

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: LAURA QUALEY, ECONOMIC DEVELOPMENT SPECIALIST

SUBJECT: S & S INVESTMENTS PROPERTY; BREACH OF CONTRACT

DATE: OCTOBER 6TH, 2020

BACKGROUND

In late May 2020, Dave Maroney received a letter (Exhibit A) from Scott Schultz (S & S Investment Properties) including the property tax statements for properties 52.399.0041 and 52.399.0030 (EXHIBIT B & C) owned by the City of Cannon Falls. The current situation with S & S Investment properties that Scott Schultz purchased aforementioned properties on a Contract for Deed from the City in 2012. He has paid for the property in full and has kept current on the property taxes for the properties until 2020. Schultz was supposed to have built a 30,000 warehouse on the properties as part of the contract which he has failed to do. As you will read in the letter from Schultz, he is asking for the City to repay him for the properties as well as the property taxes that he has paid on the property (“or a fair and equitable portion”).

July 2020 Qualey and Jensen consulted Campbell-Knutson about the matter and provided the letter from Schultz as well as the Recorded Contract for Deed to review. Options #1 and #2 below were the actions suggested by the attorney. The title has never been transferred to Schultz so the City is tasked with a couple of options:

Option #1: Proposal to City Council:

- 1. Propose to waive the construction requirement of the contract*
- 2. City pays the 2020 Taxes*
- 3. Transfer the deed to S & S Investment Properties LLP to be recorded*

Option #2: Proposal to City Council:

- 1. Cancel Contract for Deed for breach of contract (for failure of construction and also not keeping the property taxes current for 2020)*
- 2. City pays the 2020 Taxes*
- 3. Take property back*
- 4. Pay taxes going forward*

Option #3: Proposal to City Council:

- 1. Do Nothing*
- 2. Properties goes into default for unpaid taxes*
- 3. Goodhue County takes the property*

Staff Recommendation:

The Finance Committee reviewed the options on Tuesday, September 29, 2020 and made a recommendation to approve Option #2.

Requested City Council Action:

A motion to approve cancelation and termination of the Contract for Deed with S & S Investments Property for Breach of Contract as a result of failure to construct on the property per the agreement and also failure to pay the property taxes for 2020.

TO: CITY OF CANNON FALLS FINANCE COMMITTEE

FROM: LAURA QUALEY, ECONOMIC DEVELOPMENT SPECIALIST

SUBJECT: S & S INVESTMENTS PROPERTY; BREACH OF CONTRACT

DATE: SEPTEMBER, 29, 2020

BACKGROUND

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July 2020 Qualey and Jensen consulted Campbell-Knutson about the matter and provided the letter from Schultz as well as the Recorded Contract for Deed to review. Options #1 and #2 below were the actions suggested by the attorney. The title has never been transferred to Schultz so the City is tasked with a few options:

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1. Propose to waive the construction requirement of the contract
2. City pays the 2020 Taxes
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1. Cancel Contract for Deed for breach of contract (for failure of construction and also not keeping the property taxes current for 2020)
2. City pays the 2020 Taxes
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4. Pay taxes going forward

Option #3: Proposal to City Council:

1. Do Nothing
2. Properties goes into default for unpaid taxes
3. Goodhue County takes the property

The EDA Board discussed the situation and decided that it’s important that the 1st half of the taxes get paid before the October 2020 payment is due so the city does not go into default. Jensen and Althoff suggested we request a breach of contract to the Council and take the land back.

EXHIBIT A

S&S Investment Properties, LLP

8002 Skunk Hollow Tr.
Cannon Falls, MN 55009

May 19, 2020

Dave Maroney
Director of City Development
918 River Road
Cannon Falls, MN 55009

RE: City Lots on East Park Drive ID# 52.399.0030 and ID# 52.399.0041

Dear Dave,

Dave, I hope all is well with you and your family as we all try to find our way through this crisis.

Earlier this year, you and I discussed the two commercial lots that S&S Investment Properties has purchased from the City, but for which the City holds the deeds, and an option to reclaim both lots.

Within that discussion, I consented to hold the lots for a while longer as the property at 110 N. Park Drive was for sale or lease. These lots could represent additional value to a potential client.

Since then, the effects of COVID-19 have eliminated all interest in the building. My ReMax commercial realtor reports that interest in all commercial properties is very slow.

