws of the State of Minnesota (the "EDA"), the CITY OF CHASKA, MINNESOTA, a municipal corporation existing under the Constitution and laws of the State of Minnesota (the "City"), for the benefit Formacoat Leasing LLC, a Minnesota limited liability company (the "Developer").

WHEREAS, the EDA and the City entered into a Development Agreement (the "Agreement"), dated June ___, 2018, with the Developer which requires the Developer to construct an approximately 31,840 square foot manufacturing facility to be located on the Development Property in the City for use by the Developer in its medical device manufacturing business (the "Project") on the property situated in the City of Chaska, County of Carver, State of Minnesota legally described as follows (the "Development Property"):

Lot 1, Block 1, Formacoat Addition

WHEREAS, the Developer has constructed the Project in a manner deemed sufficient by the EDA and the City to permit the execution of this certification;

NOW THEREFORE, the EDA and the City do hereby certify that the Developer has satisfactorily completed the Project and terms and conditions as recited in the Agreement. The Developer is released and forever discharged from its obligations with respect to construction of the Project under Article III of the Agreement. Any remaining obligations under the Agreement shall be solely contractual obligations of the Developer and parties to whom the Developer expressly assigns, and who expressly assume, the Developer's obligations under the Agreement. The remaining covenants of the Developer under the Agreement are not intended to run with title to the Development Property or bind successors in title to the Development Property.

The EDA has, as of the date and year first above written, set its hand hereon.

CHASKA ECONOMIC DEVELOPMENT AUTHORITY

By ______________________________

Its Executive Director

STATE OF MINNESOTA)
) ss
COUNTY OF CARVER)

On this ____ day of _________, 201___, before me a Notary Public within and for said County, personally appeared _______, to me personally known, who, being by me duly sworn, did say that she/he is the Executive Director of the Chaska Economic Development Authority, the corporation named in the foregoing instrument, and said instrument was signed in behalf of said political subdivision by authority of its Board of Commissioners, and said __________ acknowledged said instrument to be the free act and deed of said corporation.

____

Notary Public

The City has, as of the date and year first above written, set its hand hereon.

CITY OF CHASKA, MINNESOTA

By: ______________________________

Its: City Administrator

STATE OF MINNESOTA)
) ss
COUNTY OF CARVER)

On this ____ day of _________, 201___, before me a Notary Public within and for said County, personally appeared __________________, to me personally known, who, being by me duly sworn, did say that she/he is the City Administrator of the City of Chaska, Minnesota, the municipal corporation named in the foregoing instrument, and said instrument was signed in behalf of said municipal corporation by authority of its City Council, and said __________________ acknowledged said instrument to be the free act and deed of said municipal corporation.

____

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
KENNEDY & GRAVEN, CHARTERED (JSB)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402

MM

EXHIBIT F

ASSESSMENT AGREEMENT

THIS AGREEMENT, dated as of this __ day of ___________, 2018, is between Chaska Economic Development Authority (the "EDA"), and Formacoat Leasing LLC (the "Developer").

WITNESSETH

WHEREAS, on or before the date hereof the EDA and the Developer have entered into a Development Agreement dated as of June ___, 2018 (the "Development Agreement") regarding certain real property located in the EDA including the property legally described in **Exhibit A** (the "Developer Property").

WHEREAS, it is contemplated that pursuant to said Development Agreement, the Developer will construct of an approximately 31,840 square foot manufacturing facility to be located on the Development Property in the City of Chaska, Minnesota for use by the Developer in its medical device manufacturing business (the "Project") on the Developer Property in accordance with construction plans approved by the EDA.

WHEREAS, the EDA and the Developer desire to establish a minimum market value for the Developer Property and the improvements constructed or to be constructed thereon, pursuant to Minnesota Statutes, Section 469.177.

WHEREAS, the Developer has acquired the land included in the Developer Property legally described in **Exhibit A** attached hereto.

WHEREAS, the EDA and the Assessor have reviewed Construction Plans for the Project.

NOW, THEREFORE, the parties to this Agreement, in consideration of the promises, covenants and agreements made by each to the other, do hereby agree as follows:

1. As of January 2, 2019, the minimum market value, which shall be assessed for the Developer Property, shall be $1,910,400.

2. The minimum market values herein established shall be of no further force and effect after assessment on January 2, 2038 for taxes payable in 2039 and this Agreement shall terminate automatically on January 31, 2038; provided, however, this Agreement shall

terminate on such earlier date as the TIF District (as defined in the Development Agreement) is decertified, defeased or terminated in accordance with its terms (the "Termination Date"). If the Termination Date is earlier than January 31, 2038 for taxes payable in 2039, the EDA shall duly execute and record a release of this Agreement upon the written request and sole expense of the then holder of fee title to the Developer Property.

3. This Agreement shall be recorded by the EDA with the County Recorder of Carver County, Minnesota. The Developer shall pay all costs of recording.

4. Neither the preambles nor provisions of this Agreement are intended to, or shall they be construed as, modifying the terms of the Development Agreement among the EDA and the Developer.

5. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

This instrument was drafted by:
Kennedy & Graven, Chartered (JSB)
470 U.S. Bank Plaza
200 South 6th Street
Minneapolis, MN 55402

MY

IN WITNESS WHEREOF, the EDA and the Developer have caused this Agreement to be executed in their names and on their behalf all as of the date set forth above.

CHASKA ECONOMIC DEVELOPMENT AUTHORITY

By______________________________
Its President

By______________________________
Its Executive Director

STATE OF MINNESOTA)
): ss
COUNTY OF CARVER)

The foregoing instrument was acknowledged before me this ____ day of ________, 2018, by __________________, the President of the Chaska Economic Development Authority on behalf of said Authority.

____
Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF CARVER)

The foregoing instrument was acknowledged before me this ____ day of __________, 2018, by __________________, the Executive Director of the Chaska Economic Development Authority, on behalf of said Authority.

____
Notary Public

Signature page for Assessment Agreement by and among Chaska Economic Development Authority and Formacoat Leasing LLC

FORMACOAT LEASING LLC, a Minnesota corporation

By ___________________________
Name: Mark C. Gross
Its: Managing Member

STATE OF MINNESOTA)
): ss
COUNTY OF Carver)

The foregoing instrument was acknowledged before me this 14 day of June, 2018, by Mark Gross, the Managing Member of Formacoat Leasing LLC, a Minnesota limited liability company, on behalf of said corporation.

DENISE LYNN WETZEL
NOTARY PUBLIC
MINNESOTA
My Commission Expires Jan. 31, 2021

____
Notary Public

Signature page for Assessment Agreement by and among the Chaska Economic Development Authority and Formacoat Leasing LLC

CERTIFICATION BY COUNTY ASSESSOR

The undersigned, having reviewed the Assessment Agreement dated as of ___________ __, 2018 by and between Chaska Economic Development Authority and Formacoat Leasing LLC, the plans and specifications for the Project, as defined in the foregoing Assessment Agreement, and the minimum market value currently assigned to land upon which the improvements are to be constructed and being of the opinion that the minimum market value contained in the Assessment Agreement appears reasonable, hereby certifies as follows:

The undersigned Assessor, being legally responsible for the assessment of the above described property, hereby certifies that the minimum market value as of January 2, 2019 of $1,910,400 assigned to such land and improvements is reasonable.

____
County Assessor for Carver County

STATE OF MINNESOTA)
) ss.
COUNTY OF CARVER)

This instrument was acknowledged before me on ___________, 2018, by ____________________, the County Assessor of Carver County.

____
Notary Public

MW

EXHIBIT A TO MINIMUM ASSESSMENT AGREEMENT

Legal Description of Developer Property

The real property situated in the City of Chaska, County of Carver, State of Minnesota, described as follows:

Lot 1, Block 1, Formacoat Addition

MJ

REQUEST FOR ACTION
CHASKA ECONOMIC DEVELOPMENT AUTHORITY
06/18/2018

Subject: **Public Hearing Approving Conveyance of Certain Property, Establishing a Redevelopment Tax Increment Financing District and Approving a Tax Increment Financing Plan, and Authorizing Execution of a Purchase Agreement and a Purchase and Development Agreement for the Hot Spot Redevelopment**

Prepared By: Nate Kabat

Background

At its January 8, 2018 meeting, Chaska EDA approved purchase agreements to transfer ownership of property at 650 Chestnut Street from Carver Property Management A&K, LLC through the Chaska EDA to Chaska Growth Holdings, LLC. This property historically served as the Hot Spot gas station but has been vacant for a number of years and has fallen into disrepair. Chaska Growth Holdings, LLC, currently owns property at 700 Chestnut St.

In addition to this transaction approved on January 8, the Chaska EDA and Chaska Growth Holdings, LLC, have been in negotiations with the CDA to include its parking lot property 710 Chestnut St. in the project as well. Including the CDA's property will allow property at 650, 700, and 710 Chestnut to be combined to maximize the redevelopment potential of the site.

This transfer of property supports the City's and the developer's goal to redevelop the property and return it to a productive use. The purchase agreement with Chaska Growth Holdings states that a TIF is to be established to support the redevelopment.

Analysis – Purchase Agreements

Chaska EDA, Carver County CDA, and Chaska Growth Holdings, LLC have successfully negotiated terms that will transfer the west half of the CDA parking lot at 710 Chestnut to be included in the redevelopment project. The east half of the parking lot at 710 Chestnut will continue to be owned by the CDA and used as a parking lot for their facility.

As a result of the property transfer of the west site of the lot, the CDA will lose six of the existing thirteen parking spaces. To compensate for this loss in parking, and support transfer of the property, the developer and the EDA have agreed to terms as generally outlined in the following:

- Developer will pay $6,000 per parking space to the CDA for a total of $36,000.
- Developer will realign existing parking to replace the two existing ADA parking spaces and provide at least five general use spaces dedicated for CDA use on the east portion of the property. The CDA will continue to own and maintain this parking area.
- The City agrees to sign and stripe parallel parking spaces on Walnut Place for CDA staff to use during regular business hours. Signed spaces will equal the number of spaces

lost in the realignment of the existing parking lot for inclusion in the redevelopment.

Assembling all three parcels results in a redevelopment site area of 1.15 acres. In accordance with preliminary site plans presented to City Council on June 18, the existing two buildings are planned to be replaced by three total buildings that will result in 10,597 square feet of retail space. Building one will be a 1,781 sq ft Dunkin' Donuts drive-thru. Building 2 will be a 6,678 sq ft multi-tenant commercial-retail space. Building 3 will be a 2,048 sq ft single-tenant commercial-retail space.

To include the terms of this transaction, the purchase agreement approved on January 8, 2018 by the Chaska EDA with Chaska Growth Holdings, LLC, has been amended and required EDA approval

A new purchase agreement between the Chaska EDA and the Carver County CDA has been created. The property transaction would result in the Chaska EDA purchasing the property from the Carver County CDA, and then immediately selling the property to Chaska Growth Holdings, LLC. This purchase agreement requires EDA approval.

Analysis – Public Hearing to Authorize Sale of Property
The transaction of properties from the Carver County CDA and from Carver Property Management A&K, LLC through the EDA to Chaska Growth Holdings, LLC requires a public hearing to be held. The properties purchased by the EDA will be public holdings, and therefore require a public hearing to be held in order to authorize the sale form the EDA to Chaska Growth Holdings, LLC.

Analysis – TIF District
The purchase agreement between the Chaska EDA and Chaska Growth Holdings commits the City of Chaska to establish a TIF district to support redevelopment costs of the site. The City Council must hold a public hearing to establish TIF District # 21 and the Chaska EDA must approve the TIF district by resolution. Notices have been sent out to nearby property owners, the Chaska Herald, as well as the other major taxing authorities affected.

The City generally provides TIF for eligible costs to support redevelopment projects. The increment is captured from the increased value and property taxes resulting from the redevelopment.

This TIF District qualifies as a redevelopment district because it meets the following criteria defined in statute:

- Parcels comprising at least 70% of the area of the district is occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures, and;
- More than 50% of the buildings, not including outbuildings, are structurally substandard requiring substantial renovation or clearance, and;
- The parcel is deemed "occupied" because at least 15% of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots; or other similar structures.

Redevelopment TIF districts are permitted to remain in existence for 25 years from the date of receipt by the Authority of the first tax increment. This district would set 2021 as the first year to receive tax increment and reserves the right to allow the District to remain in existence through 2046. The estimated public costs of the TIF District total $1,226,022 for a combination of site acquisition and eligible improvements and administrative expenses. Estimated sources of revenue through the TIF District is $1,226,022.

The original tax capacity on the site is $12,600 as of January 2, 2018 for taxes payable 2019, and the anticipated total tax capacity on the site following improvements is expected to be $38,650 as of January 2, 2020 for taxes payable 2021.

See the attached draft TIF Plan from Springsted for more details.

Recommendation
Staff believes this redevelopment opportunity advances City and EDA goals to redevelop underutilized locations in and around downtown, and to create attractions that increase traffic to the area. This project achieves the goals of all parties involved. Resultingly, staff has three recommendations to the EDA in regard to this redevelopment Project:

1. Staff recommends authorizing the President and Executive Director of the EDA to execute all documents pertaining to the Purchase Agreements with Chaska Growth Holdings, LLC and with the Carver County CDA.

2. To execute the purchase agreements, staff recommends holding a public hearing in order to authorize the sale of public property.

3. As it is consistent with the City's long-term goals, staff recommends creation of Redevelopment TIF District #21.

EDA ACTION REQUESTED

1. **Following the Public Hearing:**

   Motion to Adopt Resolution Establishing a Redevelopment Tax Increment Financing District, and Approving a Tax Increment Financing Plan Therefor, Authorizing Execution of a Purchase Agreement and a Purchase and Development Agreement and Approving Conveyance of Certain Property

CITY OF CHASKA
CARVER COUNTY, MINNESOTA

RESOLUTION

DATE_________June 18, 2018__________RESOLUTION NO.____EDA 2018-10______

MOTION BY COUNCILMEMBER____________SECOND BY COUNCILMEMBER____________

A RESOLUTION ESTABLISHING A REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT AND APPROVING A TAX INCREMENT FINANCING PLAN THEREFOR, AUTHORIZING EXECUTION OF A PURCHASE AGREEMENT AND A PURCHASE AND DEVELOPMENT AGREEMENT AND APPROVING CONVEYANCE OF CERTAIN PROPERTY

BE IT RESOLVED by the Board of Commissioners (the "Board") of the Chaska Economic Development Authority (the "EDA") as follows:

Section 1. Recitals.

1.01 The EDA has proposed to establish Tax Increment Financing (Redevelopment) District No. 21 (the "TIF District") within Redevelopment Project Area No. 4 (the "Project Area") and to adopt a Tax Increment Financing Plan relating thereto (the "TIF Plan"), all pursuant to Minnesota Statutes, Sections 469.001 through 469.047, 469.090 through 469.1082, and 469.174 through 469.1794, as amended (collectively, the "TIF Act"), all as reflected in that certain document, dated June 18, 2018, entitled "Tax Increment Financing Plan for Tax Increment Financing (Redevelopment) District No. 21 within Redevelopment Project Area No. 4" and presented for the Board's consideration.

1.02 The Board has investigated the facts relating to the establishment of the TIF District and the adoption of the TIF Plan.

1.03 Certain actions required by law have been or will be taken prior to the adoption and approval of the TIF Plan, including, but not limited to, 30 days' prior notification of the County Auditor and School District Clerk and of the individual affected County Commissioner, a review of the TIF Plan by the City Planning Commission, and the holding of a public hearing by the City Council (the "Council") of the City of Chaska, Minnesota (the "City") thereon following notice thereof published in the City's official newspaper.

1.04 Certain information and material (collectively, the "Materials") relating to the TIF Plan and to the activities contemplated therein have heretofore been prepared and submitted to the Board and/or made a part of the City or EDA files and proceedings on the TIF Plan. The Materials include information and/or substantiation, which are incorporated herein by reference, constituting or relating to (1) the "studies and analyses" on why the new TIF District meets the requirements to be a redevelopment tax increment financing district, including a report prepared by LHB, Inc., Minneapolis, Minnesota, (2) why the TIF District meets the so-called "but for" test, including an analysis of the proforma and other materials submitted by a private developer; and (3) the bases for the other findings and determinations made in this resolution. The Board hereby confirms, ratifies and adopts the Materials, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.05 The EDA anticipates that Chaska Growth Holdings, LLC, a Minnesota limited liability company (the "Developer") will acquire certain property located in the City (the "Development Property"), demolish existing buildings thereon and construct approximately 10,597 square feet of commercial space in one or more buildings thereon (the "Development").

1.06 The EDA proposes to convey certain portions of the Development Property to the Developer and provide certain financial assistance to the Developer pursuant to a certain Purchase and Development Agreement between the Developer and the EDA (the "Development Agreement") in connection with the construction of the Development.

1.07 The EDA has on this date conducted a duly noticed public hearing regarding sale to the Developer of (i) Tax Parcel Identification Number 306560060, which is located at 650 Chestnut Street North in the City and (ii) a portion (as further identified in **Exhibit A**) of Tax Parcel Identification Number 306560030, which is located at 710 Chestnut Street North in the City (collectively, the "Sale Property") in connection with the construction of the Development.

1.08 The EDA proposes to acquire the portion of the Sale Property described in Section 1.07(ii) pursuant to a certain Purchase Agreement between the Carver County Community Development Agency and the EDA (the "CDA Purchase Agreement").

1.09 The EDA finds and determines that conveyance of the Sale Property to the Developer is in the public interest and will further the objectives of its general plan of economic development, because it will increase the tax base in the City and serve as an impetus for redevelopment of blighted and underutilized property.

Section 2. <u>Findings for the Creation of the TIF District and Adoption of a TIF Plan Therefor</u>.

2.01 The Board hereby finds that: (a) the land within the Project Area would not be available for redevelopment without the financial aid to be sought under the Redevelopment Plan; (b) the Redevelopment Plan will afford maximum opportunity, consistent with the needs of the City as a whole, for the development of the Project Area by private enterprise; and (c) the Redevelopment Plan conforms to the general plan for the development of the City as a whole.

2.02 The Board finds that the Project Area constitutes a "blighted area" as well as, in part, an area that is underused or inappropriately used, within the meaning of Minnesota Statues, Section 469.002, subd. 11 and Section 469.028, subd. 4.

2.03 The Board further finds that the demolition, clearance, and related activities to redevelop the Project Area, all in accordance with the Plan, constitute a "redevelopment project" within the meaning of Minnesota Statues, Sections 469.002, subd. 14 and Section 469.028, subd. 4

2.04 The Board hereby finds that the TIF District is in the public interest and is a redevelopment district, as defined in Minnesota Statutes, Section 469.174, Subdivision 10 for the following reasons:

> The TIF District is, pursuant to Minnesota Statutes, Section 469.174, Subdivision 10(a), a "redevelopment district" because it consists of a project or portions of a project within which the following conditions, reasonably distributed throughout the TIF District, exist: (1) parcels consisting of at least 70% of the area of the TIF District are occupied or deemed occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and (2) more than 50% of the buildings located or deemed to exist within the TIF District are "structurally substandard" (within the meaning of Minnesota Statutes, Section 469.174, Subdivision 10(b) and (c)) to a degree requiring substantial renovation or clearance.

The Materials, including without limitation the report of LHB, Inc. and other supporting facts for these determinations, are on file with the staff of the City. There have been no building permits issued or improvements made to the parcels since the date of the report.

2.05 The Board hereby makes the following additional findings:

(a) The Board further finds that the proposed Development, in the opinion of Board, would not occur solely through private investment within the reasonably foreseeable future and, therefore, the use of tax increment financing is deemed necessary.

(b) The Board further finds that the TIF Plan conforms to the general plan for the development or redevelopment of the City as a whole.

(c) The Board further finds that the TIF Plan will afford maximum opportunity consistent with the sound needs of the City as a whole for the development of the Project Area by private enterprise.

