

## 1. Agenda Documents

### Documents:

ECONOMIC DEVELOPMENT AUTHORITY AGENDA 11-22-2022.PDF  
ITEM 5. CONSIDERATION OF RESOLUTION TIF ASSIGNMENT CHC TO  
BREMER BANK-VILLAS.PDF  
ITEM 6. CONSIDERATION RESOLUTION LAND REVERTER SUBORD AGRMT-  
VILLAS.PDF

**AGENDA**  
**SPECIAL MEETING - ECONOMIC DEVELOPMENT AUTHORITY (EDA)**  
**Tuesday, November 22nd, 2022 – 7:30 a.m.**  
**Mississippi Room, Monticello Community Center**

Commissioners: President Steve Johnson, Vice President Jon Morphew, Treasurer Tracy Hinz, Ollie Koropchak-White, Hali Sittig and Councilmembers Lloyd Hilgart and Charlotte Gabler

Staff: Executive Director Jim Thares, Angela Schumann, Hayden Stensgard

1. Call to Order
2. Roll Call
3. Consideration of additional agenda items

4. **Consent Agenda**

None

**Regular Agenda**

5. Consideration of Resolution No. 2022-36 Approving a TIF Note Assignment (Pledge) Agreement, Consent and Acknowledgement between Monticello Townhomes CHC LLC, Bremer Bank, and the EDA in connection with the twin home residential development proposal at Country Club Manor, Second Addition
6. Consideration of Resolution No. 2022-37 – Subordination Agreement between CHC Monticello Townhomes LLC, Bremer Bank, and the EDA in connection with the twin home residential development proposal at Country Club Manor, Second Addition  
**Report will be provided.**
7. Adjourn

5. **Consideration of Resolution No. 2022-36 Approving a TIF Note Assignment (Pledge) Agreement, Consent and Acknowledgement between Monticello Townhomes CHC, LLC, Bremer Bank, and the EDA in connection with the twin home residential development proposal at Country Club Manor, Second Addition (JT)**

A. **REFERENCE AND BACKGROUND**

The EDA is asked to adopt Resolution No. 2022-36 approving a TIF Note Assignment (Pledge) Agreement, Consent and Acknowledgement between Monticello Townhomes CHC, LLC, Bremer Bank, and the EDA in connection with the twin home residential development proposal at Country Club Manor, Second Addition. The TIF Assignment document is requested jointly by CHC and Bremer Bank to allow the financing to be finalized for the 60-unit rental twin home residential development. This is late arriving document that is critical in allowing a land conveyance closing to occur between Headwaters and the EDA (Country Club Manor, Second Addition parcel).

Development activities at the site have not commenced. Headwaters Development would like to close on the land purchase transaction with the EDA in late November. Full development residential project, including grading, roads, pad site preparation, utilities extensions, and building construction may take 18 to 20 months. The projected development cost is approximately \$20,500,000. The first TIF collections from the new development value are projected to begin in 2025.

**A1. Budget Impact:** There is a minimal budget impact to the EDA related to the Consideration of the TIF Note Assignment and Consent. The EDA attorney has reviewed the Assignment Agreement. The blue font markup document is included with the staff report. Legal fees for reviewing and editing the TIF Assignment document will be invoiced to Headwaters Development, LLC, and Monticello Townhomes, CHC, LLC.

**A2. Staff Workload Impact:** An estimate of 6 to 10 hours of staff time has been committed in research and communication tasks as well as in reviewing and editing the TIF Assignment-Consent document.

**A3. Comprehensive Plan Impact:** The Vision adopted as part of the Monticello 2040 Plan is to create a friendly and safe community which is inclusive and fosters a sense of belonging. The city has adopted a strategy for housing which includes developing a range of housing choice and opportunity. As residents move through their career paths and family status, their housing needs change. As an actively developing

community, Monticello seeks to provide opportunities for a full range of “life cycle” housing options allowing them to stay and grow with our community. This proposal meets a specific housing need in the community, which is further supported by the 2020 Housing Study. The proposed project also meets the Monticello 2040 goal for growing from within, as it is also located within the city on an underutilized parcel of land.

**B. ALTERNATIVE ACTIONS**

1. Motion to adopt Resolution No. 2022-36 approving the TIF Note Assignment (Pledge) Agreement, Consent and Acknowledgement between Monticello Townhomes CHC LLC, Bremer Bank, and the EDA in connection with the twin home residential development proposal at Country Club Manor, Second Addition
2. Motion to table consideration of Resolution No. 2022-36 for further research and/or discussion.

**C. STAFF RECOMMENDATION**

Staff recommends Alternative #1. The TIF Note Assignment and Consent document is requested jointly by CHC and Bremer Bank which is providing the financing for the 60-unit twin home development project. In approving the TIF Note Assignment, the EDA is acknowledging and consenting to the transfer of the TIF proceeds to Bremer Bank by CHC per the stipulations spelled out in the Purchase and Development Agreement. Approval of the TIF Note Assignment will allow closing to proceed and the development project to move forward.

**D. SUPPORTING DATA**

- A. EDA Resolution No. 2022-36
- B. TIF Note Assignment-Pledge, Consent and Acknowledgement
- C. TIF Note Assignment-Pledge, Consent and Acknowledgement - Redlined

**CITY OF MONTICELLO ECONOMIC DEVELOPMENT AUTHORITY**

**RESOLUTION NO. 2022-36**

**RESOLUTION ACKNOWLEDGING AND CONSENTING TO THE  
PLEDGE OF A TAX INCREMENT FINANCING NOTE BY CHC  
MONTICELLO TOWNHOMES LLC TO BREMER BANK, NATIONAL  
ASSOCIATION**

WHEREAS, the City of Monticello, Minnesota (the “City”) and the City of Monticello Economic Development Authority (the “Authority”) have previously established the Tax Increment Financing (Housing) District No. 1-43 (Headwaters Villas Project) (the “TIF District”), a housing district, within the Central Monticello Redevelopment Project No. 1 (the “Redevelopment Project”), pursuant to Minnesota Statutes, Sections 469.001 through 469.047, Sections 469.090 through 469.1081, and Sections 469.174 through 469.1794, all as amended; and

WHEREAS, the Authority previously approved providing certain financial assistance, including tax increment financing assistance in the form of the tax increment financing note (the “TIF Note”) to Headwaters Development LLC, a Minnesota limited liability company (or certain affiliates thereof, collectively, “Headwaters”), pursuant to a Purchase and Development Contract (the “Agreement”) between Headwaters and the Authority, in order to facilitate Headwaters’ acquisition of property within the TIF District (the “Development Property”) and construction thereon of approximately 60 rental housing units for seniors with attached two-car garages (the “Project”); and

