

## TAX ABATEMENT PLEDGE AGREEMENT

THIS TAX ABATEMENT PLEDGE AGREEMENT, effective as of the \_\_\_ day of November, 2024, by and between the CITY OF NORTHFIELD, MINNESOTA, a home rule charter city, municipal corporation, and political subdivision duly organized and existing under the Constitution, its Charter and laws of the State of Minnesota (the “City”) and RICE COUNTY, MINNESOTA, a duly organized and existing county and political subdivision of the State of Minnesota (the “County”), witnesses that:

A. WHEREAS, the City has requested that the County authorize a property tax abatement pursuant to Minnesota Statutes, Sections 469.1812 to 469.1815, as amended (the “Act”) with respect to the property located at 115 5th St. W. in the City and identified as parcel identification number 22.01.1.00.013 (the “Abatement Property”) in connection with the acquisition of the Abatement Property by Loon Liquors LLC (the “Developer”) and the Developer’s relocation to, and buildout and equipping of the Abatement Property for its operation as a distillery (the “Project”);

B. WHEREAS, the City has incurred acquisition, tax, legal, holding and other costs of the Abatement Property in the amount of \$1,297,976 but fair market value of the Abatement Property, and the purchase price the Developer has agreed to pay, is \$960,000 leaving an unpaid balance of \$337,976;

C. WHEREAS on November 12, 2024, the City and the County held a joint public hearing regarding, and the City adopted a resolution (the “City Abatement Resolution”) approving, this Agreement and property tax abatements from the Abatement Property pursuant to the Abatement Act in the maximum amount of \$219,968;

D. WHEREAS on November 12, 2024, the City and the County held a joint public hearing regarding, and the County adopted a resolution (the “County Abatement Resolution”) approving, this Agreement and property tax abatements from the Abatement Property pursuant to the Abatement Act in the maximum amount of \$77,618;

E. WHEREAS, the abatements are not a business subsidy under Minnesota Statutes, Sections 116J.993 through 116J.995 (the “Business Subsidy Act”) because the Developer will pay appraised value for the Abatement Property and the abatements will be paid to the City which is not a “recipient” within the meaning of the Business Subsidy Act;

F. WHEREAS, it is necessary and desirable that the City and the County enter into an abatement pledge agreement to evidence the intent of the City and the County to pledge certain tax abatements derived from the Abatement Property to reimburse the City for a portion of the cost of the Abatement Property which exceeds the purchase price to be paid therefor by the Developer (i.e. \$297,586).

NOW, THEREFORE, the City and the County, each in consideration of the mutual covenants and agreements herein contained, covenant and agree as follows:

Section 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.

Abatement Property means, the property located at 115 5th St. W. in the City and identified as parcel identification number 22.01.1.00.013;

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

City Tax Abatements means 100% of the portion of the City’s share of annual real estate taxes received by the City with respect to the Abatement Property in an amount calculated in each tax-payable year commencing 2026 and continuing through and including 2040 as follows: the City tax rate for such tax-payable year multiplied by the Net Tax Capacity of the Abatement Property in such tax-payable year, then abated in accordance with the City Abatement Resolution;

County Tax Abatements means the portion of the County’s share of annual real estate taxes received by the County with respect to the Abatement Property in an amount calculated in each tax-payable year commencing 2026 and continuing through and including 2035 as follows: the County tax rate for such tax-payable year multiplied by the Net Tax Capacity of the Abatement Property in such tax-payable year multiplied by (1) 100% in tax-payable years 2026 through 2030; (2) 95% in tax-payable year 2031; (3) 85% in tax-payable year 2032; (4) 75% in tax-payable year 2033; (5) 65% in tax-payable year 2034; and (6) 55% in tax-payable year 2035, then abated in accordance with the County Abatement Resolution;

Net Tax Capacity has the meaning provided in Minnesota Statutes, Section 273.13, subdivision 21b, as it may be amended from time to time;

State means the State of Minnesota;

Termination Date means the earlier of (1) the date that the City has received from the County, the County Tax Abatements in the amount of \$77,618 or (2) February 1, 2036.