(d) For purposes of compliance with Minnesota Statutes, Section 469.175, Subdivision 3(b)(2), the Board hereby finds that the increased market value of the property to be developed within the TIF District that could reasonably be expected to occur without the use of tax increment financing is $0 (other than amounts due to inflation), which is less than the market value estimated to result from the proposed development ($3,285,404 approximately), after subtracting the present value of the projected tax increments for the maximum duration of the TIF District (i.e., $742,553 approximately), which is approximately $2,542,851. In making these findings, the Board has noted that the existing buildings on the Development Property are blighted and have been vacant for an extended period of time and would likely remain in their current condition if tax increment financing were not available. Thus, the use of tax increment financing will be a positive net gain to the City, the School District, and the County, and the tax increment assistance does not exceed the benefit which will be derived therefrom.

2.06 The provisions of this Section 2 are hereby incorporated by reference into and made a part of the TIF Plan.

2.07 The Board further finds that the TIF Plan is intended and, in the judgment of this Board, its effect will be, to promote the public purposes and accomplish the objectives specified in the TIF Plan.

Section 3. Creation of the TIF District and Approval and Adoption of the Plan; Interfund Loans.

3.01 Subject to the approval by the City Council of establishing the TIF District and adopting the TIF Plan therefor following a public hearing, the adoption of the TIF Plan and establishment of the TIF District, as presented to the Board on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted.

3.02 The EDA elects to retain all of the captured tax capacity to finance the costs of the TIF District. The EDA elects the method of tax increment computation set forth in Minnesota Statutes, Section 469.177, Subd. 3(a).

3.03 In accordance with Minnesota Statutes, Section 469.175, Subd. 1(b), the EDA elects to delay the receipt of the first increment until tax payable year 2021.

3.04 The staff of the EDA and the advisors and legal counsel of the City and the EDA are authorized and directed to proceed with the implementation of the TIF District and the TIF Plan therefor.

3.05 The Board hereby approves a policy on interfund loans or advances ("Loans") for the TIF District, as follows:

(a) The authorized tax increment eligible costs (including without limitation out-of-pocket administrative expenses incurred prior to or after the date hereof in an amount up to $122,603 and other project costs, including without limitation the cost of the acquisition of the Sale Property, in an amount up to $1,103,419) payable from the TIF District, as its TIF Plan is originally adopted or may be amended, may need to be financed on a short-term and/or long-term basis via one or more Loans, as may be determined by the City Administrator from time to time.

(b) The Loans may be advanced if and as needed from available monies in the City's or the EDA's general fund or other City or EDA fund designated by the City Administrator.

(c) Neither the maximum principal amount of any one Loan nor the aggregate principal amount of all Loans may exceed $1,226,022 outstanding at any time.

(d) All Loans shall mature not later than February 1, 2047 or such earlier date as the City Administrator may specify in writing. All Loans may be pre-paid, in whole or in part, whether from tax increment revenue, tax increment revenue bond proceeds or other eligible sources.

(e) The outstanding and unpaid principal amount of each Loan shall bear interest at the rate prescribed by the statute (Minnesota Statutes, Section 469.178, Subdivision 7), which is the greater of the rates specified under Minnesota Statutes, Sections 270C.40 or 549.09 at the time a Loan, or any part of it, is first made, subject to the right of the City Administrator to specify a lower rate (but not less than the City's or the EDA's then-current average investment return for similar amount and term).

(f) Such Loans within the above guidelines are pre-approved. The Loans need not take any particular form and may be undocumented, except that the City Administrator shall specify the principal amount and interest rate and maintain all necessary or applicable data on the Loans.

Section 4. Approval of Land Sale.

4.01 The Board hereby approves, upon acquisition of the Sale Property, the conveyance thereof to the Developer pursuant to the Development Agreement.

Section 5. Approval of Development Documents.

5.01 The EDA hereby approves the CDA Purchase Agreement and the Development Agreement substantially in accordance with the terms set forth in the forms presented to the Board, together with any related documents necessary in connection therewith, including without limitation any deed or other documents or certifications referenced in or attached to the Development Agreement (collectively, the "Development Documents") and hereby authorizes the President and Executive Director to negotiate the final terms thereof and, in their discretion and at such time as they may deem appropriate, to execute the Development Documents on behalf of the EDA, and to carry out, on behalf of the EDA, the EDA's obligations thereunder, subject to satisfaction of the conditions set forth therein.

5.02 The approval hereby given to the Development Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the EDA and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the EDA. The execution of any instrument by the appropriate officers of the EDA herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. In the event of absence or disability of the officers, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Board by any duly designated acting official, or by such other officer or officers of the Board as, in the opinion of the City Attorney, may act in their behalf.

5.03 Upon execution and delivery of the Development Documents, the officers and employees of the EDA are hereby authorized and directed to take or cause to be taken such actions as may be necessary on behalf of the EDA to implement the Development Documents, including without limitation the crediting of tax increments to the payment of the purchase price note when all conditions precedent thereto have been satisfied.

5.04 The Board hereby determines that the execution and performance of the Development Documents will help realize the public purposes of the Act.

PASSED on June 18, 2018, by the Board of Commissioners of the Chaska Economic Development Authority.

SECRETARY'S CERTIFICATE

I, the undersigned, being the duly qualified and acting Secretary of the Chaska Economic Development Authority, DO HEREBY CERTIFY that I have carefully compared the attached and foregoing extract of minutes of a duly called and regularly held meeting of the EDA held on June 18, 2018, with the original minutes thereof on file in my office and that the same is a full, true, and correct transcript thereof insofar as said minutes relate to the establishment of and related actions referenced therein with respect to Tax Increment Financing District No. 21.

Boardmember _______________ moved the adoption of the foregoing resolution, and said motion was duly seconded by Boardmember ________________________, and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon said resolution was declared duly adopted.

WITNESS My hand this ____ day of ___________, 2018.

____
Secretary
Chaska Economic Development Authority

Exhibit A
Legal Description of Portion of Sale Property Located at 710 Chestnut Street North

That part of Lot 2, Block 1, The Klein Brickyard Seventh Addition, Carver County, Minnesota, lying Westerly and Southerly of the following described line:

Commencing at the Northwest corner of said Lot 2; thence North 87 degrees 54 minutes 17 seconds East, assumed bearing, along the North line of said Lot 2, a distance of 46.63 feet to the point of beginning of the line to be described; thence South 01 degrees 43 minutes 17 seconds West, a distance of 27.38 feet; thence South 03 degrees 12 minutes 01 seconds West, a distance of 48.69 feet; thence South 86 degrees 47 minutes 59 seconds East, a distance of 34.97 feet, more or less, to a point on the Eastlery line of said Lot 2, 9.95 feet North of the Southeast corner thereof, as measured along said Easterly line, and said line there terminating.

Containing 4,342 sq. ft. more or less

PURCHASE AGREEMENT

1. **PARTIES**. This purchase agreement (the "Purchase Agreement") is made this ____ day of May, 2018, by and between the Carver County Community Development Agency, a public body corporate and politic and a political subdivision of the State of Minnesota having the power under the laws of the State of Minnesota to sell and convey real estate (the "Seller"), and the Chaska Economic Development Authority, a public body politic and corporate having the power under the laws of the State of Minnesota to purchase and sell real estate for the purpose of economic development in the City of Chaska, Carver County, Minnesota (the "Buyer").

2. **SUBJECT PROPERTY**. The Seller is the owner in fee simple of real estate located at 710 Chestnut Street North in the City of Chaska, Carver County, Minnesota, consisting of a portion of Tax Parcel Identification Number 306560030, which is currently legally described as Lot 2, Block 1, The Klein Brick Yard Seventh Addition, but which will be subdivided as depicted in **Exhibit A** attached hereto to create the parcel labeled ___ in **Exhibit A** (the "Property").

3. **OFFER/ACCEPTANCE**. In consideration of the mutual agreements between the Seller and the Buyer contained herein, the Seller agrees to sell the Property to the Buyer, and the Buyer agrees to purchase the Property from the Seller.

4. **CONTINGENCIES.** This Purchase Agreement is contingent upon the satisfaction of the following conditions:

A. Approval of this Purchase Agreement and sale of the Property hereunder by the Board of Commissioners of the Carver County Community Development Agency, the Seller's official governing body;

B. Approval of this Purchase Agreement and purchase of the Property hereunder by the Board of Commissioners of the Chaska Economic Development Authority, the Buyer's official governing body (the "EDA Board");

C. Satisfaction of the Buyer with the results of the environmental inspection and soil tests conducted under Section 8 of this Purchase Agreement;

D. The Buyer's examination of title as provided at Section 11 of this Purchase Agreement;

E. The Buyer entering into a legally binding purchase and development agreement (the "Purchase and Development Agreement") with Chaska Growth Holdings, LLC, (the "Developer") for the resale of the Property to the Developer for the purpose of advancing economic development in Chaska, Minnesota;

F. Approval of the Purchase and Development Agreement by the EDA Board; and

G. The Developer having delivered a survey which identifies a metes and bounds legal description of the Property.

H. Seller obtaining all necessary approvals for splitting the Property from Lot 2, Block 1, The Klein Brick Yard Seventh Addition.

The parties shall have until the date of the closing of the sale of the Property ("Closing") to satisfy the foregoing contingencies. The contingencies set forth in A, B, G and H are for the benefit of both the Seller and the Buyer and may be waived in writing only if the Buyer and Seller mutually agree. The contingencies set forth in C, D, E, and F, are solely for the benefit of the Buyer and may be waived in writing solely by the Buyer. If the contingencies are duly satisfied or waived in writing by the Buyer, or by the Buyer and the Seller, as applicable herein, then the Buyer and the Seller shall proceed to close the transaction as contemplated herein. If, however, one or more of the contingencies is not timely satisfied and is not waived in writing by the Buyer, or by the Buyer and the Seller, as applicable herein, then this Purchase Agreement shall thereupon be void, at the option of the Buyer or at the option of the Buyer and the Seller, as applicable herein. If this Purchase Agreement is voided at the option of the Buyer or at the option of the Buyer and the Seller, as applicable herein, then the Buyer and the Seller shall execute and deliver to each other a termination of this Purchase Agreement.

5. **PERSONAL PROPERTY INCLUDED IN SALE**. The following items of personal property and fixtures owned by the Seller and currently located on the Property are included in this sale: None.

6. **PURCHASE PRICE AND TERMS:** The total Purchase Price for the Property is Thirty-six Thousand Dollars and No Cents ($36,000). The Seller acknowledges it does not have any tenant on the Property who is entitled to any relocation services or relocation benefits. The Buyer shall pay the full Purchase Price to the Seller at the Closing. In addition, the Buyer will (i) cause the Developer, pursuant to the Purchase and Development Agreement, to make necessary improvements to the portion of Lot 2, Block 1, The Klein Brick Yard Seventh Addition labeled ___ in the depiction attached as **Exhibit A** attached hereto which will be retained by the Seller (the "Retained Parcel"), including paving, re-striping, and curbs and gutters, in order to provide access and parking in accordance with the Developer's site plan as approved pursuant to the Buyer's planning approval process; and (ii) within ___ months after the closing, the Buyer will create 6 new public parking spaces on the east side of Walnut Place north of the intersection with Walnut Court which will be posted as reserved for staff of the Seller during normal business hours on weekdays.

7. **CLOSING DATE.** The Closing shall take place on or before July 2, 2018, unless otherwise mutually agreed upon by the Seller and the Buyer. The Closing shall take place at Chaska City Hall, or such other location as mutually agreed upon by the Seller and the Buyer.

8. **ENVIRONMENTAL INSPECTION AND SOIL TESTS.** After execution of this Purchase Agreement and before the Closing, the Buyer and its duly authorized agents, servants or employees shall have the right to enter upon the Property for purposes of investigating, monitoring, testing, boring or other similar activities necessary or appropriate to identify the existence and extent of a threat of release or a release of a hazardous substance, pollutant, or contaminant. The Buyer agrees to do no unnecessary damage to the Property, and to restore the Property to substantially the same condition in which it was found. The Buyer agrees to defend, indemnify, and hold harmless the Seller against any and all liability, loss, costs, damages, expenses, claims, liens, or actions including attorney's fees which the Seller may sustain, incur or be required to pay arising out of or by reason of any act or omission of the Buyer or the Buyer's agents, servants, or employees, in exercising the Buyer's right to enter and work upon the Property for environmental inspection and soil tests, as stated in this section. The Buyer agrees to provide the Seller with a copy of any report prepared as a result of such examination and tests, upon the request by the Seller. Buyer shall have the right to assign the right to inspect and examine the Property to the Developer at the Buyer's sole discretion. If the Buyer assigns the right to inspect and examine the Property to the Developer, then the Buyer agrees to defend, indemnify, and hold harmless the Seller against any and all liability, loss, costs, damages, expenses, claims, liens, or actions including attorney's fees which the Seller may sustain, incur or be required to pay arising out of or by reason of any act or omission of the Developer, or the Developer's agents, servants, or employees, in exercising the Buyer's right to enter and work upon the Property for environmental inspection and soil tests, as stated in this section.

9. **DOCUMENTS TO BE DELIVERED AT CLOSING.** The Seller agrees to deliver the following documents to the Buyer at Closing:

A. A duly recordable quit claim deed conveying marketable fee simple title to the Property to the Buyer, free and clear of any mortgages, liens or encumbrances other than matters created by or acceptable to the Buyer;

B. An affidavit from the Seller sufficient to remove any exception in the Buyer's policy of title insurance for mechanics' and materialmens' liens and rights of parties in possession;

C. Affidavit of the Seller confirming that the Seller is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code;

D. A completed Minnesota Well Disclosure Certificate;

E. Any notices, certificates, and affidavits regarding any private sewage systems, underground storage tanks, and environmental conditions as may be required by Minnesota statutes, rules or ordinances;

F. Customary affidavits, certificates and such other documents as the Buyer may request to carry out this transaction; and

10. **REAL ESTATE TAXES AND SPECIAL ASSESSMENTS.**

A. The Seller shall be responsible for all taxes attributable to the Property, including any deferrals or penalties, assessed against the Property before the Closing. The Buyer shall be responsible for all taxes allocable to the period after the Closing.

B. The Seller shall pay at or before Closing all special assessments levied against the Property as of the date of Closing.

11. **EXAMINATION OF TITLE; CURING TITLE DEFECTS.** The Seller will provide to the Buyer any available title records in its possession. The Buyer will obtain a commitment for title insurance ("Commitment") for the Property, and the Buyer shall have 20 business days after receipt thereof to examine the same and to deliver written objections to title, if any, to the Seller, or the Buyer's right to do so shall be deemed waived. The Seller shall have until Closing to make title marketable at the Seller's cost. In the event that title to the Property cannot be made marketable or is not made marketable by the Seller by Closing, then this Purchase Agreement may be terminated at the option of the Buyer.

12. **CLOSING COSTS AND RELATED ITEMS.** The Seller shall be responsible for the following Closing costs and related items: all charges relating to the filing of any instrument required to make title marketable; its own legal fees associated with this transaction; any costs of preparation of a title commitment, including any abstracting fees and fees for standard searches with respect to the Seller and the Property; and any state deed tax and conservation fee with respect to the quit claim deed. The Buyer shall be responsible for the following costs and related items: premiums required for issuance of the Buyer's title insurance policy, if purchased by Buyer; its own legal fees associated with this transaction; all other recording fees; fees of any soil tests, environmental assessments, inspection reports, appraisals, or other tests or reports ordered by the Buyer in connection with its purchase of the Property; and closing fees charged by the title company or closer.

13. **POSSESSION/CONDITION OF PROPERTY.** The Seller shall deliver possession of the Property to the Buyer at Closing in the same condition as the Property existed on the date of execution of this Purchase Agreement. Subject to the Developer obtaining necessary approvals to subdivide Lot 2, Block 1, The Klein Brick Yard Seventh Addition, the Property will be sold "As-Is."

14. **SELLER'S WARRANTIES.** The Seller has good, indefeasible and marketable fee simple title to the Property. The Seller has the legal capacity and is authorized to enter this Purchase Agreement. The Seller warrants that there has been no labor or material furnished to the Property for which payment has not been made. The Seller agrees not to place any liens or encumbrances on the Property after the date of execution of this Purchase Agreement.

The Seller warrants that the Seller has not received any notice from any governmental authority regarding a violation of any regulation, ordinance, or law related to the Property. If the Property is subject to any restrictive covenants, then the Seller warrants that the Seller has not received any notice from any person or authority concerning a breach of those covenants. The Seller shall provide any notices which the Seller receives concerning a breach of those covenants to the Buyer immediately.

15. **RELOCATION BENEFITS; INDEMNIFICATION.** The Seller acknowledges that neither it nor any tenant currently having an interest in the Property is being displaced from the Property as a result of the transaction contemplated by this Purchase Agreement and that neither the Seller nor any such tenant is eligible for relocation assistance or benefits or that the Purchase Price includes compensation for any and all relocation assistance and benefits for which it or any such tenant may be eligible. The provisions of this Section shall not merge with the deed and shall survive the Closing of the transaction contemplated by this Purchase Agreement.

16. **TENANTS.** The Seller warrants that there are no tenants on the Property with a lawful leasehold interest. In the event that any tenant comes forward and claims an interest in the Property at the time of or following the execution of this Purchase Agreement, then the Seller hereby agrees to fully indemnify the Buyer for any and all costs associated with terminating such tenancy and for any and all relocation assistance and benefits that may be due to such tenant together with attorneys' fees that the Buyer would have to incur in connection with legal action required to resolve any relocation assistance or benefits dispute with such tenant. "Relocation assistance and benefits" shall have the meaning ascribed to them by the Uniform Relocation Assistance and Real Property Acquisition Policies Act, 42 U.S.C. Sections 4601-4655 (the federal URA) and the regulations implementing the federal URA, 49 C.F.R. Sections 24.1-24.603. The provisions of this Section shall not merge with the deed and shall survive the Closing of the transaction contemplated by this Purchase Agreement.

17. **EASEMENTS.** The Seller represents and warrants that there are no easements, or claims of easements, other than the easements of public record on the Property.

18. **BROKER COMMISSIONS.** The Seller and the Buyer represent and warrant to each other that there is no real estate agent or broker involved in this transaction with whom either has negotiated, or to whom either has agreed to pay any agent or broker commission or fees. Each party agrees to defend, indemnify, and hold harmless the other for any and all claims for any agent or brokerage commissions or fees in connection with negotiations for purchase of the Property arising out of any alleged agreement or commitment or negotiation by the indemnifying party.

19. **NO MERGER OF REPRESENTATIONS, WARRANTIES.** The representations and warranties contained in this Purchase Agreement will not be merged into any instrument or conveyance delivered at the Closing, and the parties shall be bound accordingly.

20. **SUBSEQUENT SALE OF PROPERTY.** The Buyer intends to redevelop the Property and offer the Property for resale for the purpose of advancing the Buyer's general plan of advancing economic development in Chaska, Minnesota. The Buyer agrees to comply with all public notice requirements and laws applicable to said resale of the Property.

21. **ENTIRE AGREEMENT; AMENDMENTS.** This Purchase Agreement constitutes the entire agreement between the parties and no other agreement prior to this Purchase Agreement or contemporaneous herewith shall be effective except as expressly set forth or incorporated herein. Any purported amendment hereto shall not be effective unless it shall be set forth in writing and executed by both parties or their respective successors or assigns.

22. **BINDING EFFECT; ASSIGNMENT.** This Purchase Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors and assigns.

23. **NOTICE.** Any notice, demand, request or other communication which may or shall be given or served by the parties shall be deemed to have been given or served on the date the same is deposited in the United States Mail, registered or certified, postage prepaid and addressed as follows:

a. If to Seller: Carver County Community Development Agency
705 North Walnut Street
Chaska, MN 55318

b. If to Buyer: Chaska Economic Development Authority
Chaska City Hall
One City Hall Plaza
Chaska, MN 55318

with a copy to: Jenny Boulton
Kennedy & Graven
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402

or such other address as either party may give to another party in accordance with this Section 23.

24. **DEFAULT; REMEDIES; SPECIFIC PERFORMANCE.** If either party defaults in any of its obligations under this Purchase Agreement, then the other party may terminate this Purchase Agreement by written notice pursuant to Section 23 hereof. If this Purchase Agreement is not so terminated, then the Buyer or the Seller may seek actual damages for breach of this Purchase Agreement or specific performance of this Purchase Agreement, provided that any action for specific enforcement of this Purchase Agreement must be brought within six months after the date the party receives actual notice of the alleged breach.