WHEREAS, at the request of Headwaters, the Authority consented to an Assignment and Assumption of Development Agreement by and between Headwaters and CHC Monticello Townhomes LLC, a Minnesota limited liability company (the “Developer”), which includes the assignment of the TIF Note, by executing a Consent to Assignment and Assumption Agreement; and

WHEREAS, the Developer now requests that the Authority acknowledge and consent to the pledge of the TIF Note pursuant to a Pledge Agreement (the “Pledge Agreement”) by and between the Developer and Bremer Bank, National Association, a national banking association (the “Bank”), by executing a Consent and Acknowledgement (the “Consent and Acknowledgement”), the form of which is on file with the Authority; and

Now, therefore, be it resolved by the Board of Commissioners (the “Board”) of the City of Monticello Economic Development Authority as follows:

1. The Board hereby approves the Pledge Agreement and the Consent and Acknowledgement in substantially the forms presented to the Board, together with any related documents necessary in connection therewith, including but not limited to the agreements referred to therein (collectively, the “Pledge Documents”), and hereby authorizes the President and Executive Director to execute any such Pledge Documents to which the Authority is a party, on behalf of the Authority, and to carry out, on behalf of the Authority, the obligations of the Authority thereunder when all conditions precedent thereto have been satisfied.

2. The approval hereby given to the Pledge 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 Authority and by the officers authorized herein or by the Authority to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the Authority. The execution of any instrument by the appropriate officers of the Authority 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. Upon execution and delivery of the Pledge Documents, the officers and employees of the Authority are hereby authorized and directed to take or cause to be taken such actions as may be necessary on behalf of the Authority to implement the Pledge Documents, when all conditions precedent thereto have been satisfied, including without limitation the delivery of the TIF Note to the Bank and the payment of tax increments to the Bank as provided therein.

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

Approved by the Board of Commissioners of the City of Monticello Economic Development Authority on November 22, 2022.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Executive Director

## PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT, dated November \_\_, 2022, from CHC Monticello Townhomes LLC, a Minnesota limited liability company ("Pledgor") to Bremer Bank, National Association, a national banking association ("Pledgee").

### WITNESSETH:

WHEREAS, the Pledgor and Pledgee have entered into that certain Loan Agreement dated of even date herewith ("Loan Agreement");

WHEREAS, pursuant to the Loan Agreement, Pledgor has issued that certain Promissory Note dated of even date herewith to Pledgee in the original principal amount of \$15,800,000.00 ("Note"); and

WHEREAS, Pledgee has required that the Pledgor's obligations to Pledgee under the Loan Agreement and the Note be secured by a pledge of Pledgor's certain assets.

NOW, THEREFORE, the parties hereto, in consideration of the recitals hereto hereby agree as follows:

1. Pledge. Pledgor hereby grants to Pledgee a security interest in its interest in the following described property:

That certain Taxable Tax Increment Revenue Note to be issued by the City of Monticello Economic Development Authority ("EDA") to the order of Pledgor in the original principal amount not to exceed \$1,590,087.00 ("Pledged Note") pursuant to certain Purchase and Development Contract dated \_\_\_\_\_, 2022 by and between Headwaters Development LLC, a Minnesota limited liability company and EDA, as assigned to Pledgor ("TIF Agreement"), together with all certificates, other instruments, options, rights, interest, principal and other distributions issued as an addition to, in substitution or in exchange for, or on account of, the same and all of Pledgor's right, title and interest in and to the TIF Agreement, and all proceeds of the foregoing property including without limitation all accounts, instruments, other rights to payment, money and general intangibles related to the foregoing property, now owned or hereafter acquired by the Pledgor (hereinafter referred to as the "Collateral");

to secure payment to Pledgee of any liability, indebtedness and obligations of (a) Pledgor under the Loan Agreement and the Note; and (b) Pledgor under all renewals, extensions, modifications, or amendments to the Note; and (c) Pledgor under any Swap Agreements, as defined in the Loan Agreement, entered into with Pledgee (all of such obligations, liabilities and indebtedness of the Pledgor are herein collectively referred to as the "Secured Obligations").

2. Representations and Warranties. Pledgor represents and warrants to Pledgee that:

(a) Pledgor has all requisite power and authority to enter into this Agreement, to pledge its respective interest in the Collateral and to carry out the transactions contemplated by this Agreement; and

(b) Upon issuance of the Pledged Note, the Pledgor will be the legal and beneficial owner of all of Collateral; and

(c) All of the Collateral owned by the Pledgor is free of any pledge, mortgage, hypothecation, lien, charge, encumbrance or security interest in such shares or the proceeds thereof, except for that granted hereunder; and

(d) The execution and delivery of this Agreement, and the performance of its terms, will not result in any violation of any provision of the statutory and charter provisions of the corporation(s) that have issued the Collateral, or violate or constitute a default under the terms of any agreement, indenture or other instrument, license, judgment, decree, order, law, statute, ordinance or other governmental rule or regulation, applicable to such corporation(s) or Pledgor or any of their property; and

(e) Upon delivery of the Collateral to the Pledgee or its agent, the Collateral and the proceeds thereof, is not subject to no prior security interest, lien, charge or encumbrance or agreement purporting to grant a security interest in Collateral or any part hereof.

3. Covenants. Pledgor hereby agrees as follows:

(a) Upon the occurrence of and during the continuance of an Event of Default, as hereinafter defined, all payments due or to become due on the Collateral shall be made directly to Pledgee and Pledgor agrees to execute such direction letters and instructions for payments as may be requested by Pledgee to effect such payment directions. All such payments received by Pledgee shall, at Pledgee's discretion, be held as additional Collateral hereunder or applied toward the satisfaction of the Secured Obligations. In the event Pledgor should receive any such payments, Pledgor shall accept all payments of principal and interest as the Pledgee's agent, in trust for the Pledgee, and shall deliver such forthwith to the Pledgee in the exact form received with, as applicable, such party's endorsement when necessary, subject to the terms hereof, as part of the Collateral. The Pledgor hereby irrevocably directs and authorizes the EDA to pay, upon written direction from the Pledgee to do so, directly and exclusively to the Pledgee or its assigns all sums due under the Pledged Note, subject to the terms thereof, and Pledgor hereby irrevocably authorizes and directs the EDA to recognize the claims of the Pledgee without investigating the reason for any action taken or the validity of or the amount of indebtedness owing to the



Pledgee or the existence of any Event of Default; and to the extent such sums are paid to the Pledgee, the Pledgor agrees that the EDA shall have no further liability to the Pledgor for the same. The sole receipt by the Pledgee of any sum paid by the EDA shall be in discharge and release of that portion of any amount owed by the EDA. The Pledgee acknowledges that the EDA's rights and remedies against the Pledgor under the TIF Agreement are unaffected by this Assignment including but not limited to the EDA's right to terminate the Pledged Note or suspend payments thereunder and the EDA's additional remedies under Sections 9.2 and 9.3 of the TIF Agreement.