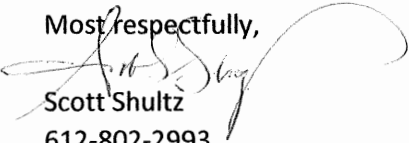
S&S has invested approximately \$44,000 for the land purchase and \$26,000 in property taxes for those two lots. Given the lack of commercial interest at this time, S&S wishes to relinquish its option to build on those lots, or to try to sell them with its adjacent commercial property. If a prospective buyer or lease tenant should have interest in that land, I will direct them to the City.

Meanwhile, I respectfully request reimbursement for the monies paid for the land purchase and taxes, or at least, a fair and equitable portion of that total. As you reminded me in our conversation, the City continues to hold the deeds to the subject property. Given that, no additional documentation should be required except perhaps a formal release by S&S, for which this letter should suffice.

Enclosed herein are the 2020 taxes for both lots totaling \$4,296.00, which I also surrender to the City.

Please call or email at your convenience so that we can conclude this matter. Thank you.

Most respectfully,


Scott Shultz
612-802-2993
Scotts4868@gmail.com



GOODHUE COUNTY
FINANCE & TAXPAYER SERVICES
509 W. 5th Street
Red Wing, MN 55066
651-385-3040
www.co.goodhue.mn.us

EXHIBIT B

Bill#: 34279

No

Property ID#: R 52.399.0041

Taxpayer ID#: 16878
S & S INVESTMENT PROPERTIES
8002 SKUNK HOLLOW TRL
CANNON FALLS MN 55009-5206



09000762

Desc: NORTH PARK DRIVE ADDITION 3.04 AC DOC#593248 LOT 2 BLK 2 EX N107FT

Property Address:

\$\$\$
REFUNDS?

You may be eligible for one or even two refunds to reduce your property tax. Read the back of this statement to find out how to apply.

2020 Property Tax Statement

VALUES AND CLASSIFICATION			
Taxes Payable Year:		2019	2020
Step 1	Estimated Market Value:	47,900	47,900
	Homestead Exclusion:		
	Taxable Market Value:	47,900	47,900
	New Improvements:		
	Property Classification:	INDUSTR	INDUSTR
Sent in March 2019			
Step 2	PROPOSED TAX		
		1,794.00	
Sent in November 2019			
Step 3	PROPERTY TAX STATEMENT		
	First half taxes due:		888.00
	Second half taxes due:		888.00
	Total Taxes Due in 2020:		1,776.00

Taxes Payable Year:	2019	2020
1. Use this amount on Form M1PR to see if you are eligible for a property tax refund. File by August 15. If this box is checked, you owe delinquent taxes and are not eligible. <input type="checkbox"/>		
2. Use these amounts on Form M1PR to see if you are eligible for a special refund.		
Property Tax and Credits		
3. Property taxes before credits	1,814.00	1,776.00
4. Credits that reduce property taxes:		
A. Agricultural Market Value Credits		
B. Other Credits		
5. Property taxes after credits	1,814.00	1,776.00
Property Tax by Jurisdiction		
6. County GOODHUE COUNTY	430.93	432.61
7. City or Town CANNON FALLS CITY	642.60	677.22
8. State General Tax	406.35	372.14
9. School District 0252	163.48	148.57
A. Voter Approval Levies	162.48	137.53
B. Other Local Levies	8.16	7.93
10. Special Taxing Districts SEMMCHRA		
11. Non-school voter approved referenda levies		
12. Total property tax before special assessments	1,814.00	1,776.00
Special Assessments on Your Property		
13. Special assessments Int: Principal:		
14. YOUR TOTAL PROPERTY TAX AND SPECIAL ASSESSMENTS	1,814.00	1,776.00

PAYABLE 2020 2nd HALF PAYMENT STUB

TO AVOID PENALTY PAY ON OR BEFORE: OCTOBER 15

Property ID#: R 52.399.0041

Bill #: 34279

S & S INVESTMENT PROPERTIES
8002 SKUNK HOLLOW TRL
CANNON FALLS MN 55009-5206

SECOND 1/2 TAX AMOUNT DUE: 888.00

PENALTY:

TOTAL:

Make Check Payable to Goodhue County



09000762

Goodhue County Finance & Taxpayer Services
509 W. 5th Street
Red Wing, Minnesota 55066



Call us at 651-385-3040 to set up automatic withdrawal. Initial payment must be arranged three weeks prior to due date.