IN WITNESS WHEREOF, the Seller and the Buyer have executed this Purchase Agreement as of the date written above.

CARVER COUNTY COMMUNITY DEVELOPMENT AGENCY

By: ________________________________

By:___________________________________

CHASKA ECONOMIC DEVELOPMENT AUTHORITY

By: ___________________________________

By: ___________________________________

EXHIBIT A

DEPICTION OF THE PROPERTY

PURCHASE AND DEVELOPMENT AGREEMENT

BETWEEN

CHASKA ECONOMIC DEVELOPMENT AUTHORITY

AND

CHASKA GROWTH HOLDINGS, LLC

This document drafted by:
KENNEDY & GRAVEN, CHARTERED (JSB)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402

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PURCHASE AND DEVELOPMENT AGREEMENT

THIS AGREEMENT, made as of the ___ day of ___________, 2018, by and between the Chaska Economic Development Authority (the “EDA”), a body corporate and politic organized and existing under the laws of the State of Minnesota, and Chaska Growth Holdings, LLC, a Minnesota limited liability company (the “Developer”),

WITNESSETH:

WHEREAS, pursuant to Sections 469.001 through 469.047 and 469.090 through 469.1082, as amended (the “Development Act”), the EDA has created or proposes to create a redevelopment project area (the “Project Area”) and has adopted or proposes to adopt a Redevelopment Plan therefor (the “Redevelopment Plan”); and

WHEREAS, pursuant to the provisions of Minnesota Statutes, Section 469.174 through 469.1794, as amended, (the “TIF Act”), the EDA proposes to create, within the Project Area, a Tax Increment Financing (Redevelopment) District No. 21 qualified as a redevelopment tax increment financing district (the “TIF District”), the legal description of which is attached hereto as **Exhibit A**, and proposes to adopt a tax increment financing plan therefor (the “TIF Plan”) which provides for the use of tax increment financing in connection with certain development within the Project Area and TIF District; and

WHEREAS, the Developer proposes to acquire certain property within the TIF District from the EDA and construct approximately 10,597 square feet of commercial space in one or more buildings (the “Project”) and has requested that the EDA use tax increment financing to assist the Developer with certain costs thereof in order to fill the gap between the Total Development Costs (as hereinafter defined) and the funds available to pay such costs;

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

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. All capitalized terms used and not otherwise defined herein shall have the following meanings unless a different meaning clearly appears from the context:

Administrative Costs shall have the meaning set forth in Section 3.3;

Agreement means this Purchase and Development Agreement, as the same may be from time to time modified, amended or supplemented;

Affiliate means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or a state thereof which is directly controlled by or under common control with the Developer or any other Affiliate. For purposes of this definition, control means the power to direct management and policies through the ownership of at least a majority of its voting securities, or the right to designate or elect at least a majority of the members of its governing body by contract or otherwise;

Architect means Bright Pixel Design, St. Peter, Minnesota;

Assessment Agreement means the agreement, in substantially the form of the agreement contained in **Exhibit H** attached hereto and made a part of this Agreement, between the Developer and the EDA and including the attached certification by the assessor for the County, entered into pursuant to Article III of this Agreement;

Assessor's Minimum Market Value means the agreed minimum market value of the Project for calculation of real property taxes as determined by the assessor for the County as of January 2, 2020 and as further set forth in the Assessment Agreement;

Available Tax Increments means the Tax Increments received by the EDA less the amount of Tax Increments, if any, which the EDA must pay to the school district, the County and the State pursuant to Minnesota Statutes, Sections 469.177, Subds. 3, 9, 10, and 11; 469.176, Subd. 4h; and 469.175, Subd. 1a, as the same may be amended from time to time;

Business Day means any day except a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City are authorized by law or executive order to close;

City means the City of Chaska, Minnesota and its authorized successors and assigns;

Closing Date or Closing means July 2, 2018 or such other date as agreed to by the EDA and Developer, or as extended by Developer as provided herein;

Completion Date means the date on which the Certificate of Completion with respect to the Project is executed by the EDA pursuant to Section 3.7;

Construction Costs means the capital costs of the construction of the Project, including the costs of labor and materials; construction management and supervision expenses; insurance and payment or performance bond premiums; architectural and engineering fees and expenses; property taxes; usual and customary fees or costs payable to the EDA, or any other public body with regulatory authority over construction of the Project (e.g. building permits and inspection fees); the developer fee; and all other costs chargeable to the capital account of the Project under generally accepted accounting principles;

Construction Documents shall mean the following documents, all of which shall be in form and substance acceptable to the Developer and the EDA: (a) evidence satisfactory to EDA showing that the Project conforms to applicable zoning, subdivision and building code laws and ordinances, including a copy of the building permit for the Project; (b) a copy of the executed standard form of agreement between owner and architect for architectural services for the Project, if any, and (c) a copy of the executed general contractor's contract for the Project, if any;

Construction Plans means the plans, specifications, drawings and related documents for the construction of the Project which shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the EDA and the building inspector of the City;

County means Carver County, Minnesota;

Design Drawings means the floor plans, renderings, elevations and material specifications for the Project to be prepared by the Architect;

Developer means Chaska Growth Holdings, LLC, a Minnesota limited liability company, and its authorized successors and assigns;

Development Property means the real property legally described in **Exhibit B** attached to this Agreement under the heading "Development Property";

EDA means the Chaska Economic Development Authority and its authorized successors and assigns;

EDA Property #1 means the real property described as "EDA Property #1" on **Exhibit B**;

EDA Property #1 Deed means the Quit Claim Deed in the form attached hereto as **Exhibit F**, to be executed by the EDA conveying the EDA Property #1 to the Developer;

EDA Property #1 Purchase Agreement means the Purchase and Development Agreement dated __________, 2018 between the EDA, the City and the EDA Property #1 Seller related to the acquisition by the EDA of EDA Property #1;

EDA Property #1 Seller means Carver Property Management A&K, L.L.C., a Minnesota limited liability company;

EDA Property #2 means the real property described as "EDA Property #2" on **Exhibit B**;

EDA Property #2 Deed means the Quit Claim Deed in the form attached hereto as **Exhibit J**, to be executed by the EDA conveying the EDA Property #2 to the Developer;

EDA Property #2 Purchase Agreement means the Purchase Agreement dated __________, 2018 between the EDA and the EDA Property #2 Seller related to the acquisition by the EDA of EDA Property #2;

EDA Property #2 Seller means Carver County Community Development Agency, a public body corporate and politic and a political subdivision of the State of Minnesota;

Environmental Escrow Account means a non-interest-bearing escrow account to be established by the City for the benefit of the EDA and the Developer and applied as provided in Section 4.8 hereof;

Event of Default means any of the events described in Section 5.1 hereof;

Interfund Loan means the interfund loan of non-federal funds from a fund of the EDA to be determined which was used to finance a portion of the EDA's costs of acquiring the EDA Property #1, in the aggregate amount of $649,999 with interest thereon at the rate of 3.00% per annum, all as set forth in a resolution to be adopted by the EDA;

Interfund Payment Date has the meaning as set forth in Section 3.2.

Organizational Documents shall mean the following which shall be in form and substance acceptable to EDA: (a) Articles of Organization and Operating Agreement of the Developer, accompanied by a Certificate of Good Standing from the Minnesota Secretary of State; (b) An opinion of counsel for Developer stating that the Developer is a Minnesota limited liability company duly organized and existing under the laws of the State of Minnesota, that each of the Developer's Documents have been duly executed and delivered and are the legal and binding obligations of Developer, enforceable in accordance with their respective terms, subject to matters of bankruptcy, stay, insolvency, reorganization or other laws relating to or affecting creditors' rights generally or by principles of equity;

Project means the construction by the Developer of approximately 10,597 square feet of commercial space in one or more buildings on the Development Property;

State means the State of Minnesota;

Tax Increments means the tax increments derived from the TIF District and the improvements thereon which have been received and retained by the EDA in accordance with Minnesota law, as amended from time to time, including without limitation the provisions of Minnesota Statutes, Section 469.177;

TIF Act means Minnesota Statutes, Sections 469.174 through 469.1794, as amended;

TIF District means the Tax Increment Financing (Redevelopment) District No. 21 consisting of the property legally described in **Exhibit A** attached hereto, which the EDA proposes to establish as a redevelopment district under the TIF Act;

TIF Plan means the tax increment financing plan approved for the TIF District;

Title Company means Title Mark, LLC, or other title company designated by Developer;

Termination Date means the earlier of (i) February 1, 2047; or (ii) any earlier date this Agreement is cancelled in accordance with the terms hereof if the Interfund Loan is deemed paid in full; or (iii) the final Interfund Payment Date following the final collection of Tax Increments prior to the decertification of the TIF District in accordance with the law;

Total Development Costs means the costs as set forth on **Exhibit D**; and

Unavoidable Delays means delays, outside the control of the party claiming their occurrence, which are the direct result of strikes, other labor troubles, unusually severe or prolonged bad weather, acts of God, acts of war or terrorism, fire or other casualty to the Project, litigation commenced by third parties which, by injunction or other similar judicial action or by the exercise of reasonable discretion, directly results in delays, or acts of any federal, state or local governmental unit (other than the EDA) which directly result in delays, acts of the public enemy or acts of terrorism and discovery of unknown hazardous materials or other concealed site conditions or delays of contractors due to such discovery.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the EDA. The EDA makes the following representations and warranties:

(1) The EDA is a body corporate and politic organized and existing under the laws of the State and has the power to enter into this Agreement and carry out its obligations hereunder.

(2) Subject all conditions required by law, including without limitation approval by the City Council of the City after a public hearing, the EDA proposes to establish the TIF District as a “redevelopment district” within the meaning of Minnesota Statutes, Section 469.174, Subdivision 10.

(3) The development contemplated by this Agreement is in conformance with the development objectives set forth in the Redevelopment Plan.

(4) The EDA proposes, subject to the further provisions of this Agreement, to apply Tax Increments to repay the Interfund Loan and provide the proceeds of the Interfund Loan and certain other financial assistance to the Developer as set forth herein.

(5) The EDA makes no representation or warranty, either express or implied, as to the Development Property or its condition, or that the Development Property shall be suitable for the Developer’s purposes or needs.

(6) No member of the Board of Commissioners of the EDA, or officer of the EDA, has either a direct or indirect financial interest in this Agreement.

Section 2.2. Representations and Warranties of the Developer. The Developer makes the following representations and warranties:

(1) The Developer is a Minnesota limited liability company duly and validly organized and existing in good standing under the laws of the State, and has power and authority to enter into this Agreement and to perform its obligations hereunder and is not in violation of any provision of the laws of the State.

(2) The Developer has or will acquire fee title to the Development Property, and will cause the Project to be constructed in accordance with the terms of this Agreement, the Redevelopment Plan, and all local, state and federal laws and regulations including, but not limited to, environmental, zoning, energy conservation, building code and public health laws and regulations.

(3) The Project would not be undertaken by the Developer, and in the opinion of the Developer would not be economically feasible within the reasonably foreseeable future, without the assistance and benefit to the Developer provided for in this Agreement.

(4) The Developer will obtain, or cause to be obtained, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state, and federal laws and regulations which must be obtained or met for the construction and operation of the Project.

(5) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provision of any contractual restriction, evidence of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(6) The Developer understands that the EDA and the City may subsidize or encourage the development of other developments in the City, including properties that compete with the Development Property and the Project, and that such subsidies may be more favorable than the terms of this Agreement, and that neither the EDA nor the City has represented that development of the Development Property will be favored over the development of other properties.

(7) Subject to Unavoidable Delays, and obtaining all required governmental approvals, the construction of the Project will commence within 60 days following Developer's acquisition of fee title to the Development Property; and, barring Unavoidable Delays, the Project will be substantially completed by November 1, 2019. Notwithstanding the foregoing, failure of the Developer to substantially complete the Project shall not be an Event of Default unless the Project is not substantially completed by December 31, 2019.

(8) The Total Development Costs of the Project are estimated to be approximately $3,830,000, and the sources of revenue to pay such costs are approximately $___________, excluding the reimbursement of the EDA Property #1 Purchase Price provided herein by the EDA, and the Developer has been unable to obtain additional private financing or investment for the total estimated Total Development Costs at rates or returns that allow the Project to be economically feasible within the reasonably foreseeable future.

(9) The Developer's estimate of the Total Development Costs of the Project and sources of revenue to pay such costs are set forth on **Exhibit D** attached hereto.

(10) As of January 2, 2020, the estimated market value of the property described in **Exhibit A** is expected to be at least $1,970,000.

ARTICLE III
UNDERTAKINGS BY DEVELOPER AND THE EDA

Section 3.1. Total Development Costs and Public Costs. Based on the Developer's representation that the Total Development Costs are estimated to be approximately $3,830,000, that the sources of revenue available to pay such costs, excluding the EDA's land cost reimbursement contemplated herein, is $_________, and that the Developer is unable to obtain additional private financing or investment for the total estimated Total Development Costs at rates or returns that allow the Project to be economically feasible within the reasonably foreseeable future, the EDA has agreed to provide tax increment financing assistance as hereinafter set forth. The Developer agrees that it will construct the Project on the Development Property.

Section 3.2. Agreement to Pay Tax Increment Shortfall. In order to assist with the costs of site acquisition, the EDA agrees, subject to establishment of a TIF District after a public hearing, a public hearing on the sale of the EDA Property #1 and satisfaction of all other conditions required by law to implement the terms of this Agreement, to convey the EDA Property #1 to the Developer in accordance with the terms of Article IV of this Agreement and to reimburse the Developer for a portion of the purchase price from proceeds of the Interfund Loan in an amount equal to $649,999 as further set forth in this Agreement.

Commencing August 1, 2021, on each February 1 and August 1 thereafter to and including February 1, 2047, or, if the first day of either February 1 or August 1 should not be a Business Day, the next succeeding Business Day (the "Interfund Payment Dates") the EDA will credit against the principal amount of the Interfund Loan, an amount equal to 90% of the Tax Increments received by the EDA in the 6-month period preceding such Interfund Payment Date (the "Available Tax Increments"). If, on any Interfund Payment Date, the Available Tax Increments received by the EDA in the 6-month period preceding such Interfund Payment Date are less than the amount shown in the schedule below, the Developer shall pay, by check or draft mailed to the EDA, an amount equal to the deficiency. The Developer's obligation to make such payments is evidenced by the Purchase Price Note delivered in accordance with Section 4.5(3) hereof.

Date	Amount	Date	Amount	Date	Amount	Date	Amount
8/1/21	12,265	2/1/28	15,864	8/1/34	20,955	2/1/41	26,241
2/1/22	12,265	8/1/28	16,528	2/1/35	20,955	8/1/41	27,217
8/1/22	12,821	2/1/29	16,528	8/1/35	21,772	2/1/42	27,217
2/1/23	12,821	8/1/29	17,213	2/1/36	21,772	8/1/42	28,222
8/1/23	13,394	2/1/30	17,213	8/1/36	22,614	2/1/43	28,222
2/1/24	13,394	8/1/30	17,917	2/1/37	22,614	8/1/43	29,257
8/1/24	13,984	2/1/31	17,917	8/1/37	23,481	2/1/44	29,257
2/1/25	13,984	8/1/31	18,643	2/1/38	23,481	8/1/44	30,323
8/1/25	14,592	2/1/32	18,643	8/1/38	24,374	2/1/45	30,323
2/1/26	14,592	8/1/32	19,391	2/1/39	24,374	8/1/45	31,421
8/1/26	15,219	2/1/33	19,391	8/1/39	25,294	2/1/46	31,421

Date	Amount	Date	Amount	Date	Amount	Date	Amount
2/1/27	15,219	8/1/33	20,162	2/1/40	25,294	8/1/46	32,553
8/1/27	15,864	2/1/34	20,162	8/1/40	26,241	2/1/47	32,553

If, as of the termination date of the TIF District, the EDA has received Tax Increments in excess of an amount sufficient to repay the principal amount of $649,999, the EDA will, on or before December 31, 2047, apply such excess to reimburse the Developer for any amounts paid to the EDA pursuant to this Section 3.2 or the Purchase Price Note in an amount equal to such excess.

If, as of the termination date of the TIF District, the EDA has received Tax Increments in an amount less than $649,999, the EDA will, if the Tax Increments have been received by the EDA in an amount at least equal to the amounts set forth above or the Developer has paid all deficiency amounts in accordance with this Section 3.2 and the Purchase Price Note, forgive the remaining principal amount of the Purchase Price Note.

Section 3.3. Developer to Pay EDA's Fees and Expenses. The Developer will pay all the EDA's Administrative Costs (as defined below). For the purposes of this Agreement, the term "Administrative Costs" means reasonable out of pocket costs incurred by the EDA together with staff and consultant (including engineering, legal, financial adviser, environmental advisor, planning advisor, etc.) costs of the EDA, all attributable to or incurred in connection with the establishment of the TIF District and the TIF Plan and review, negotiation and preparation of this Agreement (together with any other agreements entered into between the parties hereto contemporaneously therewith) and review and approvals of any land use, zoning and subdivision applications for the Development Property, and other documents and agreements in connection with the Project; provided, however, that certain of such costs are required to be paid, or additional funds deposited in escrow, in accordance with the City's policies and procedures for development and permitting. The Developer is obligated pay such Administrative Costs within 30 days after receipt of a written notice from the EDA containing evidence of Administrative Costs incurred by the EDA or at the Closing, whichever is later. The EDA acknowledges that the Developer has deposited $5,000 for this purpose which has been applied to the payment of Administrative Costs.

Section 3.4. Compliance with Environmental Requirements.

(1) The Developer shall comply with all applicable local, state, and federal environmental laws and regulations, and will obtain, and maintain compliance under, any and all necessary environmental permits, licenses, approvals or reviews.

(2) The EDA makes no warranties or representations regarding, nor does it indemnify the Developer with respect to, the existence or nonexistence on or in the vicinity of the Development Property or anywhere within the TIF District of any toxic or hazardous substances or wastes, pollutants or contaminants (including, without limitation, asbestos, urea formaldehyde, the group of organic compounds known as polychlorinated biphenyls, petroleum products including gasoline, fuel oil, crude oil and various constituents of such products, or any hazardous substance as defined in the Comprehensive Environmental Response, Compensation

and Liability Act of 1980 ("CERCLA"), 42 U.S.C. §§ 961-9657, as amended) (collectively, the "Hazardous Substances") and Developer waives any claims against the EDA for indemnification, contribution, reimbursement or other payments arising under federal and state law and the common law or relating to the environmental condition of the land comprising the Development Property.

(3) The Developer agrees to take all necessary action to remove or remediate any Hazardous Substances located on the Development Property to the extent required by and in accordance with all applicable local, state and federal environmental laws and regulations; provided, however, that, with respect to the EDA Property #1, funds in the Environmental Escrow Account are sufficient to pay for the removal and remediation of Hazardous Substances on the EDA Property #1.

(4) Developer acknowledges receipt of the environmental reports covering the EDA Property #1 (the "EDA Property #1 Environmental Reports") described in **Exhibit I** attached hereto and incorporated herein by reference and Developer waives any claims against the EDA for indemnification, contribution, reimbursement or other payments arising under federal and state law and the common law or relating to the environmental condition of the land comprising the EDA Property #1.

(5) Developer waives any claims against the EDA for indemnification, contribution, reimbursement or other payments arising under federal and state law and the common law or relating to the environmental condition of the land comprising the EDA Property #2.

Section 3.5. Construction Plans.

(1) Prior to the commencement of construction of the Project, the Developer will deliver to the EDA the Construction Plans and a sworn construction cost statement certified by the Developer and the general contractor (the "Sworn Construction Cost Statement"). The EDA shall promptly review any Construction Plans upon submission and deliver to the Developer a written statement approving the Construction Plans or a written statement rejecting the Construction Plans and specifying the deficiencies in the Construction Plans. The EDA shall approve the Construction Plans if: (i) the Construction Plans substantially conform to the terms and conditions of this Agreement; (ii) the Construction Plans are consistent with the goals and objectives of the Redevelopment Plan; (iii) the Construction Plans comply with the site plan, including without limitation using consistent construction materials and architectural style; and (iv) the Construction Plans do not violate any applicable federal, State or local laws, ordinances, rules or regulations. If the Construction Plans are not approved by the EDA, then the Developer shall make such changes as the EDA may reasonably require and resubmit the Construction Plans to the EDA for approval. If the EDA has not rejected the Construction Plans in writing within 15 calendar days of submission, such Construction Plans shall automatically be deemed approved by the EDA.