(b) An "Event of Default" under the Loan Agreement shall constitute an "Event of Default" hereunder. At any time when no Event of Default has occurred and is continuing hereunder, Pledgor shall be entitled to receive for its own use interest, principal or other distributions of any sort with respect to its interest in the Collateral.

(c) Immediately and without further notice, upon the occurrence of and during the continuance of any Event of Default, whether or not the Collateral shall have been registered in the name of the Pledgee or its nominee, the Pledgee or its nominee shall have, with respect to the Collateral, the right to exercise all rights as to all of the Collateral, all other rights and all conversion, exchange, subscription or other rights, privileges or options pertaining thereto as if it were the absolute owner thereof, including without limitation, the right to exchange any or all of the Collateral upon the merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof, or upon the exercise by such issuer of any right, privilege, or option pertaining to any of the Collateral, and, in connection therewith, to deliver any of the Collateral to any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it; but the Pledgee shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing.

(d) The occurrence of and during the continuance of an Event of Default, the Pledgee may, without demand of performance or other demand, advertisement, or notice of any kind, to or upon Pledgor or any other person (all of which are, to the extent permitted by law, hereby expressly waived), forthwith realize upon the Collateral or any part thereof, or interest therein, in one or more parcels at private sale or sales, at any exchange or at any of the Pledgee's offices or elsewhere, at such prices and on such terms (including, but without limitation, a requirement that any purchaser of all or any part of the Collateral purchase the note constituting the Collateral for investment and without any intention to make a distribution thereof) as it may deem best, for cash or on credit, or for future delivery without assumption of any credit risk, with the right to the Pledgee or any purchaser to purchase upon any such sale the whole or any part of the Collateral free of any right or equity of redemption in Pledgor, which

right or equity is hereby expressly waived and released. Any disposition made in accordance with the provisions of this paragraph shall be deemed to have been commercially reasonable, provided the same is in compliance with all applicable laws. Notwithstanding the foregoing or the following two paragraphs, all transfers of the Pledged Note must comply with the requirements of the TIF Agreement, each transferee must execute and deliver an investment letter in a form acceptable to the EDA, and the EDA must consent to such transfer.

The Pledgor agrees that IF ANY COLLATERAL IS SOLD AT A PRIVATE SALE, PLEDGEE MAY ELECT TO SELL ONLY TO A BUYER WHO WILL GIVE FURTHER ASSURANCES, SATISFACTORY IN FORM AND SUBSTANCE TO THE PLEDGEE, RESPECTING COMPLIANCE WITH THE REQUIREMENTS OF THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED, AND A SALE SUBJECT TO SUCH CONDITION SHALL BE DEEMED COMMERCIALY REASONABLE.

The Pledgor further agrees that IN ANY SALE OF ANY OF THE COLLATERAL, THE PLEDGEE IS HEREBY AUTHORIZED TO COMPLY WITH ANY LIMITATION OR RESTRICTION IN CONNECTION WITH SUCH SALE AS IT MAY BE ADVISED BY LEGAL COUNSEL IS NECESSARY IN ORDER TO AVOID ANY VIOLATION OF APPLICABLE LAW (INCLUDING, WITHOUT LIMITATION, COMPLIANCE WITH SUCH PROCEDURES AS MAY RESTRICT THE NUMBER OF PROSPECTIVE BIDDERS AND PURCHASERS TO PERSONS WHO WILL REPRESENT AND AGREE THAT THEY ARE PURCHASING FOR THEIR OWN ACCOUNT FOR INVESTMENT AND NOT WITH A VIEW TO THE DISTRIBUTION OR RESALE OF SUCH COLLATERAL), OR IN ORDER TO OBTAIN ANY REQUIRED APPROVAL OF THE SALE OR OF THE PURCHASER BY ANY GOVERNMENTAL REGULATORY AUTHORITY OR OFFICIAL, AND THE PLEDGOR FURTHER AGREES THAT SUCH COMPLIANCE SHALL NOT RESULT IN SUCH SALE BEING CONSIDERED OR DEEMED NOT TO HAVE BEEN MADE IN A COMMERCIALY REASONABLE MANNER, NOR SHALL PLEDGEE BE LIABLE OR ACCOUNTABLE TO THE PLEDGOR FOR ANY DISCOUNT ALLOWED BY REASON OF THE FACT THAT SUCH COLLATERAL IS SOLD IN COMPLIANCE WITH ANY SUCH LIMITATION OR RESTRICTION.

(e) In addition to the foregoing, whenever an Event of Default shall exist and be continuing hereunder, the Pledgee may, at its option and without demand or notice, exercise any of the rights and remedies of a secured party under the Uniform Commercial Code or any other applicable law. If the Pledgee disposes of any of the Collateral, the proceeds of such disposition shall be applied as set forth in the Minnesota Uniform Commercial Code. Pledgor specifically grants to the Pledgee the right to apply such proceeds to reasonable attorneys' fees and legal expenses incurred by Pledgee in connection with negotiation with Pledgor and its representatives, successors or assigns, collection of the Secured Obligations, or protection or Pledgee's position.

(f) Until all of the Secured Obligations have been satisfied in full, Pledgor will not sell, convey, or otherwise dispose of any of its interest in the Collateral or any interest therein or create, incur, or permit to exist any pledge, mortgage, lien, charge, encumbrance or any security interest whatsoever in or with respect to any of the Collateral or the proceeds thereof, other than that created hereby, or amend, waive, extend or otherwise modify any terms, covenant or condition of the documents evidencing the Collateral.

(g) Pledgor will at its own expense, defend its right, title, special property and security interest in and to the Collateral against the claims of any person, firm, corporation or other entity.