Section 2. Pledge of Tax Abatements. The County pledges the County Tax Abatements, in an aggregate amount equal to \$77,618, to the City for the payment of a portion of the \$288,940 unpaid balance of City’s cost of the Abatement Property as set forth in this Section 2. The County shall make payments of County Tax Abatements to the City on each August 1 and February 1 of each year commencing on August 1, 2026 and continuing until February 1, 2036 (each a “Payment Date”) provided that the amount of the County Tax Abatements paid to the City on each Payment Date shall be equal to the actual County Tax Abatements collected by the County from the Abatement Property during the preceding 6 month period. The City agrees to apply the City Tax Abatements in an aggregate amount up to \$219,968, to reimburse itself for an equal portion of the unpaid balance of the City’s costs of the Abatement Property.

Section 3. Tax Abatement Program. The actions by the County pursuant to the Abatement Act, and undertaken in support of the Project including without limitation this Agreement and the resolution of the County authorizing the County Tax Abatements shall exist for a period of up to 10 years and the total amount of County Tax Abatements paid to the City shall not exceed \$77,618.

Section 4. Statutory Cap. The City acknowledges that the total County Tax Abatements attributable to any calendar year (i.e., the combined payments on Payment Dates of August 1 and the following February 1) may not exceed the greater of \$200,000 or 10% of the County’s Net Tax Capacity for that tax-payable year (the “Statutory Cap”), all pursuant to Minnesota Statutes, Section 469.1813, Subdivision 8. The County reasonably expects that the Statutory Cap will not cause the County Tax Abatements under this Agreement to be reduced; however, the City acknowledges that, during the term of the tax abatement, if the total abatements payable by the County under the Abatement Act in any year would exceed its Statutory Cap, the Statutory Cap is allocated first to any of the County’s pre-existing abatement obligations as applicable, second to the County Tax Abatements payable under this Agreement, and third to any other abatements granted after the date of this Agreement.

Section 6. TIF District. The City agrees not to establish a tax increment financing district including any of the Abatement Property until the Termination Date.

Section 7. Business Subsidy. The assistance to be provided under this Agreement does not constitute a business subsidy within the meaning of Minnesota Statutes, Section 116J.993 through 116J.995, as amended.

Section 10. Default.

(a) The term “Event of Default” shall mean whenever it is used in this Agreement as the failure of either party to observe or perform any other covenant, condition.

(b) Whenever any Event of Default referred occurs and is continuing, the non-defaulting party may take any one or more of the following actions after the giving of written notice to the defaulting party citing with specificity the item or items of default and notifying the defaulting party that it has 30 days within which to cure said Event of Default. If the Event of Default has not been cured within said 30 days or a reasonable period of time, not exceeding 90 days, then:

(1) The non-defaulting party may suspend its performance under this Agreement until they receive written assurances from the defaulting party, deemed adequate by the non-defaulting, that the defaulting party will cure its default and continue its performance under this Agreement.

(2) The City and the County 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 under this Agreement.

(3) The non-defaulting party may seek specific performance to enforce performance and observance of any obligation, agreement, or covenant of the defaulting party hereunder.

Section 9. Termination. This Agreement shall terminate on the Termination Date.

Section 11. 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 City is addressed to or delivered personally to:

City of Northfield, Minnesota  
801 Washington Street  
Northfield, Minnesota 55057  
Attn: City Administrator

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

Government Services Building  
320 Third Street NW  
Faribault, MN 55021  
Attn: County Administrator  
e-mail: sfolsted@co.rice.mn.us

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

Section 13. Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

Section 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, and the parties agree that all legal actions initiated by any party with respect to or arising from any provision contained in this Agreement shall be initiated, filed and venued exclusively in the State of Minnesota, Rice County, District Court and shall not be removed therefrom to any other federal or state court.

Section 15. Amendments. This Agreement may be amended or modified only by a written instrument signed by the County and the City.

Section 16. Severability. If any term, covenant, condition, provision or agreement herein contained is held to be invalid, void or otherwise unenforceable by any court of competent jurisdiction, the fact that such term, covenant, condition, provision or agreement is invalid, void, or otherwise unenforceable will in no way affect the validity or enforceability of any other term, covenant, condition, provision or agreement herein contained.

Section 17. Captions. The captions used in connection with this Agreement are for convenience only and will not be deemed to construe or to limit the meaning of the language of this Agreement.

IN WITNESS WHEREOF, the City and the County have caused this Agreement to be duly executed on their behalf, and such signatures and seal to be attested, as of the day and year first above written.

CITY OF NORTHFIELD, MINNESOTA

By \_\_\_\_\_  
Mayor

By \_\_\_\_\_  
City Administrator

RICE COUNTY, MINNESOTA

By \_\_\_\_\_  
Chair

By \_\_\_\_\_  
County Administrator