(2) The approval of the Construction Plans, or any proposed amendment to the Construction Plans, by the EDA does not constitute a representation or warranty by the EDA that the Construction Plans or the Project comply with any applicable building code, health or safety regulation, zoning regulation, environmental law or other law or regulation, or that the Project

will meet the qualifications for issuance of a certificate of occupancy, or that the Project will meet the requirements of the Developer or any other users of the Project. Approval of the Construction Plans, or any proposed amendment to the Construction Plans or by the EDA will not constitute a waiver of an Event of Default. Nothing in this Agreement shall be construed to relieve the Developer of its obligations to receive any required approval of the Construction Plans from any City department.

Section 3.6. Commencement and Completion of Construction. Subject to the terms and conditions of this Agreement and to Unavoidable Delays, the Developer will commence construction of the Project within 60 days following Developer's acquisition of fee title to all of the real property constituting the Development Property; and, shall substantially complete the Project by November 1, 2019. Notwithstanding the foregoing, failure of the Developer to substantially complete the Project shall not be an Event of Default unless the Project is not substantially completed by December 31, 2019 and such failure is not the result of Unavoidable Delays. The Project will be constructed by the Developer on the Development Property in conformity with this Agreement, the Design Drawings, the preliminary site plan submitted by the Developer, and the Construction Plans approved by the EDA. No changes shall be made to the Construction Plans for the Project without the EDA's prior written approval, unless the aggregate of such changes do not increase or decrease the Total Development Costs by more than 10%. No changes which materially alter (a) the Project's site plan, (b) exterior appearance, (c) exterior materials, or (d) number of parking spaces included in the Design Drawings and Construction Plans shall be made without the EDA's prior written consent. The approval of the EDA will not be unreasonably withheld, unreasonably conditioned or unreasonably delayed. Prior to completion, upon the request of the EDA, and subject to applicable safety rules, the Developer will provide the EDA reasonable access to the Development Property. "Reasonable access" means at least one site inspection per week during regular business hours and not interfering with Developer's activities. During construction, marketing and rentals of the Project, the Developer will deliver progress reports to the EDA from time to time as mutually agreed upon by the EDA and the Developer.

Section 3.7. Certificate of Completion. The Developer shall notify the EDA when construction of the Project has been substantially completed. At no cost to Developer, the EDA shall promptly inspect the Project in order to determine whether the Project has been constructed in substantial conformity with this Agreement, the approved Construction Plan. If the EDA determines that the Project has not been constructed in substantial conformity with this Agreement and the approved Construction Plans and the EDA shall deliver a written statement to the Developer indicating in adequate detail the specific respects in which the Project has not been constructed in substantial conformity with the approved Construction Plans and Developer shall promptly remedy such deficiencies. Promptly upon determining that the Project has been constructed in substantial conformity with this Agreement, the approved Construction Plans, the EDA will furnish to the Developer a Certificate of Completion in the form attached hereto as **Exhibit E** certifying the completion of the Project. The Certificate of Completion issued for the Project shall conclusively satisfy and terminate the agreements and covenants of the Developer in this Agreement and the EDA Property #1 Deed to construct the Project. The Developer may cause the Certificate of Completion to be recorded in the proper office for recordation of deeds and other instruments pertaining to the Development Property.

Section 3.8. Additional Responsibilities of the Developer.

(1) The Developer will construct, operate and maintain, or cause to be operated and maintained, the Project in substantial accordance with the terms of this Agreement, the Redevelopment Plan and all local, State, and federal laws and regulations including, but not limited to zoning, building code, public health laws and regulations, except for approved variances necessary to construct the Project contemplated in the Construction Plans approved by the EDA.

(2) The Developer will submit complete applications, in a timely manner, for all required permits, licenses, and approvals, and will meet, in a timely manner, all requirements of all applicable local, State, and federal laws and regulations which must be obtained or met before the Project may be lawfully constructed.

(3) The Developer will not construct any building or other structures on, over, or within the boundary lines of any public utility easement unless such construction is provided for in such easement or has been approved by the utility involved.

(4) The Developer, at its own expense, will replace any public facilities and public utilities damaged during the construction of the Project, in accordance with the technical specifications, standards and practices of the owner thereof.

(5) The Developer will provide and maintain or cause to be maintained at all times and, from time to time at the request of the EDA, furnish the EDA with proof of payment of premiums on insurance of amounts and coverages normally held by owners of property similar to the Project.

(6) The Developer shall ensure that ingress and egress to the portion of Tax Parcel Identification Number 306560030 to be retained by the EDA Property #2 Seller (the "CDA Retained Parcel") shall not change from the current ingress and egress as a result of the Developer's subdivision of Tax Parcel Identification Number 306560030 or otherwise in connection with the site plan for the Project.

(7) The Developer shall ensure that access to the dumpsters and condenser units on the CDA Retained Parcel shall not change as a result of the Developer's subdivision of Tax Parcel Identification Number 306560030 or otherwise in connection with the site plan for the Project.

(8) The Developer shall construct parking improvements on the CDA Retained Parcel as required pursuant to the City's site plan approval for the Project, including without limitation, re-orienting and re-striping parking stalls, relocating two accessible parking stalls, re-paving, and installing curbs, sidewalks and landscaping.

(9) The Developer shall permit residents of the apartments located at 705 Walnut Street to park in the parking lot located on the Development Property after business hours.

Section 3.9. Encumbrance of the Development Property. Until the final Interfund Payment Date, without the prior written consent of the EDA, which shall not be unreasonably withheld or delayed, neither the Developer nor any successor in interest to the Developer will engage in any financing or any other transaction creating any mortgage or other encumbrance or lien upon the Development Property, or portion thereof, whether by express agreement or operation of law, or suffer any encumbrance or lien to be made on or attach to the Development Property except for the purpose of obtaining funds only to the extent necessary for financing or refinancing the acquisition and construction of the Project (including, but not limited to, land and building acquisition, labor and materials, professional fees, development fees, real estate taxes, reasonably required reserves, construction interest, organization and other direct and indirect costs of development and financing, costs of constructing the Project, and an allowance for contingencies) including without limitation land use restriction agreements in connection with such financings.

Section 3.10. Business Subsidy Act. The County assessor has estimated the current year's market value of the Development Property to be $719,200. The Developer represents that the Developer's investment (net of amounts paid pursuant to this Agreement) in acquisition and site preparation of the Development Property will be not less than $_________ (i.e. $__________ - $649,999). The Developer represents that because this is a redevelopment of a blighted property and the Developer's investment in the purchase price and cost of site preparation for the Development Property will equal 70% or more of the assessor's current year's estimated market value of the Development Property (i.e. $503,448) the assistance for the Project does not constitute a "business subsidy" and therefore the provisions of the Business Subsidy Law do not apply.

Section 3.11. Execution of Assessment Agreement.

(1) On the Closing Date, the Developer and the EDA shall execute the Assessment Agreement relating to the Project pursuant to the provisions of Minnesota Statutes, Section 469.177, Subdivision 8, specifying the Assessor's Minimum Market Value for calculation of real property taxes. Specifically, the Developer shall agree to a market value in the amount of $1,970,000 as of January 2, 2020. Nothing in the Assessment Agreement or this Agreement limits the discretion of the assessor for the County to assign a market value to the property in excess of such Assessor's Minimum Market Value nor prohibits the Developer from seeking, through the exercise of legal or administrative remedies, a reduction in such market value for property tax purposes, provided however, the Developer shall not seek a reduction of such market value below the Assessor's Minimum Market Value for any year so long as the Assessment Agreement remains in effect for that year.

(2) The Assessment Agreement shall remain in effect until the earlier of (i) January 31, 2046 for taxes payable in 2047, or (ii) the date on which the TIF District expires or is otherwise terminated. The Assessment Agreement shall be certified by the County as provided in Minnesota Statutes, Section 469.177, Subdivision 8, upon a finding by the assessor of the County that the Assessor's Minimum Market Value represents a reasonable estimate based upon the plans and specifications for the Project to be constructed on the Development Property. Pursuant to Minnesota Statutes, Section 469.177, Subdivision 8, the Assessment Agreement shall be filed for record in the office of the county recorder or registrar of titles of the County prior to any lien on the Development Property, including any mortgage, and such filing shall constitute notice to any subsequent encumbrancer or purchaser of the Development Property, whether

voluntary or involuntary, and such Assessment Agreements shall be binding and enforceable in its entirety against any such subsequent purchaser or encumbrancer, including the holder of any mortgage.

(3) The Developer agrees to pay the cost of filing such Assessment Agreement with the Carver County Recorder and/or Registrar of Titles.

(4) The Developer agrees that prior to the Termination Date it will not cause a reduction in the real property taxes paid in respect of the Project through willful destruction of the Project or any part of the Development Property; or willful refusal to reconstruct damaged or destroyed property. Developer also agrees that it will not, prior to the Termination Date, apply for a deferral of property tax on the Development Property and the improvements thereon pursuant to any law, or transfer or permit transfer of the Development Property to any entity whose ownership or operation of the property would result in the Development Property being exempt from real estate taxes under State law.

(5) The Developer shall notify the EDA within 10 days of filing any petition to seek reduction in market value or property taxes on any portion of the Development Property under any State law (referred to as a "Tax Appeal"). If as of any Interfund Payment Date, any Tax Appeal is then pending, the EDA will withhold payments of Tax Increments attributable to the disputed tax payment that is the subject of the Tax Appeal to determine any shortfall pursuant to Section 3.2. The EDA will apply any withheld amount to the extent not reduced as a result of the Tax Appeal promptly after the Tax Appeal is fully resolved and the amount of Tax Increment attributable to the disputed tax payments is finalized.

ARTICLE IV
ACQUISITION AND CONVEYANCE OF PROPERTY

Section 4.1. Purchase and Sale of Property; Purchase Price.

(1) The EDA and the EDA Property #1 Seller have executed the EDA Property #1 Purchase Agreement. Subject to establishment of a TIF District after a public hearing, a public hearing on the sale of the EDA Property #1 and satisfaction of all other conditions required by law to implement the terms of this Agreement, satisfaction of the conditions set forth in Section 4.4(2) and the other terms of this Agreement and the EDA Property #1 Purchase Agreement, the EDA agrees to acquire the EDA Property #1 in accordance with the EDA Property #1 Purchase Agreement. Upon satisfaction of the conditions set forth in the preceding sentence and the acquisition of the EDA Property #1, the EDA agrees to sell to the Developer, and Developer agrees to purchase from the EDA, the EDA Property #1 for a purchase price in the amount of Six Hundred and Fifty Thousand and no/100 Dollars ($650,000) (the "EDA Property #1 Purchase Price") and to pay the EDA Property #1 Purchase Price as provided in Section 4.3 hereof.

(2) The EDA and the EDA Property #2 Seller have executed the EDA Property #2 Purchase Agreement. Subject to a public hearing on the sale of the EDA Property #2 and satisfaction of all other conditions required by law to implement the terms of this Agreement, satisfaction of the conditions set forth in Section 4.4(2) and the other terms of this Agreement and the EDA Property #2 Purchase Agreement, the EDA agrees to acquire the EDA Property #2 in accordance with the EDA Property #2 Purchase Agreement. Upon satisfaction of the conditions set forth in the preceding sentence and the acquisition of the EDA Property #2, the EDA agrees to sell to the Developer, and Developer agrees to purchase from the EDA, the EDA Property #2 for a purchase price in the amount of Thirty-six Thousand Dollars and No Cents ($36,000) (the "EDA Property #2 Purchase Price") and to pay the EDA Property #2 Purchase Price as provided in Section 4.3 hereof.

Section 4.2. As Is Conveyance. In recognition of the significant economic contributions which the EDA has made to redevelop the Development Property, the Developer shall take the conveyance of the EDA Property #1 and the EDA Property #2 on an "AS IS" "WHERE IS" basis, with all faults and defects, without any warranties, express or implied, except such representations and warranties as specifically set forth in this Agreement, and the Developer waives any claims against the EDA and its governing bodies' members, officers, agents, including the independent contractors, consultants and legal counsel, servants and employees thereof (for purposes of this Section, collectively the "Indemnified Parties"), for indemnification, contribution, reimbursement or other payments arising under federal and state law and the common law relating to environmental or any other condition of the EDA Property #1 and the EDA Property #2. The EDA has no obligation to produce any evidence of title. The Developer will obtain its own title evidence from the Title Company. The Developer acknowledges that the EDA has provided copies of the EDA Property #1 Environmental Reports, to the Developer, and that the Developer has had sufficient time and opportunity to fully review and consider said documents. The EDA has no actual knowledge of any other reports in their possession regarding the condition of the EDA Property #1 or the EDA Property #2.

Section 4.3. Payment of Purchase Price.

(1) The EDA Property #1 Purchase Price for the EDA Property #1 shall be paid by Developer to the EDA at Closing as follows: (a) One and no/100 Dollars ($1.00) in cash or certified funds or by wire transfer; and (b) the balance of Six Hundred and Forty-Nine Thousand Nine Hundred Ninety-Nine and no/100 Dollars ($649,999) by a promissory note in the form of **Exhibit C** attached hereto ("Purchase Price Note"). The Developer shall assume or pay all taxes, special assessments and similar governmental impositions due and payable in the year of Closing and after the Closing Date and all future years.

(2) The EDA Property #2 Purchase Price for the EDA Property #1 shall be paid by Developer to the EDA at Closing as follows: Thirty-six Thousand Dollars and No Cents ($36,000) in cash or certified funds or by wire transfer. The Developer shall assume or pay all taxes, special assessments and similar governmental impositions due and payable in the year of Closing and after the Closing Date and all future years.

Section 4.4. Contingencies to Closing on EDA Property.

(1) Developer's Contingencies. The Developer's obligation to close on the purchase of the EDA Property #1 and the EDA Property #2 is expressly conditioned upon each of the following contingencies being satisfied or waived:

(a) obligations required to be performed by EDA under this Agreement as of the Closing Date, including but not limited to, delivery of all of the EDA's Documents described in Section 4.5(2) hereof; and

(b) the Developer shall have received all necessary rezoning, variances, conditional use permits and other permits, site plan and other approvals needed to permit the construction of the Project; and

(c) the Developer shall have completed such environmental investigation (including soil conditions) with respect to the EDA Property #1 and the EDA Property #2 as it deems prudent and shall be satisfied with the results thereof; and

(d) the Developer shall have obtained financing acceptable to the Developer for development of the Project; and

(e) on the Closing Date, the Title Company shall be irrevocably committed to issue to Developer an owner's policy of title insurance with respect to the EDA Property #1 in form and substance approved by Developer; and

(f) the EDA Property #1 Seller shall have deposited $50,000 in the Environmental Escrow Account to be applied in accordance with Section 4.8.

If the Developer determines that any of the foregoing contingencies have not been satisfied on or before the Closing Date, the Developer may, at the option of the Developer, extend the Closing Date for a period of up to 90 days by giving written notice to the EDA.

(2) EDA's Contingencies. The EDA's obligation to close on the sale of the EDA Property #1 and the EDA Property #2 is expressly conditioned upon each of the following contingencies being satisfied or waived:

(a) Developer shall have performed all of the obligations required to be performed by Developer under this Agreement as of the Closing Date;

(b) Developer shall have delivered to the EDA all of the Developer's Documents described in Section 4.5(3);

(c) The City shall have approved the establishment of the TIF District after a public hearing and upon satisfaction of all other conditions required by the TIF Act and the assistance described in Section 3.2;

(d) The EDA shall have approved the sale of the EDA Property #1 and the EDA Property #2 to the Developer after a public hearing and upon satisfaction of all other conditions required by State law;

(e) The EDA shall have approved the assistance described in Section 3.2 and all other conditions required by law to implement the terms of this Agreement have been satisfied;

(f) The Developer shall have submitted the Construction Plans to the EDA and the EDA shall have approved the Construction Plans pursuant to Section 3.6 hereof.

(g) The City has approved a building permit for the construction of the Project;

(h) All the conditions set forth in the EDA Property #1 Purchase Agreement shall have been satisfied and the parties thereto shall have closed on the sale and the EDA Property #1 Seller shall have delivered title to the EDA Property #1 to the EDA;

(i) All the conditions set forth in the EDA Property #2 Purchase Agreement shall have been satisfied and the parties thereto shall have closed on the sale and the EDA Property #2 Seller shall have delivered title to the EDA Property #2 to the EDA;

(j) Developer shall have received or the EDA shall have determined that the Developer will receive all necessary rezoning, variances, conditional use permits and other permits, site plan and other approvals needed to permit the construction of the Project, including without limitation any needed variances and final plat approval; and

(k) Developer shall have obtained all necessary financing for development of the Project.

(3) EDA's and Developer's Options. In the event that any of the foregoing contingencies fail to be satisfied on or before the Closing Date, the Developer or the EDA, as the case may be, may:

(a) terminate this Agreement; or

(b) waive such failure and proceed to close; or

(c) the Developer and EDA may mutually agree to extend the Closing Date.

Section 4.5. Closing.

(1) Time and Place. Subject to the terms and conditions of this Agreement, the Closing on the purchase and sale of the EDA Property #1 and the EDA Property #2 shall take place on the Closing Date and shall take place at such place which is mutually acceptable to the parties. The EDA shall deliver possession of the EDA Property #1 and the EDA Property #2 on the Closing Date.

(2) EDA's Documents. At the Closing, the EDA shall execute, where appropriate, and deliver all of the following "EDA's Documents":

(a) The EDA Property #1 Deed, in substantially the form as **Exhibit F** attached hereto, properly executed on behalf of the EDA conveying the EDA Property #1 to the Developer, together with any other documents reasonably required to be delivered by the EDA.

(b) The EDA Property #2 Deed, in substantially the form as **Exhibit J** attached hereto, properly executed on behalf of the EDA conveying the EDA Property #2 to the Developer, together with any other documents reasonably required to be delivered by the EDA.

(c) Abstracts of title, if any, in the EDA's possession to any portion of the EDA Property #1 or the EDA Property #2 which is abstract property, and any owner's duplicate certificate of title to any portion thereof which is registered property. The EDA has no obligation to have any abstracts updated.

(d) An affidavit of EDA regarding liens, judgments, tax liens, bankruptcies, parties in possession, survey and mechanics' or materialmen's liens and other matters affecting title to the EDA Property #1 or the EDA Property #2 and/or as may be reasonably required by Title Company to delete the so-called "standard exceptions" from the title insurance policy.

(e) A transferor's certification stating that EDA is not a "foreign person", "foreign partnership", "foreign trust" or "foreign estate" as those terms are defined in Section 1445 of the Internal Revenue Code, and containing such additional information as may be required thereunder.

(f) A settlement statement consistent with this Agreement.

(g) The Assessment Agreement.

(h) Such other documents as shall be required to carry out the intent of this Agreement.

(3) Developer's Documents. At the Closing, the Developer shall execute, where appropriate, and deliver all of the following "Developer's Documents":

(a) A sworn construction cost statement executed by the Developer and the general contractor setting forth total Construction Costs of the Project.

(b) Proof of insurance required by this Agreement.

(c) To the extent required and obtainable as of the Closing Date, environmental clearances, subdivision approvals, permits, and any other required governmental approvals for the Project.

(d) An affidavit from Developer indicating on the Closing Date that there are no outstanding, unsatisfied judgments, tax liens or bankruptcies against or involving the Developer; that there has been no skill, labor or material furnished to the EDA Property #1 or the EDA Property #2 for which payment has not been made or for which mechanic's liens could be filed.

(e) Funds sufficient for payment by the Developer at Closing of the recording charges or fees for all documents which are to be placed on record, the fee or charge imposed by any closing agent designated by the Title Company, and any other incidental or related closing costs.

(f) The Organizational Documents and Construction Documents.

(g) The Assessment Agreement.

(h) The Purchase Price Note.