(h) Beyond the exercise of reasonable care to assure the safe custody of the Collateral while held hereunder and in the Loan Agreement, the Pledgee shall have no duty or liability to preserve rights pertaining thereto and shall be relieved of all responsibility for the Collateral upon surrendering it or tendering surrender of it to the Pledgor.

(i) Pledgor, by entering into this Pledge Agreement and negotiating the terms hereof, hereby waives any rights it may have to demand any notices other than those provided for herein and in the Loan Agreement, and any right to a hearing as a condition precedent to Pledgee's exercise of its rights hereunder.

(j) If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonably and properly given at least ten (10) days before such disposition, postage prepaid, addressed to/and or delivered to the Pledgor at the address and in the manner set forth in the Loan Agreement. Such deposit may be established by affidavit of a representative of Pledgee, receipts or other reasonable method.

(k) No delay or failure by the Pledgee in the exercise of any right or remedy shall constitute a waiver thereof, and no single or partial exercise by the Pledgee of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

(l) This Pledge Agreement and the rights and obligations of the parties hereunder shall be construed and governed by the laws of the State of Minnesota.

(m) The Pledgor will pay to the Pledgee, within ten (10) days of written demand, the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Pledgee may incur in connection with (i) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (ii)

the exercise or enforcement of any of the rights of the Pledgee hereunder or (iii) the failure by the Pledgor to perform or observe any of the provisions hereof.

4. Termination. Upon payment, or prepayment of all Secured Obligations, this Pledge Agreement shall be automatically terminated without any action by the parties and shall be of no further force or effect. Upon such termination Pledgee shall deliver to Pledgor the original of all documents and instruments received by it pursuant to the terms hereof.

5. Counterparts. This Pledge Agreement may be signed in any number of counterparts, including electronic and facsimile counterpart signatures, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

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Executed as of the year and day first above written.

CHC Monticello Townhomes LLC,  
a Minnesota limited liability company

By Community Housing Corporation of  
America, Inc.  
Its Sole Member

By \_\_\_\_\_  
Wesley Butler  
Its Executive Director

## CONSENT AND ACKNOWLEDGMENT

The undersigned, as the issuer of that certain Taxable Tax Increment Revenue Note to be issued in favor of CHC Monticello Townhomes LLC, a Minnesota limited liability company (“Pledgor”) in the original principal amount of \$1,590,087.00 (“Pledged Note”), as of the date hereof,

1. Certifies that a true and correct copy of the form of Pledged Note is attached hereto as **Exhibit A**.
2. Consents to the pledge of the Pledged Note and that certain Purchase and Development Contract dated \_\_\_\_\_, 2022 between the undersigned (the “EDA”) and Headwaters Development, LLC, a Minnesota limited liability company, as assigned to the Pledgor (“TIF Agreement”) pursuant to the foregoing Pledge Agreement dated November \_\_, 2022 executed by Pledgor in favor of Bremer Bank, National Association, a national banking association (the “Lender”).
3. Confirms that the Pledged Note will be executed in compliance with the terms and conditions of the TIF Agreement and after the delivery of an investment letter in a form satisfactory to the EDA from the Lender, the Pledged Note will be delivered to the Lender on behalf of the Pledgor and the EDA will make all payments due under the Pledged Note to the Lender. The issuance of the Pledged Note is contingent on the satisfaction conditions set forth in the TIF Agreement, including without limitation the EDA receiving evidence of eligible costs to be reimbursed by TIF Note Available Tax Increments (as defined in the TIF Agreement).
4. Agrees that, upon Lender’s direction, it will make all payments now or hereafter due under the Pledged Note directly to the Lender at the following address:

Bremer Bank, National Association  
372 St. Peter Street  
St. Paul, Minnesota 55102  
Attn: Andrew T. Rickers

5. Agrees that it will not amend or modify the Pledged Note in any respect without the prior written consent of the Lender which consent shall not be unreasonably withheld.

City of Monticello Economic  
Development Authority

By \_\_\_\_\_  
Its President

By \_\_\_\_\_  
Its Executive Director

**EXHIBIT A**  
**FORM OF PLEDGED NOTE**



**PLEDGE AGREEMENT**

THIS PLEDGE AGREEMENT, dated November \_\_, 2022, from CHC Monticello Townhomes LLC, a Minnesota limited liability company ("Pledgor") to Bremer Bank, National Association, a national banking association ("Pledgee").

**WITNESSETH:**

WHEREAS, the Pledgor and Pledgee have entered into that certain Loan Agreement dated of even date herewith ("Loan Agreement");

WHEREAS, pursuant to the Loan Agreement, Pledgor has issued that certain Promissory Note dated of even date herewith to Pledgee in the original principal amount of \$15,800,000.00 ("Note"); and

WHEREAS, Pledgee has required that the Pledgor's obligations to Pledgee under the Loan Agreement and the Note be secured by a pledge of Pledgor's certain assets.

NOW, THEREFORE, the parties hereto, in consideration of the recitals hereto hereby agree as follows:

1. Pledge. Pledgor hereby grants to Pledgee a security interest in its interest in the following described property:

That certain Taxable Tax Increment Revenue Note to be issued by the City of Monticello Economic Development Authority ("EDA") to the order of Pledgor in the original principal amount not to exceed \$1,590,087.00 ("Pledged Note") pursuant to certain Purchase and Development Contract dated \_\_\_\_\_, 2022 by and between Headwaters Development LLC, a Minnesota limited liability company and EDA, as assigned to Pledgor ("TIF Agreement"), together with all certificates, other instruments, options, rights, interest, principal and other distributions issued as an addition to, in substitution or in exchange for, or on account of, the same and all of Pledgor's right, title and interest in and to the TIF Agreement, and all proceeds of the foregoing property including without limitation all accounts, instruments, other rights to payment, money and general intangibles related to the foregoing property, now owned or hereafter acquired by the Pledgor (hereinafter referred to as the "Collateral");

to secure payment to Pledgee of any liability, indebtedness and obligations of (a) Pledgor under the Loan Agreement and the Note; and (b) Pledgor under all renewals, extensions, modifications, or amendments to the Note; and (c) Pledgor under any Swap Agreements, as defined in the Loan Agreement, entered into with Pledgee (all of such obligations, liabilities and indebtedness of the Pledgor are herein collectively referred to as the "Secured Obligations").