PAYABLE 2020 1st HALF PAYMENT STUB

TO AVOID PENALTY PAY ON OR BEFORE: MAY 15

Property ID#: R 52.399.0041

Bill #: 34279

S & S INVESTMENT PROPERTIES
8002 SKUNK HOLLOW TRL
CANNON FALLS MN 55009-5206

FULL TAX AMOUNT: 1,776.00

FIRST 1/2 TAX AMOUNT DUE: 888.00

PENALTY:

TOTAL:

Make Check Payable to Goodhue County

Goodhue County Finance & Taxpayer Services
509 W. 5th Street
Red Wing, Minnesota 55066



Call us at 651-385-3040 to set up automatic withdrawal. Initial payment must be arranged three weeks prior to due date.

Indicate address change

Indicate address change



**GOODHUE COUNTY
FINANCE & TAXPAYER SERVICES**
509 W. 5th Street
Red Wing, MN 55066
651-385-3040
www.co.goodhue.mn.us

EXHIBIT C

Bill#: 33500

Property ID#: R 52.399.0030

Taxpayer ID#: 16878

T4 P1
762 2 AV 0.389
S & S INVESTMENT PROPERTIES
8002 SKUNK HOLLOW TRL
CANNON FALLS MN 55009-5206



09000762



Desc: NORTH PARK DRIVE ADDITION Lot-001 Block-002 4.32 AC
DOC#593248 LOT 1 BLK 2

**Property
Address:**

2020 Property Tax Statement

VALUES AND CLASSIFICATION			
Taxes Payable Year:		2019	2020
Step 1	Estimated Market Value:	68,100	68,000
	Homestead Exclusion:		
	Taxable Market Value:	68,100	68,000
	New Improvements:		
	Property Classification:	INDUSTR	INDUSTR
<i>Sent in March 2019</i>			
Step 2	PROPOSED TAX		
	2,546.00		
<i>Sent in November 2019</i>			
Step 3	PROPERTY TAX STATEMENT		
	First half taxes due:		1,260.00
	Second half taxes due:		1,260.00
	Total Taxes Due in 2020:		2,520.00



*You may be eligible for one or even two refunds to reduce your property tax.
Read the back of this statement to find out how to apply.*

Taxes Payable Year:	2019	2020
1. Use this amount on Form M1PR to see if you are eligible for a property tax refund. File by August 15. If this box is checked, you owe delinquent taxes and are not eligible. <input type="checkbox"/>		
2. Use these amounts on Form M1PR to see if you are eligible for a special refund.		
Property Tax and Credits		
3. Property taxes before credits	2,580.00	2,520.00
4. Credits that reduce property taxes:		
A. Agricultural Market Value Credits		
B. Other Credits		
5. Property taxes after credits	2,580.00	2,520.00
Property Tax by Jurisdiction		
6. County GOODHUE COUNTY	613.68	612.87
7. City or Town CANNON FALLS CITY	913.59	961.40
8. State General Tax	577.71	528.31
9. School District 0252	232.42	210.92
A. Voter Approval Levies	231.00	195.24
B. Other Local Levies	11.60	11.26
10. Special Taxing Districts SEMMCHRA		
11. Non-school voter approved referenda levies		
12. Total property tax before special assessments	2,580.00	2,520.00
Special Assessments on Your Property		
13. Special assessments Int: Principal:		
14. YOUR TOTAL PROPERTY TAX AND SPECIAL ASSESSMENTS	2,580.00	2,520.00

PAYABLE 2020 2nd HALF PAYMENT STUB

TO AVOID PENALTY PAY ON OR BEFORE: OCTOBER 15

Property ID#: R 52.399.0030

Bill #: 33500

S & S INVESTMENT PROPERTIES
8002 SKUNK HOLLOW TRL
CANNON FALLS MN 55009-5206

Make Check Payable to Goodhue County

SECOND 1/2 TAX AMOUNT DUE: 1,260.00

PENALTY:

TOTAL:



09000762

Goodhue County Finance & Taxpayer Services
509 W. 5th Street
Red Wing, Minnesota 55066



Call us at 651-385-3040 to set up automatic withdrawal. Initial payment must be arranged three weeks prior to due date.