(i) Evidence satisfactory to the EDA that the Developer has sufficient financing to complete the Project.

(j) Such other documents as shall be required to carry out the intent of this Agreement.

Section 4.6. Closing Costs. The Developer shall pay the premium for the Developer's owner's policy of title insurance, filing and recording fees, and the costs of the Title Company to conduct and insure the Closing. The Developer shall also pay any state deed tax on the EDA Property #1 Deed or the EDA Property #2 Deed on behalf of the EDA.

Section 4.7. Title. The Developer has obtained a commitment for an owner's title insurance policy issued by the Title Company naming Developer as the proposed owner-insured of the EDA Property #1 and the EDA Property #2 (the "Commitment") together with copies of all documents referred to in the Commitment. The Developer agrees to take title to the EDA Property #1 and the EDA Property #2 subject only to the Permitted Encumbrances to Fee Title set forth in **Exhibit G**.

Section 4.8. <u>Environmental Remediation</u>. The EDA makes no representations concerning nor shall have any responsibility or obligation to undertake any cleanup or remediation on the EDA Property #1 or the EDA Property #2. Following delivery of the EDA Property #1 Deed, the Developer agrees to remediate any environmental contamination or pollution on the EDA Property #1 or the EDA Property #2 that may be required by law.

To address potential unknown refuse and Hazardous Materials, on the Closing Date, the EDA Property #1 Seller has deposited $50,000 (the "Escrow Funds") into the Environmental Escrow Account established by the City for the benefit of the Developer and the EDA.

(a) After Closing, the Developer and Bay West LLC (the "Environmental Engineer") shall develop a Response Action Plan ("RAP"), prepared with respect to EDA Property #1, to remediate conditions identified in the Phase II Investigation Report, 650 Chestnut Street, Chaska Minnesota, Bay West Project No. J170807, dated October 31, 2017, by Bay West LLC (the "Phase II Report") and any further work that may be required to remove or remediate any petroleum product or other pollutant, contaminant or other Hazardous Materials (the "Remediation") to the extent required by and in accordance with all applicable local, state and federal environmental laws and regulations, which shall be approved by the Voluntary Investigation and Cleanup Program staff, the Petroleum Brownfields Program staff or other appropriate program staff of Minnesota Pollution Control Agency ("MPCA") or other applicable action plan from another appropriate regulatory authority (collectively, the "Remediation Plan").

(b) The Developer agrees to take all necessary action to complete the Remediation in accordance with the applicable Remediation Plan.

(c) Whenever the Developer desires a disbursement of Escrow Funds to pay costs of the Remediation, which shall be no more often than monthly, the Developer shall submit to the City and the EDA a written request, accompanied by invoices or other evidence, satisfactory to the City and the EDA, of payment of costs of the Remediation in accordance with the applicable Remediation Plan. If the City and the EDA have not rejected the such costs in writing within 15 calendar days of submission, such costs of the Remediation shall automatically be deemed approved by the City and the EDA, and the City shall disburse the requested amount of the Escrow Funds or such lesser amount as is approved by City and the EDA.

(d) If the Escrow Funds are insufficient to pay all costs of the Remediation and complete the Remediation to a degree necessary to obtain a Closure Letter, the EDA will cause the EDA Property #1 Seller to pay half of such Remediation costs in excess of the Escrow Funds in accordance with the EDA Property #1 Purchase Agreement.

(e) Upon completion of the Remediation, the Developer shall deliver to the City a certificate of completion from the MPCA pursuant to Minnesota Statutes, Section 115B.175 or other closure letter from another appropriate regulatory authority that remediation has been completed to the satisfaction of the MPCA or other authority for purposes of constructing one or more commercial buildings on the Sale Property (the "Closure Letter"), shall be returned to the Developer.

Section 4.9. Developer's Right to Inspect. The Developer is hereby granted the right to enter upon and inspect, analyze and test the EDA Property #1 and the EDA Property #2 for all reasonable purposes, including conducting soil tests. The Developer shall pay for the cost of all investigations of the EDA Property #1 and the EDA Property #2 which are ordered by Developer for purposes of conducting its own investigations of the EDA Property #1 or the EDA Property #2. Developer hereby agrees to indemnify and hold the EDA harmless from any claims, damages, costs and liability, including without limitation reasonable attorneys' fees, resulting from entering upon the EDA Property #1 or the EDA Property #2 or the performing of the analysis, tests or inspections referred to in this section.

Section 4.10. Conveyance Subject to Right of Re-entry. The EDA's conveyance of the EDA Property #1 and the EDA Property #2 to the Developer pursuant to this Agreement will be made subject to a right of re-entry for breach of a condition subsequent in favor of the EDA. The condition subsequent is that, barring any Unavoidable Delays, the Developer shall have completed, not later than 12 months after the Closing Date, demolition of the existing buildings and construction of foundations of the Project on the Development Property in accordance with permits issued by the City. If Developer breaches such condition subsequent, the Developer shall re-convey the EDA Property #1 and the EDA Property #2 back to the EDA. If the Developer fails to re-convey the EDA Property #1 and the EDA Property #2 to the EDA, the EDA may elect to exercise its right of reentry by commencing an action in Carver County District Court to establish the breach of the condition subsequent. If the EDA establishes a breach of the condition subsequent, title to and the right to possession of the EDA Property #1 and the EDA Property #2 and title to all improvements located thereon reverts to the EDA, and the Developer is not entitled to any compensation from the EDA for the value of any improvements the Developer has made to the EDA Property #1 and the EDA Property #2. The Developer must record the Certificate of Completion in the proper County land records at its expense.

ARTICLE V
EVENTS OF DEFAULT

Section 5.1. Events of Default Defined. The following shall be "Events of Default" under this Agreement and the term "Event of Default" shall mean whenever it is used in this Agreement any one or more of the following events:

(1) Failure by the Developer to timely pay any ad valorem real property taxes assessed with respect to the Development Property.

(2) Subject to Unavoidable Delays, failure by the Developer to proceed with due diligence to substantially complete the construction of the Project pursuant to the terms, conditions and limitations of this Agreement by December 31, 2019.

(3) Failure of the Developer to observe or perform any other material covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement.

(4) Failure by the Developer to make a payment within 10 days after such payment is due under the Purchase Price Note or pursuant to Section 3.2.

(5) If, prior to the Completion Date, the Developer shall

(a) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act of 1978, as amended or under any similar federal or state law; or

(b) be adjudicated a bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Developer, as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within 60 days after the filing thereof; or a receiver, trustee or liquidator of the Developer, or of the Project, or part thereof, shall be appointed in any proceeding brought against the Developer, and shall not be discharged within 60 days after such appointment, or if the Developer, shall consent to or acquiesce in such appointment.

Section 5.2. Remedies on Default. Whenever any Event of Default referred to in Section 5.1 occurs and is continuing, the EDA, as specified below, may take any one or more of the following actions after the giving of 30 days' written notice to the Developer, but only if the Event of Default has not been cured within said 30 days; provided that if such Event of Default cannot be reasonably cured within the 30 day period, and the Developer has provided reasonable assurances to EDA that it is proceeding with due diligence to cure such default, such 30-day cure period shall be extended for an additional period deemed reasonably necessary by the EDA to effect the cure, but in any event not to exceed an additional 180 days:

(1) The EDA may suspend its performance under this Agreement until it receives assurances from the Developer, deemed reasonably adequate by the EDA, that the Developer will cure its default and continue its performance under this Agreement.

(2) The EDA may terminate this Agreement.

(3) The EDA may accelerate the payments of the Purchase Price Note and the obligations of the Developer under Section 3.2.

(4) If the Event of Default constitutes a breach of the condition subsequent set forth in the right of re-entry in Section 4.10 the EDA reserves in a deed conveying the EDA Property #1 and the EDA Property #2 to the Developer, the EDA may exercise its right of re-entry as set forth in the EDA Property #1 Deed and the EDA Property #2 Deed and Section 4.10 hereof.

(5) The EDA may seek specific performance of the obligations of the Developer pursuant to this Agreement and the Purchase Price Note or damages to the extent otherwise set forth herein as to any obligation, agreement, or covenant of the Developer under this Agreement or the Purchase Price Note.

(6) The EDA may take any action, including legal or administrative action, in law or equity, which may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant of the Developer under this Agreement.

Section 5.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the EDA is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 5.4. No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 5.5. Indemnification of EDA and the City .

(1) The Developer releases from and covenants and agrees that the EDA and the City, and their governing bodies' members, officers, agents, including the independent contractors, consultants and legal counsel, servants and employees thereof (hereinafter, for purposes of this Section, collectively the "Indemnified Parties") shall not be liable for and agrees to indemnify and hold harmless the Indemnified Parties against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Project, except to the extent caused by any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties.

(2) Except for any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties, the Developer agrees to protect and defend the Indemnified Parties, now and forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from the actions or inactions of the Developer (or if other persons acting on its behalf or

under its direction or control) under this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Project; provided, that this indemnification shall not apply to the warranties made or obligations undertaken by the EDA in this Agreement.

(3) All covenants, stipulations, promises, agreements and obligations of the EDA contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the EDA, and not of any governing body member, officer, agent, servant or employee of the EDA.

Section 5.6. Reimbursement of Attorneys' Fees. If the Developer shall default under any of the provisions of this Agreement, and the EDA shall employ attorneys or incur other reasonable expenses for the collection of payments due hereunder, or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer contained in this Agreement, the Developer will on demand therefor reimburse the EDA for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 5.7. Developer Remedies on Default. Whenever any Event of Default occurs by the EDA, the Developer may, after 30 days' prior written notice to the EDA, suspend its performance under this Agreement and/or take whatever action at law or in equity may appear necessary or desirable to the Developer to enforce performance and observance of any obligation, agreement, or covenant of the EDA under this Agreement. Nothing in this Agreement shall entitle the Developer to make any claim against the EDA for any damages whatsoever and the Developer's remedies are strictly limited to the foregoing. However, if the Developer prevails in an adjudicated proceeding to compel specific performance of any obligation, agreement, or covenant of the EDA under this Agreement on which the EDA is in default and the Developer shall employ attorneys or incur other reasonable expenses in connection with such proceeding, the EDA will on demand therefor reimburse the Developer for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

ARTICLE VI
ADDITIONAL PROVISIONS

Section 6.1. Restrictions on Use. The Developer agrees for itself, its successors and assigns and every successor in interest to the Development Property, or any part thereof, that, through the Termination Date, the Developer and such successors and assigns shall operate, or cause to be operated, the Project as a commercial property in accordance with City zoning, which does not qualify for an exemption from property taxes. The conversion of any portion of the Project to any other use shall result in the termination of the use of the Tax Increments and require immediate payment in full of the outstanding balance of the Purchase Price Note and the Interfund Loan, unless the City first approves said change in use.

Section 6.2. Reports. The Developer shall provide the EDA reports in a timely manner with such information about the Project as the EDA may reasonably request for purposes of satisfying any reporting requirements imposed by law on the EDA.

Section 6.3. Limitations on Transfer and Assignment.

(1) Except as provided in Section 3.9 or Section 6.3(5), the Developer will not sell, assign, convey, lease or transfer in any other mode or manner (collectively, "Transfer") this Agreement or the Development Property or the Project, or any interest therein, without the express written approval of the EDA, which consent will not be unreasonably withheld, conditioned or delayed;

(2) The Developer shall not, prior to the Termination Date, permit any Transfer of the Development Property or the Project to any entity whose ownership or operation of the property would result in the Development Property being exempt from real estate taxes under State law;

(3) The EDA shall be entitled to require, as conditions to any approval of any Transfer of this Agreement, the Development Property, the Project, or applicable portion thereof, that:

> (a) Any proposed transferee shall have the qualifications and financial responsibility, as reasonably determined by the EDA, necessary and adequate to fulfill the obligations undertaken in this Agreement and the Purchase Price Note by the Developer;
>
> (b) Any proposed transferee, by instrument in writing satisfactory to the EDA shall, for itself and its successors and assigns, and expressly for the benefit of the EDA have expressly assumed any of the remaining obligations of the Developer under this Agreement and the Purchase Price Note and agreed to be subject to all the conditions and restrictions to which the Developer is subject.
>
> (c) There shall be submitted to the EDA for review all instruments and other legal documents involved in effecting transfer, and if approved by EDA, its approval shall be indicated to the Developer in writing;

(d) The Developer and its transferees shall comply with such other conditions as the EDA may reasonably require in order to achieve and safeguard the purposes of the Act, the TIF Act, this Agreement, and the Purchase Price Note; and

(e) In the absence of a specific written agreement by the EDA to the contrary, no such transfer or approval by the EDA thereof shall be deemed to relieve the Developer or any other party bound in any way by this Agreement or otherwise with respect to the construction of the Project, from any of its obligations with respect thereto.

(4) The Developer agrees to pay all reasonable legal fees and expenses of the EDA, including fees of the city attorney and outside counsel retained by the EDA to review the documents submitted to the EDA in connection with any Transfer.

(5) Nothing contained in this Section shall prohibit the Developer from (i) entering into leases with tenants in the ordinary course of business, (ii) entering into easement or other agreements necessary for the operation of the Project, (iii) admitting or removing members in accordance with the applicable organizational documents.

Section 6.4. <u>Conflicts of Interest</u>. No member of the governing body or other official of the EDA shall have any financial interest, direct or indirect, in this Agreement, the Development Property or the Project, or any contract, agreement or other transaction contemplated to occur or be undertaken thereunder or with respect thereto, nor shall any such member of the governing body or other official participate in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. No member, official or employee of the EDA shall be personally liable to the EDA in the event of any default or breach by the Developer or successor or on any obligations under the terms of this Agreement.

Section 6.5. <u>Titles of Articles and Sections</u>. Any titles of the several parts, articles and sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 6.6. <u>Notices and Demands</u>. Except as otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by any party to any other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, and

(a) in the case of the Developer is addressed to or delivered personally to:

Chaska Growth Holdings, LLC
1980 Excel Drive
Mankato, MN 56001

(b) in the case of the EDA is addressed to or delivered personally to the EDA at:

Chaska Economic Development Authority
Chaska City Hall
One City Hall Plaza
Chaska, MN 55318
Attn: Executive Director

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

Section 6.7. No Additional Waiver Implied by One Waiver. If any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 6.8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 6.9. Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

Section 6.10. Term; Termination. This Agreement shall terminate on the Termination Date. After the Termination Date, if requested by the Developer, the EDA will provide a termination certificate as to the Developer's obligations hereunder.

Section 6.11. Provisions Surviving Rescission, Expiration or Termination. Sections 5.5 and 5.6 shall survive any rescission, termination or expiration of this Agreement with respect to or arising out of any event, occurrence or circumstance existing prior to the date thereof.

Section 6.12. Superseding Effect. This Agreement reflects the entire agreement of the parties with respect to the development of the Development Property, and supersedes in all respects all prior agreements of the parties, whether written or otherwise, with respect to the development of the Development Property.

Section 6.13. Relationship of Parties. Nothing in this Agreement is intended, or shall be construed, to create a partnership or joint venture among or between the parties hereto, and the rights and remedies of the parties hereto shall be strictly as set forth in this Agreement. All covenants, stipulations, promises, agreements and obligations of the EDA contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the EDA and not of any governing body member, officer, agent, servant or employee of the EDA.

Section 6.14. Venue. All matters, whether sounding in tort or in contract, relating to the validity, construction, performance, or enforcement of this Agreement shall be controlled by and determined in accordance with the laws of the State of Minnesota, and the Developer agrees that all legal actions initiated by the Developer, the EDA with respect to or arising from any provision contained in this Agreement shall be initiated, filed and venued exclusively in the State of Minnesota, Carver County, District Court and shall not be removed therefrom to any other federal or state court.

Section 6.15. Merger. None of the provisions of this Agreement are intended to or shall be merged by reason of any deed transferring any interest in the EDA Property #1 or the EDA Property #2 and any such deed shall not be deemed to affect or impair the provisions and covenants of this Agreement. No waiver, consent, modification or change of terms of this Agreement shall bind any party unless in writing and signed by all parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instance and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this Agreement.

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

CHASKA ECONOMIC DEVELOPMENT AUTHORITY

By:______________________________________
Mark Windschitl
Its: President

By:______________________________________
Matt Podhradsky
Its: Executive Director

This is a signature page to the Purchase and Development Agreement, between the Chaska Economic Development Authority and Chaska Growth Holdings, LLC

CHASKA GROWTH HOLDINGS, LLC

By: ______________________________

Its: ______________________________

This is a signature page to the Purchase and Development Agreement, between the Chaska Economic Development Authority and Chaska Growth Holdings, LLC

EXHIBIT A

DESCRIPTION OF TIF DISTRICT

The real property situated in the City of Chaska, County of Carver, State of Minnesota, described as follows:

Parcel 1

The Klein Brick Yard Seventh A, Lot 002, Block 001

The Klein Brick Yard Seventh A, Lot 003, Block 001

EDA Property #1

PID #306560060

The Klein Brick Yard Seventh A, Lot 004, Block 001

To be replatted by the Developer as follows:

EDA Property #2

A portion of PID #306560030, which is currently legally described as Lot 2, Block 1, The Klein Brick Yard Seventh Addition

To be subdivided as depicted in **Exhibit K** to create the parcel labeled ___ in **Exhibit K**

EXHIBIT B

LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY

The real property situated in the City of Chaska, County of Carver, State of Minnesota, described as follows:

Parcel 1

The Klein Brick Yard Seventh A, Lot 002, Block 001

The Klein Brick Yard Seventh A, Lot 003, Block 001

EDA Property #1

PID #306560060

The Klein Brick Yard Seventh A, Lot 004, Block 001

To be replatted by the Developer as follows:

EDA Property #2

A portion of PID #306560030, which is currently legally described as Lot 2, Block 1, The Klein Brick Yard Seventh Addition

To be subdivided as depicted in **Exhibit K** to create the parcel labeled ___ in **Exhibit K**

EXHIBIT C

PURCHASE PRICE NOTE

Chaska Growth Holdings, LLC (the "Developer"), a Minnesota limited liability company, hereby acknowledges itself to be indebted and, for value received, hereby promises to pay to the Chaska Economic Development Authority (the "EDA") or its registered assigns (the registered owner of this Note is referred to herein as the "Registered Owner"), the principal sum of Six Hundred and Forty-Nine Thousand Nine Hundred Ninety-Nine and no/100 Dollars ($649,999).

The principal amount of this Note shall equal, from time to time, the principal amount stated above, as reduced to the extent that such principal shall have been paid in whole or in part pursuant to the terms hereof. This Note is issued pursuant to that certain Purchase and Development Agreement, dated as of ___________ ___, 2018, as the same may be amended from time to time (the "Purchase and Development Agreement"), by and between the EDA and the Developer.

The amounts due under this Note shall be payable in 52 semiannual installments, commencing August 1, 2021, and on each February 1 and August 1 thereafter to and including February 1, 2047, or, if the first day of either February 1 or August 1 should not be a Business Day (as defined in the Purchase and Development Agreement), the next succeeding Business Day (the "Payment Dates") in the amounts shown in the schedule below (each a "Payment Installment"). On each Payment Date the EDA will credit against the Payment Installment then due, an amount equal to 90% of the Tax Increments (as defined in the Purchase and Development Agreement) received by the EDA in the 6-month period preceding such Payment Date. If, on any Payment Date, 90% of the Tax Increments received by the EDA in the 6-month period preceding such Payment Date is less than the amount shown in the schedule below, the Developer shall pay, by check or draft mailed to the EDA, an amount equal to the deficiency.