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2. Representations and Warranties. Pledgor represents and warrants to Pledgee that:

(a) Pledgor has all requisite power and authority to enter into this Agreement, to pledge its respective interest in the Collateral and to carry out the transactions contemplated by this Agreement; and

(b) Upon issuance of the Pledged Note, the Pledgor will be the legal and beneficial owner of all of Collateral; and

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(c) All of the Collateral owned by the Pledgor is free of any pledge, mortgage, hypothecation, lien, charge, encumbrance or security interest in such shares or the proceeds thereof, except for that granted hereunder; and

(d) The execution and delivery of this Agreement, and the performance of its terms, will not result in any violation of any provision of the statutory and charter provisions of the corporation(s) that have issued the Collateral, or violate or constitute a default under the terms of any agreement, indenture or other instrument, license, judgment, decree, order, law, statute, ordinance or other governmental rule or regulation, applicable to such corporation(s) or Pledgor or any of their property; and

(e) Upon delivery of the Collateral to the Pledgee or its agent, the Collateral and the proceeds thereof, is not subject to no prior security interest, lien, charge or encumbrance or agreement purporting to grant a security interest in Collateral or any part hereof.

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3. Covenants. Pledgor hereby agrees as follows:

(a) Upon the occurrence of and during the continuance of an Event of Default, as hereinafter defined, all payments due or to become due on the Collateral shall be made directly to Pledgee and Pledgor agrees to execute such direction letters and instructions for payments as may be requested by Pledgee to effect such payment directions. All such payments received by Pledgee shall, at Pledgee's discretion, be held as additional Collateral hereunder or applied toward the satisfaction of the Secured Obligations. In the event Pledgor should receive any such payments, Pledgor shall accept all payments of principal and interest as the Pledgee's agent, in trust for the Pledgee, and shall deliver such forthwith to the Pledgee in the exact form received with, as applicable, such party's endorsement when necessary, subject to the terms hereof, as part of the Collateral. The Pledgor hereby irrevocably directs and authorizes the EDA to pay, upon written direction from the Pledgee to do so, directly and exclusively to the Pledgee or its assigns all sums due under the Pledged Note, subject to the terms thereof, and Pledgor hereby irrevocably authorizes and directs the EDA to recognize the claims of the Pledgee without investigating the reason for any action taken or the validity of or the amount of indebtedness owing to the

Pledgee or the existence of any Event of Default; and to the extent such sums are paid to the Pledgee, the Pledgor agrees that the EDA shall have no further liability to the Pledgor for the same. The sole receipt by the Pledgee of any sum paid by the EDA shall be in discharge and release of that portion of any amount owed by the EDA. The Pledgee acknowledges that the EDA's rights and remedies against the Pledgor under the TIF Agreement are unaffected by this Assignment including but not limited to the EDA's right to terminate the Pledged Note or suspend payments thereunder and the EDA's additional remedies under Sections 9.2 and 9.3 of the TIF Agreement.

(b) An "Event of Default" under the Loan Agreement shall constitute an "Event of Default" hereunder. At any time when no Event of Default has occurred and is continuing hereunder, Pledgor shall be entitled to receive for its own use interest, principal or other distributions of any sort with respect to its interest in the Collateral.

(c) Immediately and without further notice, upon the occurrence of and during the continuance of any Event of Default, whether or not the Collateral shall have been registered in the name of the Pledgee or its nominee, the Pledgee or its nominee shall have, with respect to the Collateral, the right to exercise all rights as to all of the Collateral, all other rights and all conversion, exchange, subscription or other rights, privileges or options pertaining thereto as if it were the absolute owner thereof, including without limitation, the right to exchange any or all of the Collateral upon the merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof, or upon the exercise by such issuer of any right, privilege, or option pertaining to any of the Collateral, and, in connection therewith, to deliver any of the Collateral to any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it; but the Pledgee shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing.

(d) The occurrence of and during the continuance of an Event of Default, the Pledgee may, without demand of performance or other demand, advertisement, or notice of any kind, to or upon Pledgor or any other person (all of which are, to the extent permitted by law, hereby expressly waived), forthwith realize upon the Collateral or any part thereof, or interest therein, in one or more parcels at private sale or sales, at any exchange or at any of the Pledgee's offices or elsewhere, at such prices and on such terms (including, but without limitation, a requirement that any purchaser of all or any part of the Collateral purchase the note constituting the Collateral for investment and without any intention to make a distribution thereof) as it may deem best, for cash or on credit, or for future delivery without assumption of any credit risk, with the right to the Pledgee or any purchaser to purchase upon any such sale the whole or any part of the Collateral free of any right or equity of redemption in Pledgor, which

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right or equity is hereby expressly waived and released. Any disposition made in accordance with the provisions of this paragraph shall be deemed to have been commercially reasonable, provided the same is in compliance with all applicable laws. Notwithstanding the foregoing or the following two paragraphs, all transfers of the Pledged Note must comply with the requirements of the TIF Agreement, each transferee must execute and deliver an investment letter in a form acceptable to the EDA, and the EDA must consent to such transfer.

The Pledgor agrees that IF ANY COLLATERAL IS SOLD AT A PRIVATE SALE, PLEDGEE MAY ELECT TO SELL ONLY TO A BUYER WHO WILL GIVE FURTHER ASSURANCES, SATISFACTORY IN FORM AND SUBSTANCE TO THE PLEDGEE, RESPECTING COMPLIANCE WITH THE REQUIREMENTS OF THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED, AND A SALE SUBJECT TO SUCH CONDITION SHALL BE DEEMED COMMERCIALY REASONABLE.

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The Pledgor further agrees that IN ANY SALE OF ANY OF THE COLLATERAL, THE PLEDGEE IS HEREBY AUTHORIZED TO COMPLY WITH ANY LIMITATION OR RESTRICTION IN CONNECTION WITH SUCH SALE AS IT MAY BE ADVISED BY LEGAL COUNSEL IS NECESSARY IN ORDER TO AVOID ANY VIOLATION OF APPLICABLE LAW (INCLUDING, WITHOUT LIMITATION, COMPLIANCE WITH SUCH PROCEDURES AS MAY RESTRICT THE NUMBER OF PROSPECTIVE BIDDERS AND PURCHASERS TO PERSONS WHO WILL REPRESENT AND AGREE THAT THEY ARE PURCHASING FOR THEIR OWN ACCOUNT FOR INVESTMENT AND NOT WITH A VIEW TO THE DISTRIBUTION OR RESALE OF SUCH COLLATERAL), OR IN ORDER TO OBTAIN ANY REQUIRED APPROVAL OF THE SALE OR OF THE PURCHASER BY ANY GOVERNMENTAL REGULATORY AUTHORITY OR OFFICIAL, AND THE PLEDGOR FURTHER AGREES THAT SUCH COMPLIANCE SHALL NOT RESULT IN SUCH SALE BEING CONSIDERED OR DEEMED NOT TO HAVE BEEN MADE IN A COMMERCIALY REASONABLE MANNER, NOR SHALL PLEDGEE BE LIABLE OR ACCOUNTABLE TO THE PLEDGOR FOR ANY DISCOUNT ALLOWED BY REASON OF THE FACT THAT SUCH COLLATERAL IS SOLD IN COMPLIANCE WITH ANY SUCH LIMITATION OR RESTRICTION.