PAYABLE 2020 1st HALF PAYMENT STUB

TO AVOID PENALTY PAY ON OR BEFORE: MAY 15

Property ID#: R 52.399.0030

Bill #: 33500

S & S INVESTMENT PROPERTIES
8002 SKUNK HOLLOW TRL
CANNON FALLS MN 55009-5206

Make Check Payable to Goodhue County

FULL TAX AMOUNT: 2,520.00

FIRST 1/2 TAX AMOUNT DUE: 1,260.00

PENALTY:

TOTAL:

Goodhue County Finance & Taxpayer Services
509 W. 5th Street
Red Wing, Minnesota 55066



Call us at 651-385-3040 to set up automatic withdrawal. Initial payment must be arranged three weeks prior to due date.

Indicate address change

Indicate address change

CERT. OF R. E. VALUE FILED

#23522

No Delinquent Taxes and transfer entered
this 20th day of March 2012
Carolyn Holmsten Goodhue County Auditor

By Deputy Auditor

DOC#: A- 593248

Certified, Filed, and or Recorded on:

March 20, 2012 10:10 AM

Signed: [Signature] Deputy

LISA M HANNI

GOODHUE COUNTY RECORDER

Fee Amount: \$46.00

EXHIBIT D

Return to:
Commercial Partners Title, LLC
200 South Sixth Street
Suite 1300
Minneapolis, MN 55402
34307412

(Reserved for Recording Data)

CONTRACT FOR DEED

Date: March 15, 2012.

THIS CONTRACT FOR DEED (the "Contract") is made on the above date by the City of Cannon Falls, a Minnesota municipal corporation, Seller, and S & S Investment Properties, LLP, a Minnesota limited liability partnership, Purchaser.

Seller and Purchaser agree to the following terms:

1. **PROPERTY DESCRIPTION.** Seller hereby sells, and Purchaser hereby buys, real property in Goodhue County, Minnesota, described as follows:

Lot 1, Block 2, North Park Drive Addition; and 52-399-0030
Lot 2, Block 2, North Park Drive Addition, except the north 107.00 feet thereof. 52-399-0041

together with all hereditaments and appurtenances belonging thereto (the "Property"). Unless otherwise specified, Seller hereby delivers possession of the Property to Purchaser on the date hereof.

Seller check applicable box:

- The Seller certifies that the Seller does not know of any wells on the described real property.
- A well disclosure certificate accompanies this document.
- The Seller is familiar with the property described in this instrument and certifies that the status and the number of wells on the described real property have not changed since the last previously filed well disclosure certificate.

2. **TITLE.** Seller warrants that title to the Property is, on the date of this Contract, subject only to the following exceptions:

- (a) Covenants, conditions, restrictions (without effective forfeiture provisions) and declarations of record, if any;
- (b) Reservations of minerals or mineral rights by the State of Minnesota, if any;
- (c) Utility and drainage easements which do not interfere with present improvements;
- (d) Applicable laws, ordinances and regulations;
- (e) The lien of real estate taxes and installments of special assessments which are payable by Purchaser pursuant to paragraph 6 of this Contract; and
- (f) The following liens or encumbrances: None.

3. **DELIVERY OF DEED AND EVIDENCE OF TITLE.** Upon Purchaser's full performance of this Contract, Seller shall:

- (a) Execute, acknowledge and deliver to Purchaser a General Warranty Deed, in recordable form, conveying marketable title to the Property to Purchaser, subject only to the following exceptions:
 - (i) Those exceptions referred to in paragraph 2(a), (b), (c), (d) and (e) of this Contract;
 - (ii) Liens, encumbrances, adverse claims or other matters which Purchaser has created, suffered or permitted to accrue after the date of this Contract; and
 - (iii) The following liens and encumbrances: None.

4. **PURCHASE PRICE.** Purchaser shall pay to Seller, at Cannon Falls City Hall, 918 River Road, Cannon Falls, MN, 55009, the sum of Thirty One Thousand Four Hundred and No/100 Dollars (\$31,430.00) as and for the purchase price (the "Purchase Price") for the Property, payable as follows:

(i) Fourteen (14) semi-annual payments of Two Thousand Two Hundred Forty-five Dollars (\$2,245.00), together with interest on the unpaid balance (the "Payments"), shall be paid by Purchaser to Seller over a seven year term from the date of Closing (the "Term"). Assuming a date of Closing of March 1, 2012, the Payments shall be made For example, if the Closing occurs on March 1, 2012 the Payments shall be made on September 1, 2012 and on the 1st day of each March and September thereafter until the principal and interest are paid in full.