Date	Amount	Date	Amount	Date	Amount	Date	Amount
8/1/21	12,265	2/1/28	15,864	8/1/34	20,955	2/1/41	26,241
2/1/22	12,265	8/1/28	16,528	2/1/35	20,955	8/1/41	27,217
8/1/22	12,821	2/1/29	16,528	8/1/35	21,772	2/1/42	27,217
2/1/23	12,821	8/1/29	17,213	2/1/36	21,772	8/1/42	28,222
8/1/23	13,394	2/1/30	17,213	8/1/36	22,614	2/1/43	28,222
2/1/24	13,394	8/1/30	17,917	2/1/37	22,614	8/1/43	29,257
8/1/24	13,984	2/1/31	17,917	8/1/37	23,481	2/1/44	29,257
2/1/25	13,984	8/1/31	18,643	2/1/38	23,481	8/1/44	30,323
8/1/25	14,592	2/1/32	18,643	8/1/38	24,374	2/1/45	30,323
2/1/26	14,592	8/1/32	19,391	2/1/39	24,374	8/1/45	31,421
8/1/26	15,219	2/1/33	19,391	8/1/39	25,294	2/1/46	31,421
2/1/27	15,219	8/1/33	20,162	2/1/40	25,294	8/1/46	32,553
8/1/27	15,864	2/1/34	20,162	8/1/40	26,241	2/1/47	32,553

This Note is prepayable at any time without penalty.

If, as of the termination date of the TIF District (as defined in the Purchase and Development Agreement), the EDA has received Tax Increments in an amount less than $649,999, the EDA will, if the Tax Increments have been received by the EDA in an amount at least equal to the amounts set forth above or the Developer has paid all deficiency amounts in accordance with Section 3.2 of the Purchase and Development Agreement and this Note, forgive the remaining principal amount of this Note.

IN WITNESS WHEREOF, Chaska Growth Holdings, LLC, has caused this Note to be executed and delivered as of ___________ ____, 2018.

CHASKA GROWTH HOLDINGS, LLC

By:______________________________________

Its: __________________________________

EXHIBIT D

SOURCES AND USES

EXHIBIT E

CERTIFICATE OF COMPLETION OF PROJECT

THIS CERTIFICATE, made this ____ day of __________, 201___ from the CHASKA ECONOMIC DEVELOPMENT AUTHORITY, a body corporate and politic organized and existing under the laws of the State of Minnesota (the "EDA"), for the benefit Chaska Growth Holdings, LLC, a Minnesota limited liability company (the "Developer").

WHEREAS, the EDA and the City entered into a Purchase and Development Agreement (the "Agreement"), dated ___________ ___, 2018, with the Developer which requires the Developer to construct approximately 10,597 square feet of commercial space in one or more buildings (the "Project") on the property legally described as follows (the "Development Property"):

The Klein Brick Yard Seventh A, Lot 002, Block 001
The Klein Brick Yard Seventh A, Lot 003, Block 001
The Klein Brick Yard Seventh A, Lot 004, Block 001

WHEREAS, the Developer has constructed the Project in a manner deemed sufficient by the EDA to permit the execution of this certification;

NOW THEREFORE, the EDA does hereby certify that the Developer has satisfactorily completed the Project and terms and conditions as recited in the Agreement. The Developer is released and forever discharged from its obligations with respect to construction of the Project under Article III of the Agreement. Any remaining obligations under the Agreement shall be solely contractual obligations of the Developer and parties to whom the Developer expressly assigns, and who expressly assume, the Developer's obligations under the Agreement. The remaining covenants of the Developer under the Agreement are not intended to run with title to the Development Property or bind successors in title to the Development Property.

The EDA has, as of the date and year first above written, set its hand hereon.

CHASKA ECONOMIC DEVELOPMENT AUTHORITY

By ______________________________

Its Executive Director

STATE OF MINNESOTA)
) ss
COUNTY OF CARVER)

On this ____ day of _________, 201___, before me a Notary Public within and for said County, personally appeared _______, to me personally known, who, being by me duly sworn, did say that she/he is the Executive Director of the Chaska Economic Development Authority, the authority named in the foregoing instrument, and said instrument was signed in behalf of said political subdivision by authority of its Board of Commissioners, and said __________ acknowledged said instrument to be the free act and deed of said authority.

____

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
KENNEDY & GRAVEN, CHARTERED (JSB)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402

EXHIBIT F
FORM OF QUIT CLAIM DEED

(Top 3 inches reserved for recording data)

QUIT CLAIM DEED

DEED TAX DUE: $______________________ DATE: ______________________
ECRV: ________________ *(month/day/year)*

FOR VALUABLE CONSIDERATION, Chaska Economic Development Authority
(insert name of Grantor)

a body corporate and politic under the laws of Minnesota, ("**Grantor**"), hereby conveys and quitclaims to
(insert name of Grantee)
Chaska Growth Holdings, LLC
a limited liability company under the laws of Minnesota, ("**Grantee**"), real property in Carver County, Minnesota, legally described as follows:

The Klein Brick Yard Seventh A, Lot 004, Block 001

Check here if all or part of the described real property is Registered (Torrens) ☑

together with all hereditaments and appurtenances and subject to the Right of Re-Entry for Breach of Condition Subsequent in favor of Grantor which is described on **Exhibit A**.

Check applicable box:

- ☐ The Seller certifies that the Seller does not know of any wells on the described property.
- ☐ A well disclosure certificate accompanies this document (If electronically filed, insert WDC number: ________________).
- ☐ I am familiar with the property described in this instrument and I certify that the status and number of wells on the described real property have not changed since the last previously filed well disclosure certificate.

Chaska Economic Development Authority

By: ______________________________
Mark Windschitl

Its: President

By: ______________________________
Matt Podhradsky

Its: Executive Director

State of Minnesota, County of CARVER

This instrument was acknowledged before me on _________________________, 2018 by Mark Windschitl, as President
and by Matt Podhradsky, as Executive Director of the Chaska Economic Development Authority, a body corporate and politic organized and existing under the laws of the State of Minnesota under the laws of the State of Minnesota, on behalf of the body corporate and politic.

____
Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
(insert name and address)

Kennedy & Graven, Chartered (JSB)
470 U.S. Bank Plaza
200 South 6th Street
Minneapolis, MN 55402

TAX STATEMENTS FOR THE REAL PROPERTY DESCRIBED IN THIS INSTRUMENT SHOULD BE SENT TO:
(insert name and address of Grantee to whom tax statements should be sent)

Chaska Growth Holdings, LLC
1980 Excel Drive
Mankato, MN 56001

EXHIBIT A

TO QUIT CLAIM DEED
EXECUTED BY
THE CHASKA ECONOMIC DEVELOPMENT AUTHORITY, GRANTOR,
IN FAVOR OF CHASKA GROWTH HOLDINGS, LLC, GRANTEE.

The Chaska Economic Development Authority, Grantor, is conveying the property described in the attached Quit Claim Deed (the “EDA Property #1”) to Chaska Growth Holdings, LLC, Grantee, subject to a right of re-entry for breach of conditions subsequent in favor of Grantor. The condition subsequent is that, barring any Unavoidable Delays, Grantee shall have completed, not later than 12 months after the date of the attached Deed, demolition of the existing buildings and construction of foundations of the Project on the Development Property in accordance with permits issued by the City of Chaska, Minnesota as set forth in Section 4.10 of that certain Purchase and Development Agreement between the Grantor and Grantee dated as of ___________ ___, 2018 (the “Purchase and Development Agreement”). If Grantee breaches the condition subsequent, Grantee shall re-convey the EDA Property #1 back to Grantor. If Grantee fails to re-convey the EDA Property #1 to the Grantor, Grantor may elect to exercise its right of reentry by commencing an action in Carver County District Court to establish the breach of the condition subsequent. If Grantor establishes a breach of the condition subsequent, title to and the right to possession the EDA Property #1, and title to all improvements located thereon reverts to Grantor, and Grantee is not entitled to any compensation from Grantor for the value of any improvements Grantee has made to the EDA Property #1.

The Certificate of Completion issued under the Purchase and Development Agreement shall conclusively satisfy and terminate the right of re-entry of the Grantor in this Quit Claim Deed or pursuant to the Purchase and Development Agreement.

EXHIBIT G

PERMITTED ENCUMBRANCES TO FEE TITLE

1. Permitted Encumbrances, as defined in this Agreement, are those items listed in [**Schedule B-I and B-II**] in the Loan Policy File No. _______ issued by _______________, of even date herewith.

EXHIBIT H

ASSESSMENT AGREEMENT

THIS AGREEMENT, dated as of this __ day of ___________, 2018, is between Chaska Economic Development Authority (the "EDA") and Chaska Growth Holdings, LLC (the "Developer").

WITNESSETH

WHEREAS, on or before the date hereof the EDA and the Developer have entered into a Purchase and Development Agreement dated as of ___________ ___, 2018 (the "Purchase and Development Agreement") regarding certain real property located in the City of Chaska, Minnesota (the "City") including the property legally described in Exhibit A (the "Developer Property").

WHEREAS, it is contemplated that pursuant to said Purchase and Development Agreement, the Developer will construct approximately 10,597 square feet of commercial space in one or more buildings (the "Project") on the Developer Property in accordance with construction plans approved by the EDA.

WHEREAS, the EDA and the Developer desire to establish a minimum market value for the Developer Property and the improvements constructed or to be constructed thereon, pursuant to Minnesota Statutes, Section 469.177.

WHEREAS, the Developer has acquired the land included in the Developer Property legally described in Exhibit A attached hereto.

WHEREAS, the EDA and the Assessor have reviewed Construction Plans for the Project.

NOW, THEREFORE, the parties to this Agreement, in consideration of the promises, covenants and agreements made by each to the other, do hereby agree as follows:

1. As of January 2, 2020, the minimum market value, which shall be assessed for the Developer Property, shall be $1,970,000.

2. The minimum market values herein established shall be of no further force and effect after assessment on January 2, 2046 for taxes payable in 2047 and this Agreement shall terminate automatically on January 31, 2046; provided, however, this Agreement shall

terminate on such earlier date as the TIF District (as defined in the Purchase and Development Agreement) is decertified, defeased or terminated in accordance with its terms (the "Termination Date"). If the Termination Date is earlier than January 31, 2046 for taxes payable in 2047, the EDA shall duly execute and record a release of this Agreement upon the written request and sole expense of the then holder of fee title to the Developer Property.

3. This Agreement shall be recorded by the EDA with the County Recorder of Carver County, Minnesota. The Developer shall pay all costs of recording.

4. Neither the preambles nor provisions of this Agreement are intended to, or shall they be construed as, modifying the terms of the Purchase and Development Agreement among the EDA and the Developer.

5. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

This instrument was drafted by:
Kennedy & Graven, Chartered (JSB)
470 U.S. Bank Plaza
200 South 6th Street
Minneapolis, MN 55402

IN WITNESS WHEREOF, the EDA and the Developer have caused this Agreement to be executed in their names and on their behalf all as of the date set forth above.

CHASKA ECONOMIC DEVELOPMENT AUTHORITY

By_____________________________
Its President

By_____________________________
Its Executive Director

STATE OF MINNESOTA)
): ss
COUNTY OF CARVER)

The foregoing instrument was acknowledged before me this ____ day of _______, 2018, by __________________, the President of the Chaska Economic Development Authority on behalf of said Authority.

____
Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF CARVER)

The foregoing instrument was acknowledged before me this ____ day of __________, 2018, by __________________, the Executive Director of the Chaska Economic Development Authority, on behalf of said Authority.

____
Notary Public

Signature page for Assessment Agreement by and among Chaska Economic Development Authority and Chaska Growth Holdings, LLC

CHASKA GROWTH HOLDINGS, LLC, a Minnesota limited liability company

By____________________________________
Name: _______________________________
Its: _________________________________

STATE OF MINNESOTA)
): ss
COUNTY OF _________)

The foregoing instrument was acknowledged before me this ____ day of _______, 2018, by __________________, the _________ of Chaska Growth Holdings, LLC, a Minnesota limited liability company, on behalf of said _________.

____
Notary Public

Signature page for Assessment Agreement by and among the Chaska Economic Development Authority and Chaska Growth Holdings, LLC

CERTIFICATION BY COUNTY ASSESSOR

The undersigned, having reviewed the Assessment Agreement dated as of ___________ __, 2018 by and between Chaska Economic Development Authority and Chaska Growth Holdings, LLC, the plans and specifications for the Project, as defined in the foregoing Assessment Agreement, and the market value currently assigned to land upon which the improvements are to be constructed and being of the opinion that the minimum market value contained in the Assessment Agreement appears reasonable, hereby certifies as follows:

The undersigned Assessor, being legally responsible for the assessment of the above described property, hereby certifies that the minimum market value as of January 2, 2020 of $1,970,000 assigned to such land and improvements is reasonable.

____
County Assessor for Carver County

STATE OF MINNESOTA)
) ss.
COUNTY OF CARVER)

This instrument was acknowledged before me on ___________, 2018, by _____________________, the County Assessor of Carver County.

____
Notary Public

EXHIBIT A TO MINIMUM ASSESSMENT AGREEMENT

Legal Description of Developer Property

The real property situated in the City of Chaska, County of Carver, State of Minnesota, described as follows:

The Klein Brick Yard Seventh A, Lot 002, Block 001

The Klein Brick Yard Seventh A, Lot 003, Block 001

The Klein Brick Yard Seventh A, Lot 004, Block 001

EXHIBIT I

EDA PROPERTY #1 ENVIRONMENTAL REPORTS

EXHIBIT J
FORM OF QUIT CLAIM DEED

(Top 3 inches reserved for recording data)

QUIT CLAIM DEED

DEED TAX DUE: $______________________ DATE: ______________________
ECRV: ________________ *(month/day/year)*

FOR VALUABLE CONSIDERATION, Chaska Economic Development Authority
(insert name of Grantor)

a body corporate and politic under the laws of Minnesota, ("**Grantor**"), hereby conveys and quitclaims to
(insert name of Grantee)
Chaska Growth Holdings, LLC
a limited liability company under the laws of Minnesota, ("**Grantee**"), real property in Carver County, Minnesota, legally described as follows:

The Klein Brick Yard Seventh A, Lot 002, Block 001

Check here if all or part of the described real property is Registered (Torrens) ☑

together with all hereditaments and appurtenances and subject to the Right of Re-Entry for Breach of Condition Subsequent in favor of Grantor which is described on **Exhibit A**.

Check applicable box:

- ☐ The Seller certifies that the Seller does not know of any wells on the described property.
- ☐ A well disclosure certificate accompanies this document (If electronically filed, insert WDC number: ___________________).
- ☐ I am familiar with the property described in this instrument and I certify that the status and number of wells on the described real property have not changed since the last previously filed well disclosure certificate.

Chaska Economic Development Authority

By: ________________________________
Mark Windschitl

Its: President

By: ________________________________
Matt Podhradsky

Its: Executive Director

State of Minnesota, County of <u>CARVER</u>

This instrument was acknowledged before me on ________________________, 2018 by Mark Windschitl, as President
and by Matt Podhradsky, as Executive Director of the Chaska Economic Development Authority, a body corporate and politic organized and existing under the laws of the State of Minnesota under the laws of the State of Minnesota, on behalf of the body corporate and politic.

____
Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
(insert name and address)

Kennedy & Graven, Chartered (JSB)
470 U.S. Bank Plaza
200 South 6th Street
Minneapolis, MN 55402

TAX STATEMENTS FOR THE REAL PROPERTY DESCRIBED IN THIS INSTRUMENT SHOULD BE SENT TO:
(insert name and address of Grantee to whom tax statements should be sent)

Chaska Growth Holdings, LLC
1980 Excel Drive
Mankato, MN 56001

EXHIBIT A

TO QUIT CLAIM DEED
EXECUTED BY
THE CHASKA ECONOMIC DEVELOPMENT AUTHORITY, GRANTOR,
IN FAVOR OF CHASKA GROWTH HOLDINGS, LLC, GRANTEE.

The Chaska Economic Development Authority, Grantor, is conveying the property described in the attached Quit Claim Deed (the "EDA Property #2") to Chaska Growth Holdings, LLC, Grantee, subject to a right of re-entry for breach of conditions subsequent in favor of Grantor. The condition subsequent is that, barring any Unavoidable Delays, Grantee shall have completed, not later than 12 months after the date of the attached Deed, demolition of the existing buildings and construction of foundations of the Project on the Development Property in accordance with permits issued by the City of Chaska, Minnesota as set forth in Section 4.10 of that certain Purchase and Development Agreement between the Grantor and Grantee dated as of ___________ ___, 2018 (the "Purchase and Development Agreement"). If Grantee breaches the condition subsequent, Grantee shall re-convey the EDA Property #2 back to Grantor. If Grantee fails to re-convey the EDA Property #2 to the Grantor, Grantor may elect to exercise its right of reentry by commencing an action in Carver County District Court to establish the breach of the condition subsequent. If Grantor establishes a breach of the condition subsequent, title to and the right to possession the EDA Property #2, and title to all improvements located thereon reverts to Grantor, and Grantee is not entitled to any compensation from Grantor for the value of any improvements Grantee has made to the EDA Property #2.

The Certificate of Completion issued under the Purchase and Development Agreement shall conclusively satisfy and terminate the right of re-entry of the Grantor in this Quit Claim Deed or pursuant to the Purchase and Development Agreement.

EXHIBIT K
DEPICTION OF EDA PROPERTY #2

Chaska, Minnesota
Chaska Economic Development Authority

Tax Increment Financing Plan

for

Tax Increment Financing (Redevelopment) District No. 21

Within Redevelopment Project Area No. 4

Draft Dated: June 15, 2018
Scheduled Public Hearing: June 18, 2018
Anticipated Approval: June 18, 2018

Prepared by:

SPRINGSTED INCORPORATED
380 Jackson Street, Suite 300
St. Paul, MN 55101-2887
(651) 223-3000
WWW.SPRINGSTED.COM

TABLE OF CONTENTS

Section A Definitions

The terms defined in this section have the meanings given herein, unless the context in which they are used indicates a different meaning:

"Authority" means the Chaska Economic Development Authority.

"City" means the City of Chaska, Minnesota; also referred to as a "Municipality".

"City Council" means the City Council of the Chaska; also referred to as the 'Governing Body".

"County" means Carver County, Minnesota.

"Redevelopment Project Area" means Redevelopment Project Area No. 4 in the City, which is described in the corresponding Redevelopment Plan.

"Redevelopment Plan" means the Redevelopment Plan for the Redevelopment Project Area.

"Project Area" means the geographic area of the Redevelopment Project Area.

"School District" means Independent School District No. 112, Minnesota.

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794, as amended.

"TIF District" means Tax Increment Financing (Redevelopment) District No. 21.

"TIF Plan" means the tax increment financing plan for the TIF District (this document).

Section B Statutory Authorization

Minnesota Statutes, Sections 469.001-469.047, as amended (Housing and Redevelopment Authority Act) grants the authority to designate redevelopment areas within the boundaries of the municipality. Within these areas, the municipality may adopt a redevelopment plan and establish a project consistent with the municipality's public purpose. The project consists of a redevelopment project as defined in Section 469.002, Subdivision 14.

Section C Statement of Need and Public Purpose

The Authority has determined that conditions exist within the Redevelopment Area which have prevented further development of land by private enterprise. It has been found that the Redevelopment Area is potentially more useful and valuable for contributing to the public health, safety and welfare than has been realized under existing development.

The development of these parcels is not attainable in the foreseeable future without the intervention of the Authority in the private development process. The Authority has prepared the Redevelopment Plan, which provides for the elimination of these conditions, thereby making the land useful and valuable for contributing to the public health, safety and welfare.

Section D Statement of Objectives

The Authority, through implementation of this plan, seeks to achieve the following objectives:

1. Redevelopment of two existing blighted buildings.
2. Funding of eligible improvements related to the qualification of the property as a redevelopment district, through the use tax increment.
3. Redevelopment of blighted buildings on a 1.16 acre site for new commercial buildings.

Section E Designation of Tax Increment Financing District as a Redevelopment District

Redevelopment districts are a type of tax increment financing district in which one or more of the following conditions exists and is reasonably distributed throughout the district:

(1) parcels comprising at least 70% of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50% of the buildings, not including outbuildings, are structurally substandard requiring substantial renovation or clearance. A parcel is deemed "occupied" if at least 15% of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots; or other similar structures.

(2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad right-of-ways; or

(3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:

- (i) have or had a capacity of more than 1,000,000 gallons;
- (ii) are located adjacent to rail facilities; and
- (iii) have been removed or are unused, underused, inappropriately used, or infrequently used; or

(4) a qualifying disaster area, as defined in Minnesota Statutes, 469.174, subd. 10(b).

For districts consisting of two more noncontiguous areas, each area must individually qualify under the provisions listed above, as well as the entire area must also qualify as a whole.