(e) In addition to the foregoing, whenever an Event of Default shall exist and be continuing hereunder, the Pledgee may, at its option and without demand or notice, exercise any of the rights and remedies of a secured party under the Uniform Commercial Code or any other applicable law. If the Pledgee disposes of any of the Collateral, the proceeds of such disposition shall be applied as set forth in the Minnesota Uniform Commercial Code. Pledgor specifically grants to the Pledgee the right to apply such proceeds to reasonable attorneys' fees and legal expenses incurred by Pledgee in connection with negotiation with Pledgor and its representatives, successors or assigns, collection of the Secured Obligations, or protection or Pledgee's position.

(f) Until all of the Secured Obligations have been satisfied in full, Pledgor will not sell, convey, or otherwise dispose of any of its interest in the Collateral or any interest therein or create, incur, or permit to exist any pledge, mortgage, lien, charge, encumbrance or any security interest whatsoever in or with respect to any of the Collateral or the proceeds thereof, other than that created hereby, or amend, waive, extend or otherwise modify any terms, covenant or condition of the documents evidencing the Collateral.

(g) Pledgor will at its own expense, defend its right, title, special property and security interest in and to the Collateral against the claims of any person, firm, corporation or other entity.

(h) Beyond the exercise of reasonable care to assure the safe custody of the Collateral while held hereunder and in the Loan Agreement, the Pledgee shall have no duty or liability to preserve rights pertaining thereto and shall be relieved of all responsibility for the Collateral upon surrendering it or tendering surrender of it to the Pledgor.

(i) Pledgor, by entering into this Pledge Agreement and negotiating the terms hereof, hereby waives any rights it may have to demand any notices other than those provided for herein and in the Loan Agreement, and any right to a hearing as a condition precedent to Pledgee's exercise of its rights hereunder.

(j) If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonably and properly given at least ten (10) days before such disposition, postage prepaid, addressed to/and or delivered to the Pledgor at the address and in the manner set forth in the Loan Agreement. Such deposit may be established by affidavit of a representative of Pledgee, receipts or other reasonable method.

(k) No delay or failure by the Pledgee in the exercise of any right or remedy shall constitute a waiver thereof, and no single or partial exercise by the Pledgee of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

(l) This Pledge Agreement and the rights and obligations of the parties hereunder shall be construed and governed by the laws of the State of Minnesota.

(m) The Pledgor will pay to the Pledgee, within ten (10) days of written demand, the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Pledgee may incur in connection with (i) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (ii)

the exercise or enforcement of any of the rights of the Pledgee hereunder or (iii) the failure by the Pledgor to perform or observe any of the provisions hereof.

4. Termination. Upon payment, or prepayment of all Secured Obligations, this Pledge Agreement shall be automatically terminated without any action by the parties and shall be of no further force or effect. Upon such termination Pledgee shall deliver to Pledgor the original of all documents and instruments received by it pursuant to the terms hereof.

5. Counterparts. This Pledge Agreement may be signed in any number of counterparts, including electronic and facsimile counterpart signatures, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

(the remainder of this page left blank)'

Executed as of the year and day first above written.

CHC Monticello Townhomes LLC,  
a Minnesota limited liability company

By Community Housing Corporation of  
America, Inc.  
Its Sole Member

By \_\_\_\_\_  
Wesley Butler  
Its Executive Director

## CONSENT AND ACKNOWLEDGMENT

The undersigned, as the issuer of that certain Taxable Tax Increment Revenue Note to be issued in favor of CHC Monticello Townhomes LLC, a Minnesota limited liability company ("Pledgor") in the original principal amount of \$1,590,087.00 ("Pledged Note"), as of the date hereof,

1. Certifies that a true and correct copy of the form of Pledged Note is attached hereto as **Exhibit A**.
2. Consents to the pledge of the Pledged Note and that certain Purchase and Development Contract dated \_\_\_\_\_, 2022 between the undersigned (the "EDA") and Headwaters Development, LLC, a Minnesota limited liability company, as assigned to the Pledgor ("TIF Agreement") pursuant to the foregoing Pledge Agreement dated November \_\_, 2022 executed by Pledgor in favor of Bremer Bank, National Association, a national banking association (the "Lender").
3. Confirms that the Pledged Note will be executed in compliance with the terms and conditions of the TIF Agreement and after the delivery of an investment letter in a form satisfactory to the EDA from the Lender, the Pledged Note will, be delivered to the Lender on behalf of the Pledgor and the EDA will make all payments due under the Pledged Note to the Lender. The issuance of the Pledged Note is contingent on the satisfaction conditions set forth in the TIF Agreement, including without limitation the EDA receiving evidence of eligible costs to be reimbursed by TIF Note Available Tax Increments (as defined in the TIF Agreement).
4. Agrees that, upon Lender's direction, it will make all payments now or hereafter due under the Pledged Note directly to the Lender at the following address:

Bremer Bank, National Association  
372 St. Peter Street  
St. Paul, Minnesota 55102  
Attn: Andrew T. Rickers

**Deleted:** and certifies that the Pledged Note has not been amended, extended or otherwise modified by the undersigned.

**Deleted:** and within five (5) business day after issuance.

**Deleted:** 4. Agrees that it will give the Lender prompt written notice of any defaults under the Pledged Note. ¶  
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**Deleted:** upon an Event of Default under the foregoing Pledge Agreement and unless and until otherwise directed in writing by the Lender, it will make all



5. Agrees that it will not amend or modify the Pledged Note in any respect without the prior written consent of the Lender which consent shall not be unreasonably withheld.

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City of Monticello Economic  
Development Authority

By \_\_\_\_\_  
Its President,

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By \_\_\_\_\_  
Its Executive Director

**EXHIBIT A  
FORM OF PLEDGED NOTE**

6. **Consideration of Resolution No. 2022-37 Approving a Subordination Agreement between Monticello Townhomes CHC, LLC and Bremer Bank in connection with the twin home residential development proposal at Country Club Manor, Second Addition (JT)**

A. **REFERENCE AND BACKGROUND**

The EDA is asked to consider adopting Resolution No. 2022-37 approving a land reverter Subordination Agreement between Monticello Townhomes CHC, LLC and Bremer Bank in connection with the 60-unit rental twin home residential development proposal at Country Club Manor, Second Addition. Bremer Bank is asking the EDA to subordinate its' statutorily required land reverter rights to the 12.396-acre parcel as part of the financing that it is providing to CHC. In essence, the requested Subordination would nullify the Land Reverter language in the Purchase and Development Contract, thereby increasing the EDA risk related to repayment of its land costs through the TIF Purchase Price Note. The reverter language provided protection that allows the EDA to reclaim the land should the proposed development not proceed as planned (Section 3.8).

While a portion of the land cost is being funded through available pooled dollars in existing Affordable Housing TIF Districts in the amount of \$600,000 +/-, the remaining sum of \$189,302 +/- is to be repaid to the EDA through the future collection of tax increments, over a time, from the new development value. The pooled dollars are also to be paid back through tax increment. As a reminder the land transaction conveyance closing amount is \$1.00.

The Subordination Agreement is a late arriving document submittal by Bremer Bank and CHC. Both parties indicate that the Reverter Subordination must approved by the EDA before the land conveyance closing between Headwaters and the EDA (Country Club Manor, Second Addition parcel) can take place. Headwaters and CHC intend to have a second closing of the site and the Assigned Purchase and Development Contract rights and responsibilities (EDA approved at its 11-09-22 meeting) a day or two after closing with the EDA.

Development activities at the site have not commenced. Headwaters Development would like to close on the land purchase transaction with the EDA in late November. Development activities of the project, including grading, roads, pad site preparation, utilities extensions, and building construction may take 18 to 20 months. The projected development cost is approximately \$20,500,000. The first TIF collections from the new development value are

projected to begin in 2025.

- A1. Budget Impact:** There is a minimal up-front budget impact to the EDA related to the Consideration of the Reverter Subordination Agreement. The EDA attorney has reviewed the Reverter Agreement which is included with the staff report. Legal fees for reviewing the Reverter Subordination Agreement will be invoiced to Headwaters Development, LLC, and Monticello Townhomes, CHC, LLC. Fees will be collected at the closing transaction. However, the impact to the EDA in terms of land repayment is significant should the development not proceed as planned.
- A2. Staff Workload Impact:** An estimate of 8 to 12 hours of staff time has been committed in research and communication tasks related to the Reverter Subordination Agreement.
- A3. Comprehensive Plan Impact:** The Vision adopted as part of the Monticello 2040 Plan is to create a friendly and safe community which is inclusive and fosters a sense of belonging. The city has adopted a strategy for housing which includes developing a range of housing choice and opportunity. As residents move through their career paths and family status, their housing needs change. As an actively developing community, Monticello seeks to provide opportunities for a full range of “life cycle” housing options allowing them to stay and grow with our community. This proposal meets a specific housing need in the community, which is further supported by the 2020 Housing Study. The proposed project also meets the Monticello 2040 goal for growing from within, as it is also located within the city on an underutilized parcel of land.

**B. ALTERNATIVE ACTIONS**

1. Motion to adopt Resolution No. 2022-37 approving the Reverter Subordination Agreement between Monticello Townhomes CHC LLC, Bremer Bank, and the EDA in connection with the twin home residential development proposal at Country Club Manor, Second Addition
2. Motion to table consideration of Resolution No. 2022-37 for further research and/or discussion.
3. Motion of other as determined by the EDA

**C. STAFF RECOMMENDATION**

Subordinating the EDA land reverter rights is a policy decision. While CHC intends to move forward quickly with the proposed development, there are risks that the proposal may not move forward as contemplated. This could result in the EDA being unable to collect its full land value sum of \$789,302.

A positive indicator of commitment is that staff has been informed that CHC is escrowing the entire equity component (\$5,100,000) of the development with Bremer Bank as part of the financing for the overall \$20,500,000 development project. This may factor in the EDA's consideration of the Subordination Agreement. Per the developer team (Headwaters and CHC), approval of the Subordination Agreement would allow the land closing (Headwaters and EDA) to proceed and the development project to move forward.

**D. SUPPORTING DATA**

- A. EDA Resolution No. 2022-37 - to be provided
- B. Land Reverter Subordination Agreement

**CITY OF MONTICELLO ECONOMIC DEVELOPMENT AUTHORITY**

**RESOLUTION NO. 2022-37**

**RESOLUTION APPROVING AND AUTHORIZING THE EXECUTION  
OF A SUBORDINATION AGREEMENT**

WHEREAS, the City of Monticello, Minnesota (the “City”) and the City of Monticello Economic Development Authority (the “Authority”) have previously established the Tax Increment Financing (Housing) District No. 1-43 (Headwaters Villas Project) (the “TIF District”), a housing district, within the Central Monticello Redevelopment Project No. 1 (the “Redevelopment Project”), pursuant to Minnesota Statutes, Sections 469.001 through 469.047, Sections 469.090 through 469.1081, and Sections 469.174 through 469.1794, all as amended; and

WHEREAS, the Authority previously approved providing certain financial assistance, including tax increment financing assistance in the form of the tax increment financing note (the “TIF Note”) to Headwaters Development LLC, a Minnesota limited liability company (or certain affiliates thereof, collectively, “Headwaters”), pursuant to a Purchase and Development Contract (the “Agreement”) between Headwaters and the Authority, in order to facilitate Headwaters’ acquisition of property within the TIF District (the “Development Property”) and construction thereon of approximately 60 rental housing units for seniors with attached two-car garages (the “Project”); and

WHEREAS, at the request of Headwaters, the Authority consented to an Assignment and Assumption of Development Agreement by and between Headwaters and CHC Monticello Townhomes LLC, a Minnesota limited liability company (the “Developer”), which includes the assignment of the TIF Note, by executing a Consent to Assignment and Assumption Agreement; and

WHEREAS, in connection with the Developer’s financing for the Project, Bremer Bank, National Association (the “Lender”) has requested that the Authority subordinate its right of reentry to the Development Property under Minnesota Statute and Section 3.8 of the Agreement to the Lender’s financing documents pursuant to a Subordination Agreement among the Authority, the Developer and the Lender (the “Subordination Agreement”).