The TIF District qualifies as a redevelopment district in that it meets all of the criteria listed in (1) above. The supporting facts and documentation for this determination are summarized in Exhibit VI and will be retained by the Authority for the life of the TIF District and are available to the public upon request.

"Structurally substandard" is defined as buildings containing defects or deficiencies in structural elements, essential utilities and facilities, light and ventilation, fire protection (including egress), layout and condition of interior partitions, or similar factors. Generally, a building is not structurally substandard if it is in compliance with the building code applicable to a new building, or could be modified to satisfy the existing code at a cost of less than 15% of the cost of constructing a new structure of the same size and type.

A city may not find that a building is structurally substandard without an interior inspection, unless it can not gain access to the property and there exists evidence which supports the structurally substandard finding. Such evidence includes recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained pursuant to Minnesota Statutes, Section 469.175, subd. 3, clause (1). A parcel is deemed to be occupied by a structurally substandard building if the following conditions are met:

(1) the parcel was occupied by a substandard building within three years of the filing of the request for certification of the parcel as part of the district;

(2) the demolition or removal of the substandard building was performed or financed by the Authority, or was performed by a developer under a development agreement with the Authority,

(3) the Authority found by resolution before such demolition or removal occurred that the building was structurally substandard and that the Authority intended to include the parcel in the TIF district, and

(4) the Authority notifies the county auditor that the original tax capacity of the parcel must be adjusted upon filing the request for certification of the tax capacity of the parcel as part of a district.

In the case of (4) above, the County Auditor shall certify the original net tax capacity of the parcel to be the greater of (a) the current tax capacity of the parcel, or (b) a computed tax capacity of the parcel using the estimated market value of the parcel for the year in which the demolition or removal occurred, and the appropriate classification rate(s) for the current year.

At least 90 percent of the tax increment from a redevelopment district must be used to finance the cost of correcting conditions that allow designation as a redevelopment district. These costs include, but are not limited to, acquiring properties containing structurally substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of land, removal of hazardous substances or remediation necessary to develop the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the Authority may be included in the qualifying costs.

Section F Duration of the TIF District

Redevelopment districts may remain in existence 25 years from the date of receipt by the Authority of the first tax increment. Modifications of this plan (see Section Z) shall not extend these limitations.

Pursuant to Minnesota Statutes, Section 469.175, subd. 1(b), the Authority specifies 2021 as the first year in which it elects to receive tax increment from the TIF District, which is no later than four years following the year of approval of the TIF District. Thus, the Authority reserves the right to allow the TIF District to remain in existence the maximum duration allowed by law (projected to be through the year 2046) but anticipates that the TIF District may be decertified early. However, the Authority reserves the right to allow the district to remain active for the maximum duration allowed (see Section P) and will decertify the TIF District as early as possible should the projected increment be received in a shorter period than originally projected. All tax increments from taxes payable in the year the TIF District is decertified shall be paid to the Authority.

Section G Property to be Included in the TIF District

The TIF District is an approximate 1.16-acre area of land located within the Project Area. A map showing the location of the TIF District is shown in Exhibit I. The boundaries and area encompassed by the TIF District are described below:

Parcel Number	Legal Description
30.6560030	Lot 2, Block 1. The Klein Brick Yard Seventh A
30.6560040	Lot 3, Block 1. The Klein Brick Yard Seventh A
30.6560060	Lot 4, Block 1. The Klein Brick Yard Seventh A

** parcels listed above are anticipated to be split and combined to be one parcel prior to development*

The area encompassed by the TIF District shall also include all adjacent roads and all street or utility right-of-ways located upon or adjacent to the property described above.

Section H Property to be Acquired in the TIF District

The Authority may acquire and sell any or all of the property located within the Project Area. The Authority does not anticipate acquiring the property within the district.

Section I Specific Development Expected to Occur Within the TIF District

The proposed project is expected to consist of the acquisition, demolition and subsequent construction of an approximately 10,597 square foot retail development in one or more comprising of three separate buildings in the City. The City anticipates using tax increment to finance eligible redevelopment costs including acquisition, demolition, public infrastructure improvements and other related and necessary redevelopment costs, including eligible administrative expenses.

The Authority anticipates redevelopment commencing in late 2018 or early 2019 and continuing into 2019. The project is expected to be fully completed by December 31, 2019 for assess 2020 and taxes payable 2021.

Section J Findings and Need for Tax Increment Financing

In establishing the TIF District, the Authority makes the following findings:

(1) The TIF District qualifies as a redevelopment district;

The City of Chaska retained the services of LHB to inspect and evaluate property within the proposed Tax Increment Financing District No. 21 to be established by the Authority. The purpose of the evaluation was to determine if the proposed district met the statutory requirements for coverage and if the buildings met the qualifications required for a Redevelopment District.

The final report was prepared for the Authority to retain on file in City offices for public inspection. The report contains the details of the findings summarized below regarding the substandard qualifications:

- The TIF District consists of three parcels or portions thereof that are occupied so 100 percent of the area of the proposed TIF District is occupied (exceeding the 70 percent coverage test);
- 100 percent (2 of 2) of the buildings in the proposed District contain code deficiencies exceeding the 15 percent threshold;
- The buildings are structurally substandard to a degree requiring substantial renovation or clearance, because of defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance; and
- The substandard buildings are reasonably distributed throughout the geographic area of the proposed TIF District.

These findings are described more completely in Exhibit VI.

(2) The proposed development, in the opinion of the Authority, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and the increased market value of the site that could reasonably be expected to occur without the use of tax

increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the TIF Plan.

Factual basis:

Proposed development not expected to occur:

The proposed project consists of the redevelopment of property within the City that consists of blighted properties that were found to be substandard and will be demolished following establishment of the District for commercial uses. The Authority has identified extraordinary costs including demolition, environmental remediation, site grading, other public improvements and infrastructure needs associated with redevelopment of the project site in conjunction with the new development. The estimated total redevelopment costs make the total cost of this effort significantly higher than costs reasonably incurred for similar developments on a clean site. The City's finding that the proposed redevelopment would be unlikely to occur solely through private investment within the reasonably foreseeable future is based on an analysis of the proforma and other materials submitted by the developer. As necessary, the City anticipates analyzing future proformas in detail to determine the minimal amount of assistance needed to compensate developers for extraordinary and allowable costs.

No higher market value expected:

If the proposed redevelopment did not go forward, for the same reasons described above, no alternative redevelopment of the project site is expected to occur in the foreseeable future. The currently blighted buildings need to be removed from the site to allow development to occur and without tax increment assistance, the result would be only a modest increase in market value compared to the more significant value growth created by the proposed redevelopment. In short, there is no basis for expectation that the area would redevelop or be renovated in any significant way purely by private action without public subsidy given the improvements necessary for the development of the project area.

To summarize the basis for the Authority's findings regarding alternative market value, in accordance with Minnesota Statutes, Section 469.175, Subd. 3(d), the Authority makes the following determinations:

a. The Authority's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is anywhere from $0 to some modest amount based on small scale renovation or redevelopment that could be possible without assistance; any estimated values would be too speculative to ascertain.

b. If the proposed development to be assisted with tax increment occurs in the District, the total increase in market value would be approximately $3,285,404, including the value of the building (See Exhibit II).

c. The present value of tax increments from the District for the maximum duration of the district permitted by the TIF Plan is estimated to be $742,553 (See Exhibit V).

d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than $2,542,851 (the amount in clause b less the amount in clause c) without tax increment assistance.

(3) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the Authority as a whole, for development of the Project Area by private enterprise.

Factual basis: The anticipated redevelopment of the project site may include the redevelopment of an existing vacant building for commercial uses, and the redevelopment of the Project Area is consistent with the City's design goals.

(4) The TIF Plan conforms to general plans for development of the Authority as a whole.

Factual basis: The City Planning Commission has determined that the development proposed in the TIF Plan conforms to the City comprehensive plan.

(5) The Authority elects the method of tax increment computation set forth in Minnesota Statutes, Section 469.177, Subdivision 3(a); therefore subdivision 3(a) shall apply which indicates the original net tax capacity and the current net tax capacity shall be determined after the application of the fiscal disparity provisions (see method (a) in Section P).

Section K Estimated Public Costs

The estimated public costs of the TIF District are listed below. Such costs are eligible for reimbursement from tax increments of the TIF District.

Land/Building acquisition, Demolition, Special Assessments, Public Utilities, Site Improvements/Preparation Costs, and other Eligible Improvements	1,103,419
Bond/Note Interest Payments	
Administrative expenses	122,603
Other Expenditures	
Total	1,226,022

The Authority anticipates using tax increment to the extent available to assist with financing a portion of the site acquisition, site improvements, infrastructure and building rehabilitation costs, related administrative expenses, and other TIF-eligible expenditures as necessary and related to development of the project. The Authority reserves the right to administratively adjust the amount of any of the items listed above or to incorporate additional eligible items, so long as the total estimated public cost is not increased. The Authority reserves the right to spend available tax increment outside of the TIF District boundaries and within the project area.

Section L Estimated Sources of Revenue

Tax Increment revenue	1,226,022
Interest on invested funds	
Other	
Total	1,226,022

The Authority anticipates using future tax increments for reimbursement of public costs incurred from Section K. As increments are collected from the TIF District in future years, these taxes will be reserved by the Authority as reimbursement for public costs incurred (primarily land acquisition), either through internal funding or general obligation or revenue debt. The Authority also reserves the right to provide financial assistance to the proposed development through the use of a pay-as-you-go technique if necessary and revenues available. With pay-as-you-go, as tax increments are collected from the TIF District in future years, a portion of these taxes will be distributed to the developer/owner as reimbursement for public costs incurred that relate to redevelopment of the project site.

The Authority reserves the right to finance any or all public costs of the TIF District using pay-as-you-go assistance, internal funding, general obligation or revenue debt, or any other financing mechanism authorized by law. The Authority also reserves the right to use other sources of revenue legally applicable to the Project Area to pay for such costs including, but not limited to, special assessments, utility revenues, federal or state funds, and investment income.

Section M Estimated Amount of Bonded Indebtedness

The maximum principal amount of bonds (as defined in the TIF Act) secured in whole or part with tax increment from the TIF District is $1,226,022. The Authority currently plans to finance the improvement costs through an interfund loan and potentially in the form of a pay-as-you go revenue note, but reserves the right to issue bonds in any form, including without limitation any interfund loan with interest not to exceed the maximum permitted under Section 469.178, subd. 7 of the TIF Act.

Section N Original Net Tax Capacity

The County Auditor shall certify the original net tax capacity of the TIF District. This value will be equal to the total net tax capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

The Estimated Market Value of all the land within the TIF District as of January 2, 2017, for taxes payable in 2018, is $719,200 and the estimated original net tax capacity of the TIF District of $12,600. This assumes the property is classified as commercial/industrial.

Each year the County Auditor shall certify the amount that the original net tax capacity has increased or decreased as a result of:

(1) changes in the tax-exempt status of property;

(2) reductions or enlargements of the geographic area of the TIF District;

(3) changes due to stipulation agreements or abatements; or

(4) changes in property classification rates.

Section O Original Local Tax Rate

The County Auditor shall also certify the original local tax rate of the TIF District. This rate shall be the sum of all local tax rates that apply to property in the TIF District. This rate shall be for the same taxes payable year as the original net tax capacity.

In future years, the amount of tax increment generated by the TIF District will be calculated using the lesser of (a) the sum of the current local tax rates at that time or (b) the original local tax rate of the TIF District.

The sum of all local tax rates that apply to property in the TIF District for taxes levied in 2017 and payable in 2018 is 104.997% as shown below. This rate has been used for purposes of estimating the tax increment generated by the TIF District. If the request for certification is made prior to June 30, 2018, the original local tax rate will be the rate that applies for taxes payable in 2018 and the County Auditor shall certify this amount as the original tax capacity rate of the TIF District.

Taxing Jurisdiction	2017/2018 Local Tax Rate
City of Chaska	27.234%
Carver County	37.436%
ISD # 112	33.837%
Other	6.490%
Total	104.997%

Section P Projected Retained Captured Net Tax Capacity and Projected Tax Increment

The Authority anticipates that the project will begin construction in late 2018 or early 2019 and be completed by December 31, 2019, creating a total tax capacity for the TIF District of $38,650 as of January 2, 2020. The captured tax capacity as of that date is estimated to be $26,050 and the first-year of tax increment is estimated to be $27,352 payable in 2021. A complete schedule of estimated tax increment from the TIF District is shown in Exhibit III.

The estimates shown in this TIF Plan assume that commercial class rates remain at 1.5% for the first $150,000 of estimated market value and 2.0% of the market value above $150,000. The projections also assume a 3% annual increase in market values.

Each year the County Auditor shall determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the original net tax capacity, the difference shall be known as the captured net tax capacity of the TIF District.

For communities affected by the fiscal disparity provisions of Minnesota Statutes, Chapter 473F and Chapter 276A, the original net tax capacity of the TIF District shall be determined before the application of fiscal disparity. In subsequent years, the current net tax capacity shall either (a) be determined before the application of fiscal disparity or (b) exclude the product of any fiscal disparity increase in the TIF District (since the original net tax capacity was certified) times the appropriate fiscal disparity ratio. The method the Authority elects shall remain the same for the life of the TIF District, except that a single change may be made at any time from method (a) to method (b) above. The Authority elects method (a), or M.S. Section 469.177, Subdivision 3(a).

The County Auditor shall certify to the Authority the amount of captured net tax capacity each year. The Authority may choose to retain any or all of this amount. It is the Authority's intention to retain 100% of the captured net tax capacity of the TIF District. Such amount shall be known as the retained captured net tax capacity of the TIF District.

Exhibit II gives a listing of the various information and assumptions used in preparing a number of the exhibits contained in this TIF Plan, including Exhibit III which shows the projected tax increment generated over the anticipated life of the TIF District.

Section Q Use of Tax Increment

Each year the County Treasurer shall deduct 0.36% of the annual tax increment generated by the TIF District and pay such amount to the State's General Fund. Such amounts will be appropriated to the State Auditor for the cost of financial reporting and auditing of tax increment financing information throughout the state. Exhibit III shows the projected deduction for this purpose over the anticipated life of the TIF District.

The Authority has determined that it will use 100% of the remaining tax increment generated by the TIF District for any of the following purposes:

(1) pay for the estimated public costs of the TIF District (see Section K) and County administrative costs associated with the TIF District (see Section T);

(2) pay principal and interest on tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;

(3) accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;

(4) pay all or a portion of the county road costs as may be required by the County Board under M.S. Section 469.175, Subdivision 1a; or

(5) return excess tax increments to the County Auditor for redistribution to the City, County and School District.

Tax increments from property located in one county must be expended for the direct and primary benefit of a project located within that county, unless both county boards involved waive this requirement. Tax increments shall not be used to circumvent levy limitations applicable to the Authority.

Tax increment shall not be used to finance the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the State or federal government, or for a commons area used as a public park, or a facility used for social, recreational, or conference purposes. This prohibition does not apply to the construction or renovation of a parking structure or of a privately-owned facility for conference purposes.

If there exists any type of agreement or arrangement providing for the developer, or other beneficiary of assistance, to repay all or a portion of the assistance that was paid or financed with tax increments, such payments shall be subject to all of the restrictions imposed on the use of tax increments. Assistance includes sale of property at less than the cost of acquisition or fair market value, grants, ground or other leases at less than fair market rent, interest rate subsidies, utility service connections, roads, or other similar assistance that would otherwise be paid for by the developer or beneficiary.

Section R Excess Tax Increment

In any year in which the tax increments from the TIF District exceed the amount necessary to pay the estimated public costs authorized by the TIF Plan, the Authority shall use the excess tax increments to:

(1) prepay any outstanding tax increment bonds;

(2) discharge the pledge of tax increments thereof;

(3) pay amounts into an escrow account dedicated to the payment of the tax increment bonds; or

(4) return excess tax increments to the County Auditor for redistribution to the City, County and School District. The County Auditor must report to the Commissioner of Education the amount of any excess tax increment redistributed to the School District within 30 days of such redistribution.

Section S Tax Increment Pooling and the Five Year Rule

At least 75% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District (see Section E for additional restrictions). No more than 25% of the tax increments may be spent on costs outside of the TIF District but within the boundaries of the Project Area, except to pay debt service on credit enhanced bonds. All administrative expenses are considered to have been spent outside of the TIF District. Tax increments paid by properties in the TIF District are considered to have been spent within the TIF District if such amounts are:

(1) actually paid to a third party for activities performed within the TIF District within five years after certification of the district;

(2) used to pay bonds that were issued and sold to a third party, the proceeds of which are reasonably expected on the date of issuance to be spent within the later of the five-year period or a reasonable temporary period or are deposited in a reasonably required reserve or replacement fund.

(3) used to make payments or reimbursements to a third party under binding contracts for activities performed within the TIF District, which were entered into within five years after certification of the district; or

(4) used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the district.

Beginning with the sixth year following certification of the TIF District, at least 75% of the tax increments must be used to pay outstanding bonds or make contractual payments obligated within the first five years. When outstanding bonds have been defeased and sufficient money has been set aside to pay for such contractual obligations, the TIF District must be decertified.

The Authority anticipates that an eligible portion of tax increments will be spent outside the TIF District (including allowable administrative expenses), and such expenditures are expressly authorized in this TIF Plan.

Section T Limitation on Administrative Expenses

Administrative expenses are defined as all costs of the Authority other than:

(1) amounts paid for the purchase of land;

(2) amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the project;

(3) relocation benefits paid to or services provided for persons residing or businesses located in the project;

(4) amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to section 469.178; or

(5) amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clauses (1) to (3).

Administrative expenses include amounts paid for services provided by bond counsel, fiscal consultants, planning or economic development consultants, and actual costs incurred by the County in administering the TIF District. Tax increments may be used to pay administrative expenses of the TIF District up to the lesser of (a) 10% of the total tax increment expenditures authorized by the TIF Plan or (b) 10% of the total tax increments received by the TIF District.

Section U Limitation on Property Not Subject to Improvements - Four Year Rule

If after four years from certification of the TIF District no demolition, rehabilitation, renovation, or qualified improvement of an adjacent street has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The Authority must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the Authority or owner of the parcel subsequently commences any of the above activities, the Authority shall certify to the County Auditor that such activity has commenced and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

Section V Estimated Impact on Other Taxing Jurisdictions

Exhibit IV shows the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The Authority believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The fiscal and economic implications of the proposed tax increment financing district, as pursuant to Minnesota Statutes, Section 469.175, Subdivision 2, are listed below.

1. The total amount of tax increment that will be generated over the life of the district is estimated to be $1,230,453.

2. To the extent the project in TIF District 21 generates any public cost impacts on city-provided services such as police and fire protection, public infrastructure, and the impact of any general obligation tax increment bonds attributable to the district upon the ability to issue other debt for general fund purposes, such costs will be levied upon the taxable net tax capacity of the City, excluding that portion captured by the District.

3. The amount of tax increments over the life of the district that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is estimated to be $396,537.

4. The amount of tax increments over the life of the district that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same is estimated to be $438,705.

5. No additional information has been requested by the county or school district that would enable it to determine additional costs that will accrue to it due to the development proposed for the district.

Section W Prior Planned Improvements

The City shall accompany its request for certification to the County Auditor (or notice of district enlargement), with a listing of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan. The County Auditor shall increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District.

Section X Development Agreements

If within a project containing a redevelopment district, more than 25% of the acreage of the property to be acquired by the Authority is purchased with tax increment bonds proceeds (to which tax increment from the property is pledged), then prior to such acquisition, the Authority must enter into an agreement for the development of the property. Such agreement must provide recourse for the Authority should the development not be completed.

The Authority anticipates entering into an agreement for development and anticipates acquiring property located within the TIF District.

Section Y Assessment Agreements

The Authority may, upon entering into a development agreement, also enter into an assessment agreement with the developer, which establishes a minimum market value of the land and improvements for each year during the life of the TIF District.

The assessment agreement shall be presented to the County or City Assessor who shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land, and so long as the minimum market value contained in the assessment agreement appears to be an accurate estimate, shall certify the assessment agreement as reasonable. The assessment agreement shall be filed for record in the office of the County Recorder of each county where the property is located. Any modification or premature termination of this agreement must first be approved by the City, County and School District.