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners (the “Board”) of the City of Monticello Economic Development Authority as follows:

1. The Board hereby approves the Subordination Agreement, together with any related documents necessary in connection therewith, including but not limited to the agreements referred to therein (collectively, the “Subordination Documents”), and hereby authorizes the President and Executive Director to execute any such Subordination Documents to which the Authority is a party, on behalf of the Authority, and to carry out, on behalf of the Authority, the obligations of the Authority thereunder when all conditions precedent thereto have been satisfied.

2. The approval hereby given to the Subordination 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 Authority and by the officers authorized herein or by the Authority to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the Authority. The execution of any instrument by the appropriate officers of the Authority 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.

Approved by the Board of Commissioners of the City of Monticello Economic Development Authority on November 22, 2022.

---

President

ATTEST:

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Executive Director

## SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT is dated as of this \_\_\_\_ day of November, 2022, by and among CHC Monticello Townhomes LLC, a Minnesota limited liability company ("Borrower"), the City of Monticello Economic Development Authority, a public body corporate and politic under the laws of Minnesota ("EDA") and Bremer Bank, National Association, a national banking association ("Lender").

### WITNESSETH

WHEREAS, Borrower has executed that certain Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Financing Statement dated of even date herewith, recorded on \_\_\_\_\_, 2022 in the office of the County Recorder of Wright County, Minnesota Registrar as Document No. \_\_\_\_\_ ("Lender Mortgage"), whereby Borrower has mortgaged to Lender certain real property legally described on **Exhibit A** attached hereto and made a part hereof (said property hereinafter called the "Property"); and

WHEREAS, Borrower obtained title to the Property pursuant to that certain Quit Claim Deed dated \_\_\_\_\_, 2022 executed by the EDA, recorded on \_\_\_\_\_, 2022 in the Office of the County Recorder of Wright County, Minnesota ("Quit Claim Deed"); and

WHEREAS, the Lender Mortgage was given to secure repayment of that certain Promissory Note ("Note") of even date herewith, issued by the Borrower to the order of the Lender in the original principal amount of \$15,800,000.00; and

WHEREAS, as a condition to the extension of credit by Lender pursuant to the Note, the Lender has required that the EDA's rights of re-entry and reverter under the Quit Claim Deed be subordinated to the Lender Mortgage.

NOW, THEREFORE, in consideration of the covenants contained herein, the mutual benefits derived therefrom and other good and valuable consideration received by



each of the parties hereto from the other parties hereto, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, it is agreed as follows:

1. The EDA's rights under the Quit Claim Deed, including all rights of re-entry and rights of reverter shall be, and hereby is made, subject and subordinate at all times and in all respects to the lien of the Lender Mortgage, and all renewals, modifications, extensions, substitutions, replacements and/or consolidations thereof and the lien of the Lender Mortgage shall be, and hereby is made, prior and superior to the EDA's rights under the Quit Claim Deed.
2. The EDA shall not without the prior written consent of the Lender take any action to enforce and foreclose any lien or other interest it may have in the Property, whether pursuant to the Quit Claim Deed or otherwise unless the Lender has initiated foreclosure proceedings (whether by action or pursuant to a power of sale) under the Lender Mortgage.
3. The priorities set forth herein shall be binding irrespective of (a) the fact of or the timing of any filing, recording or other method of perfecting such mortgage lien interests; or (b) any contrary priority established pursuant to applicable statutes or regulations.
4. The rights and obligations hereunder of Borrower, the EDA and Lender shall bind and inure to the benefit of their respective successors and assigns.
5. Borrower and Lender, or their successors or assigns, may alter, extend, change, modify, waive or release any of the terms, covenants and conditions contained in the Lender Mortgage without in any manner affecting this Agreement or releasing the EDA from the effect hereof, all without any further consent or agreement of the EDA.
6. This Subordination Agreement may be signed in any number of counterparts, including electronic and facsimile counterpart signatures, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

(the remainder of this page left blank)

IN WITNESS WHEREOF, Borrower, the EDA and Lender have each caused this Agreement to be duly executed as of the day and year first above written.

CHC Monticello Townhomes LLC,  
a Minnesota limited liability company

By Community Housing Corporation of  
America, Inc.  
Its Sole Member

By \_\_\_\_\_  
Wes Butler  
Its Executive Director

STATE OF MINNESOTA )  
  )ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of November, 2022, by Wes Butler, the Executive Director of Community Housing Corporation of America, Inc., a Minnesota nonprofit corporation, the Sole Member of CHC Monticello Townhomes LLC, a Minnesota limited liability company, on behalf of the company.

\_\_\_\_\_  
Notary Public

City of Monticello Economic  
Development Authority

By \_\_\_\_\_  
Steve Johnson  
Its President

By \_\_\_\_\_  
Jim Thares  
Its Executive Director

STATE OF MINNESOTA )  
 )ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of November, 2022, by Steve Johnson, the President of the City of Monticello Economic Development Authority (the "Authority"), a public body corporate and politic under the laws of Minnesota, on behalf of the Authority.

\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA )  
 )ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of November, 2022, by Jim Thares, the Executive Director of the City of Monticello Economic Development Authority (the "Authority"), a public body corporate and politic under the laws of Minnesota, on behalf of the Authority.

\_\_\_\_\_  
Notary Public

Bremer Bank, National Association

By \_\_\_\_\_  
Its \_\_\_\_\_

STATE OF MINNESOTA    )  
  ) ss  
COUNTY OF \_\_\_\_\_ )

The foregoing was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_,  
2022, by \_\_\_\_\_, the \_\_\_\_\_ of Bremer  
Bank, National Association, a national banking association, on behalf of the association.

\_\_\_\_\_  
Notary Public

This Instrument Drafted by:  
Christoffel & Elliott, P.A.  
1111 UBS Plaza  
444 Cedar Street  
St. Paul, Minnesota 55101-2129

1218.726-Subordination Agreement

**EXHIBIT A  
LEGAL DESCRIPTION**

The land herein referred to is situated in the County of Wright, State of Minnesota and is described as follows:

Lots 1-21, Block 1, Country Club Manor Second Addition  
Lots 1-11, Block 2, Country Club Manor Second Addition  
Lots 1-11, Block 3, Country Club Manor Second Addition  
Lots 1-21, Block 4, Country Club Manor Second Addition  
Outlot A, Country Club Manor Second Addition  
Outlot B, Country Club Manor Second Addition  
Outlot C, Country Club Manor Second Addition  
All in Wright County, Minnesota.

(Abstract Property)