The Authority anticipates entering into an assessment agreement and reserves the right to enter into an assessment agreement for individual projects.

Section Z Modifications of the Tax Increment Financing Plan

Any reduction or enlargement in the geographic area of the Project Area or the TIF District; a determination to capitalize interest on the debt if that determination was not part of the original TIF Plan, increase in the portion of the captured net tax capacity to be retained by the Authority; increase in the total estimated public costs; or designation of property to be acquired by the Authority shall be approved only after satisfying all the necessary requirements for approval of the original TIF Plan. This paragraph does not apply if:

(1) the only modification is elimination of parcels from the TIF District; and

(2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the Authority agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The Authority must notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification.

Section AA Administration of the Tax Increment Financing Plan

Upon adoption of the TIF Plan, the Authority shall submit a copy of such plan to the Minnesota Department of Revenue and the Office of the State Auditor. The Authority shall also request that the County Auditor certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the County Auditor in this process, the Authority shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements. The Authority shall also send the County Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District and shall request that the County Assessor review and certify this assessment agreement as reasonable.

The County shall distribute to the Authority the amount of tax increment as it becomes available. The amount of tax increment in any year represents the applicable property taxes generated by the retained captured net tax capacity of the TIF District. The amount of tax increment may change due to development anticipated by the TIF Plan, other development, inflation of property values, or changes in property classification rates or formulas. In administering and implementing the TIF Plan, the following actions should occur on an annual basis:

(1) prior to July 1, the Authority shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to ensure that the new value will be recorded in a timely manner.

(2) if the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine local tax rates in subsequent years.

(3) each year the County Auditor shall certify the amount of the original net tax capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:

  (a) the value of property that changes from tax-exempt to taxable shall be added to the original net tax capacity of the TIF District. The reverse shall also apply;

  (b) the original net tax capacity may be modified by any approved enlargement or reduction of the TIF District;

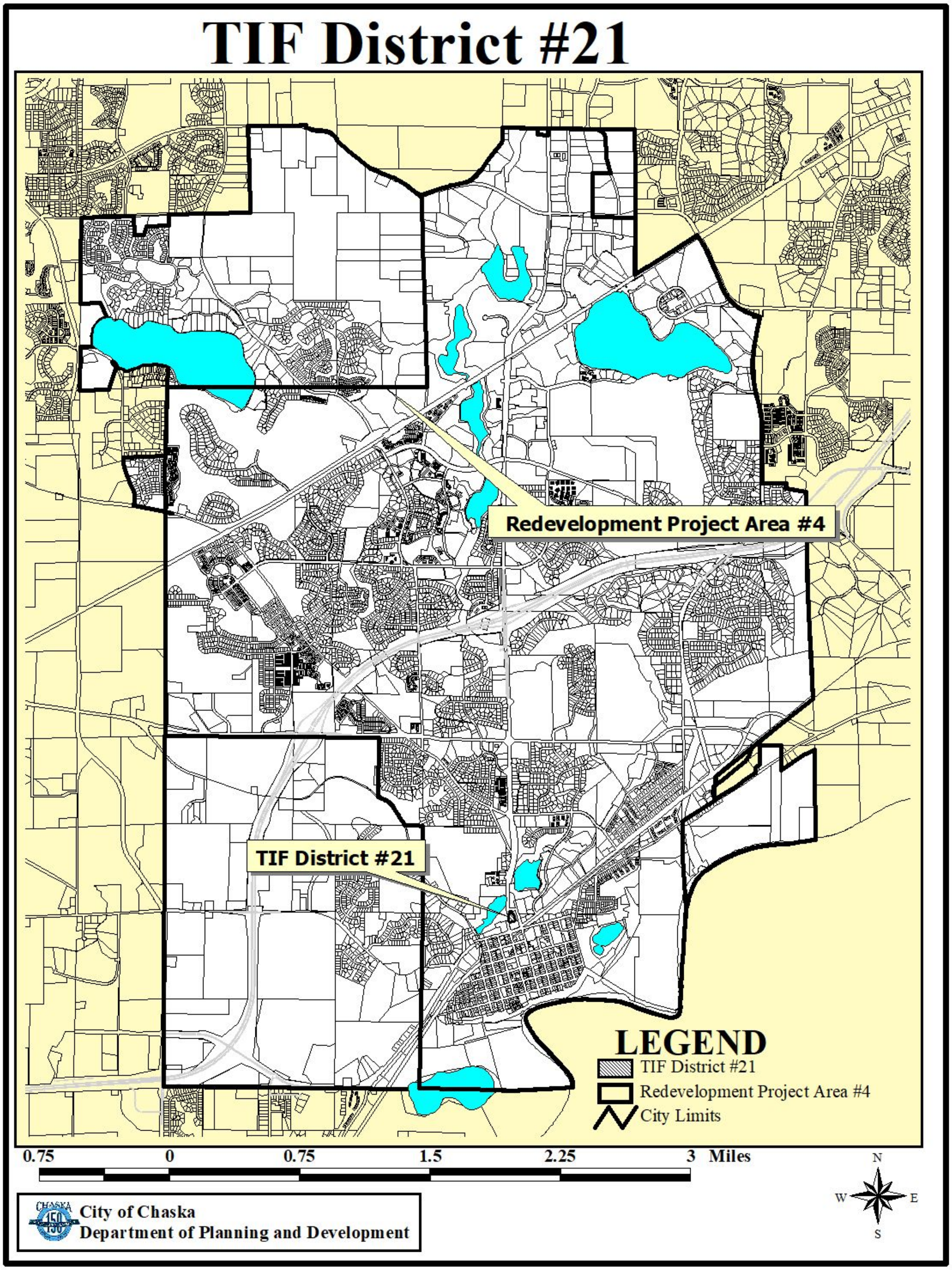
  (c) if laws governing the classification of real property cause changes to the percentage of estimated market value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the original net tax capacity and the retained captured net tax capacity of the TIF District.

The County Auditor shall notify the Authority of all changes made to the original net tax capacity of the TIF District.

Section AB Filing TIF Plan, Financial Reporting and Disclosure Requirements

The Authority will file the TIF Plan, and any subsequent amendments thereto, with the Commissioner of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes, Section 469.175, subdivision 4a. The Authority will comply with all reporting requirements for the TIF District under Minnesota Statutes, Section 469.175, subdivisions 5 and 6.

MAP OF TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 21
within Redevelopment Project No. 4



Assumptions Report

City of Chaska, Minnesota
Tax Increment Financing (Redevelopment) District No. 21
Proposed Chaska Retail Center Redevelopment Project
Draft TIF Plan Exhibits: Update 10,597SF Commercial Bldgs with 3% MV Inflator

Type of Tax Increment Financing District	Redevelopment
Maximum Duration of TIF District	25 years from 1st increment

Projected Certification Request Date	06/30/18	
Decertification Date	12/31/46	(26 Years of Increment)

		2017/2018
Base Estimated Market Value *		$719,200
Parcels:	30.6560030	
	30.6560040	
	30.6560060	
Original Net Tax Capacity *		$12,600

	Assessment/Collection Year			
	2018/2019	2019/2020	2020/2021	2021/2022
Base Estimated Market Value	$719,200	$719,200	$719,200	$719,200
Increase in Estimated Market Value	0	0	1,250,800	1,309,900
Total Estimated Market Value	719,200	719,200	1,970,000	2,029,100
Total Net Tax Capacity	$12,600	$12,600	$38,650	$39,832

City of Chaska	27.234%	
Carver County	37.436%	
ISD	33.837%	
Other	6.490%	
Local Tax Capacity Rate	104.997%	2017/2018
Fiscal Disparities Contribution From TIF District	34.2875%	
Administrative Retainage Percent (maximum = 10%)	10.00%	
Pooling Percent	0.00%	

Bonds			Note	
Bonds Dated			Note Dated	08/01/18
Bond Issue @ 0.00% (NIC)			Note Rate	3.00%
Eligible Project Costs			Note Amount	$649,999
Present Value Date & Rate	08/01/18	3.00%	Present Value Amount	$667,588

Notes
Assumptions assume no change to future tax rates, class rates, and a 3% annual MV inflator is assumed
Calculations include payable 2018 final tax capacity rates
Total EMV upon completion based on City estimate for new development
* Base EMV based on assumptions for existing land and building value

Projected Tax Increment Report

City of Chaska, Minnesota
Tax Increment Financing (Redevelopment) District No. 21
Proposed Chaska Retail Center Redevelopment Project
Draft TIF Plan Exhibits: Update 10,597SF Commercial Bldgs with 3% MV Inflator
Fiscal Disparities Contribution Not Included

Annual Period Ending (1)	Total Estimated Market Value [1] (2)	Total Net Tax Capacity [2] (3)	Less: Original Net Tax Capacity [3] (4)	Less: Fiscal Disp. @ 34.2875% (5)	Retained Captured Net Tax Capacity (6)	Times: Tax Capacity Rate [4] (7)	Annual Gross Tax Increment (8)	Less: State Aud. Deduction 0.360% (9)	Subtotal Net Tax Increment (10)	Less: Admin. Retainage 10.00% (11)	Annual Net Revenue (12)	P.V. Annual Net Rev. To 08/01/18 3.00%
12/31/18	719,200	12,600	12,600	0	0	104.997%	0	0	0	0	0	0
12/31/19	719,200	12,600	12,600	0	0	104.997%	0	0	0	0	0	0
12/31/20	719,200	12,600	12,600	0	0	104.997%	0	0	0	0	0	0
12/31/21	1,970,000	38,650	12,600	0	26,050	104.997%	27,352	98	27,254	2,725	24,529	22,337
12/31/22	2,029,100	39,832	12,600	0	27,232	104.997%	28,593	103	28,490	2,849	25,641	22,670
12/31/23	2,089,973	41,049	12,600	0	28,449	104.997%	29,871	108	29,763	2,976	26,787	22,993
12/31/24	2,152,672	42,303	12,600	0	29,703	104.997%	31,188	112	31,076	3,108	27,968	23,308
12/31/25	2,217,252	43,595	12,600	0	30,995	104.997%	32,544	117	32,427	3,243	29,184	23,613
12/31/26	2,283,770	44,925	12,600	0	32,325	104.997%	33,941	122	33,819	3,382	30,437	23,909
12/31/27	2,352,283	46,296	12,600	0	33,696	104.997%	35,380	127	35,253	3,525	31,728	24,197
12/31/28	2,422,852	47,707	12,600	0	35,107	104.997%	36,861	133	36,728	3,673	33,055	24,475
12/31/29	2,495,537	49,161	12,600	0	36,561	104.997%	38,388	138	38,250	3,825	34,425	24,747
12/31/30	2,570,403	50,658	12,600	0	38,058	104.997%	39,960	144	39,816	3,982	35,834	25,010
12/31/31	2,647,515	52,200	12,600	0	39,600	104.997%	41,579	150	41,429	4,143	37,286	25,265
12/31/32	2,726,941	53,789	12,600	0	41,189	104.997%	43,247	156	43,091	4,309	38,782	25,513
12/31/33	2,808,749	55,425	12,600	0	42,825	104.997%	44,965	162	44,803	4,480	40,323	25,755
12/31/34	2,893,011	57,110	12,600	0	44,510	104.997%	46,735	168	46,567	4,657	41,910	25,989
12/31/35	2,979,802	58,846	12,600	0	46,246	104.997%	48,557	175	48,382	4,838	43,544	26,215
12/31/36	3,069,196	60,634	12,600	0	48,034	104.997%	50,434	182	50,252	5,025	45,227	26,436
12/31/37	3,161,272	62,475	12,600	0	49,875	104.997%	52,368	189	52,179	5,218	46,961	26,650
12/31/38	3,256,110	64,372	12,600	0	51,772	104.997%	54,359	196	54,163	5,416	48,747	26,857
12/31/39	3,353,793	66,326	12,600	0	53,726	104.997%	56,411	203	56,208	5,621	50,587	27,059
12/31/40	3,454,407	68,338	12,600	0	55,738	104.997%	58,524	211	58,313	5,831	52,482	27,255
12/31/41	3,558,039	70,411	12,600	0	57,811	104.997%	60,700	219	60,481	6,048	54,433	27,445
12/31/42	3,664,780	72,546	12,600	0	59,946	104.997%	62,941	227	62,714	6,271	56,443	27,630
12/31/43	3,774,724	74,744	12,600	0	62,144	104.997%	65,250	235	65,015	6,502	58,513	27,809
12/31/44	3,887,965	77,009	12,600	0	64,409	104.997%	67,628	243	67,385	6,739	60,646	27,983
12/31/45	4,004,604	79,342	12,600	0	66,742	104.997%	70,077	252	69,825	6,983	62,842	28,152
12/31/46	4,124,743	81,745	12,600	0	69,145	104.997%	72,600	261	72,339	7,234	65,105	28,316
							$1,230,453	$4,431	$1,226,022	$122,603	$1,103,419	$667,588

[1] *value based on value estimates provided by City staff and future buildout assumptions (10,597 sf total 3 commercial bldgs) with 3% annual mv inflator*
[2] *tax capacity based on commercial-industrial class rate of 1.5% for value up to $150,000 and 2% for value above $150,000*
[3] *original net tax capacity will be based on existing land and buiilding value upon sale to private developers*
[4] *combined local tax capacity rate of City of Chaska, School District, and Carver County for payable 2018*

Estimated Impact on Other Taxing Jurisdictions Report

City of Chaska, Minnesota
Tax Increment Financing (Redevelopment) District No. 21
Proposed Chaska Retail Center Redevelopment Project
Draft TIF Plan Exhibits: Update 10,597SF Commercial Bldgs with 3% MV Inflator

	Without Project or TIF District		With Project and TIF District					
Taxing Jurisdiction	2017/2018 Taxable Net Tax Capacity (1)	2017/2018 Local Tax Rate	2017/2018 Taxable Net Tax Capacity (1) +	Projected Retained Captured Net Tax Capacity =	New Taxable Net Tax Capacity	Hypothetical Adjusted Local Tax Rate (*)	Hypothetical Decrease In Local Tax Rate (*)	Hypothetical Tax Generated by Retained Captured N.T.C. (*)
City of Chaska	27,921,266	27.234%	27,921,266	$45,437	27,966,703	27.190%	0.044%	12,354
Carver County	130,986,813	37.436%	130,986,813	45,437	131,032,250	37.423%	0.013%	17,004
ISD	76,103,520	33.837%	76,103,520	45,437	76,148,957	33.817%	0.020%	15,365
Other (2)	---	6.490%	---	45,437	---	6.490%	---	---
Totals		104.997%				104.920%	0.077%	

* **Statement 1:** If the projected Retained Captured Net Tax Capacity of the TIF District was hypothetically available to each of the taxing jurisdictions above, the result would be a lower local tax rate (see Hypothetical Adjusted Tax Rate above) which would produce the same amount of taxes for each taxing jurisdiction. In such a case, the total local tax rate would decrease by 0.077% (see Hypothetical Decrease in Local Tax Rate above). The hypothetical tax that the Retained Captured Net Tax Capacity of the TIF District would generate is also shown above.

Statement 2: Since the projected Retained Captured Net Tax Capacity of the TIF District is not available to the taxing jurisdictions, then there is no impact on taxes levied or local tax rates.

(1) Taxable net tax capacity = total net tax capacity - captured TIF - fiscal disparity contribution, if applicable.
(2) The impact on these taxing jurisdictions is negligible since they represent only 6.18% of the total tax rate.

Market Value Analysis Report

City of Chaska, Minnesota
Tax Increment Financing (Redevelopment) District No. 21
Proposed Chaska Retail Center Redevelopment Project
Draft TIF Plan Exhibits: Update 10,597SF Commercial Bldgs with 3% MV Inflator

Assumptions	
Present Value Date	06/30/18
P.V. Rate - Gross T.I.	3.00%

Increase in EMV With TIF District	$3,285,404
Less: P.V of Gross Tax Increment	742,553
Subtotal	$2,542,851
Less: Increase in EMV Without TIF	0
Difference	$2,542,851

	Year	Annual Gross Tax Increment	Present Value @ 3.00%
1	2021	27,352	24,845
2	2022	28,593	25,215
3	2023	29,871	25,575
4	2024	31,188	25,925
5	2025	32,544	26,264
6	2026	33,941	26,594
7	2027	35,380	26,914
8	2028	36,861	27,224
9	2029	38,388	27,526
10	2030	39,960	27,819
11	2031	41,579	28,103
12	2032	43,247	28,379
13	2033	44,965	28,646
14	2034	46,735	28,907
15	2035	48,557	29,159
16	2036	50,434	29,404
17	2037	52,368	29,642
18	2038	54,359	29,873
19	2039	56,411	30,098
20	2040	58,524	30,316
21	2041	60,700	30,527
22	2042	62,941	30,732
23	2043	65,250	30,932
24	2044	67,628	31,125
25	2045	70,077	31,313
26	2046	72,600	31,496
		$1,230,453	$742,553

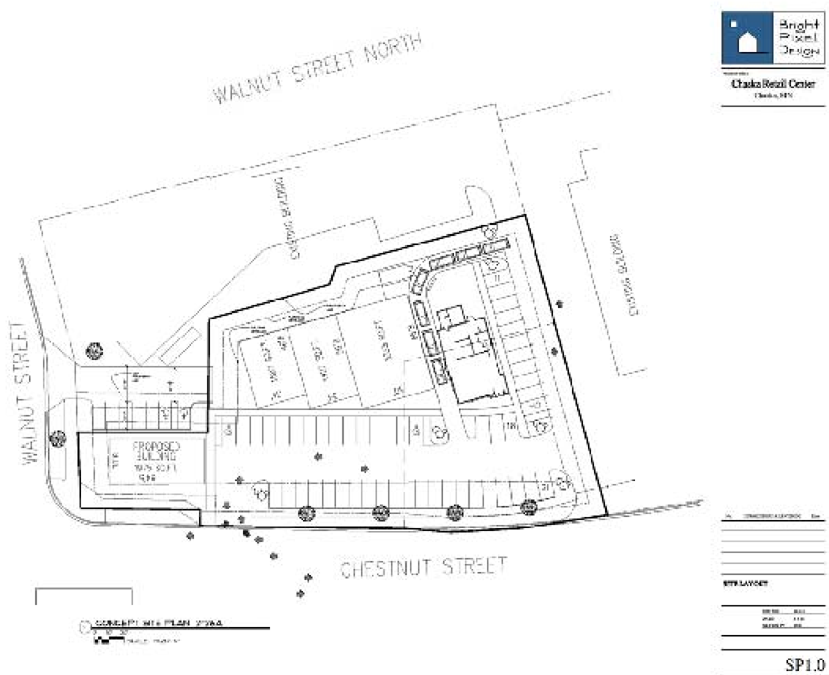
REDEVELOPMENT QUALIFICATIONS FOR THE DISTRICT

EXECUTIVE SUMMARY

PURPOSE OF EVALUATION

LHB was hired by the City of Chaska to inspect and evaluate the properties within a Tax Increment Financing Redevelopment District ("TIF District") proposed to be established by the City. The proposed TIF District is located on three parcels as shown below (Diagram 1). The purpose of LHB's work was to determine whether the proposed TIF District meets the statutory requirements for coverage, and whether the two buildings on three parcels, located within the proposed TIF District, meets the qualifications required for a Redevelopment District.

Diagram 1 – Proposed TIF District



SCOPE OF WORK

The proposed TIF District consists of three (3) parcels with two (2) structures.

The buildings received an on-site interior and exterior inspection on _____________. Building code and Condition Deficiency reports are located in Appendix B.

CONCLUSION

After inspecting and evaluating the properties within the proposed TIF District and applying current statutory criteria for a Redevelopment District under *Minnesota Statutes, Section 469.174, Subdivision 10*, it is our professional opinion that the proposed TIF District qualifies as a Redevelopment District because:

- The proposed TIF District has a coverage calculation of 100 percent which is above the 70 percent requirement.
- 100 percent of the buildings are structurally substandard which is above the 50 percent requirement.
- The substandard buildings are reasonably distributed throughout the geographic area of the proposed TIF District.