(ii) The entire principal balance of the Contract for Deed, together with all accrued interest thereon, shall be due and payable in full seven years from the date of Closing (the "Maturity Date"). For example, if a Closing occurs on March 1, 2012, the Maturity Date would be March 1, 2019.

(iii) Interest due on the unpaid principal balance of this Contract shall be computed at a fixed rate equal to three percent (3.0%) per annum.

5. **PREPAYMENT.** Unless otherwise provided in this Contract, Purchaser shall have the right to fully or partially prepay this Contract at any time without penalty. Any partial

prepayment shall be applied first to payment of amounts then due under this Contract, including unpaid accrued interest, and the balance shall be applied to the principal installments to be paid in the inverse order of their maturity. Partial prepayment shall not postpone the due date of the installments to be paid pursuant to this Contract or change the amount of such installments.

6. **REAL ESTATE TAXES AND ASSESSMENTS.** Real estate taxes and installments of special assessments which are due and payable in the year in which this Contract is dated shall be paid as follows: Real estate taxes due and payable in 2012 shall be prorated based on a 365 day year and for calculation purposes Seller shall be deemed in title to the Property and, therefore responsible for the expenses of the Property, through the day prior to the Effective Date and Purchaser shall be deemed to be in title in the Property and, therefore responsible for the expenses of the Property, from and after 12:01 a.m. on the Effective Date.

Purchaser shall pay, before penalty accrues, all real estate taxes and installments of special assessments assessed against the Property which are due and payable in all subsequent years of the Term. Seller warrants that the real estate taxes and installments of special assessments which were due and payable in the years preceding the year in which this Contract is dated are paid in full. If the Property is subject to a recorded declaration providing for assessments to be levied against the Property by any owners' association, Purchaser shall promptly pay, when due, all assessments imposed by the owners' association or other governing body as required by the provisions of the declaration or other related documents.

7. **PROPERTY INSURANCE.**

- (a) **Insured Risks and Amount.** Purchaser shall keep all buildings, improvements and fixtures now or later located on all or a part of the Property insured against loss by fire, lightning and such other perils as are covered in a standard "all-risk" endorsement, and against loss or damage by all other risks and hazards covered by a standard extended coverage insurance policy, including, without limitation, vandalism, malicious mischief, burglary, theft, and, if applicable, steam boiler explosion. Such insurance shall be in an amount not less than the full replacement cost of the buildings, improvements and fixtures, without deduction for physical depreciation. If any of the buildings, improvements or fixtures is located in a federally designated flood prone area, and if flood insurance is available for that area, Purchaser shall procure and maintain flood insurance in amounts reasonably satisfactory to Seller.
- (b) **Other Terms.** The insurance policy shall contain a loss payable clause in favor of Seller which provides that Seller's right to recover under the insurance shall not be impaired by any acts or omissions of Purchaser or Seller, and that Seller shall otherwise be afforded all rights and privileges customarily provided a mortgagee under the so-called standard mortgage clause. Annually, Purchaser shall provide Seller with a certificate of the required insurance coverage showing Seller as a coinsured loss payee.

- (c) **Notice of Damage.** In the event of damage to the Property by fire or other casualty, Purchaser shall promptly give notice of such damage to Seller and the insurance company.

8. **DAMAGE TO THE PROPERTY.**

- (a) **Application of Insurance Proceeds.** If the Property is damaged by fire or other casualty, the insurance proceeds paid on account of such damages shall be applied to payment of the amounts payable by Purchaser under this Contract, even if such amounts are not then due to be paid, unless Purchaser makes a permitted election described in the next paragraph. Such amounts shall be first applied to unpaid accrued interest and next to the installments to be paid as provided in this Contract in the inverse order of their maturity. Such payment shall not postpone the due date of the installments to be paid pursuant to this Contract or change the amount of such installments. The balance of insurance proceeds, if any, shall be the property of Purchaser.
- (b) **Purchaser's Election to Rebuild.** If Purchaser is not in default under this Contract or after curing any such default, and if the mortgagees in any prior mortgages and sellers in any prior contracts for deed do not require otherwise, Purchaser may elect to have that portion of such insurance proceeds necessary to repair, replace or restore the damaged Property (the "Repairs") deposited in escrow with a bank or title insurance company qualified to do business in the State of Minnesota, or such other party as may be mutually agreeable to Seller and Purchaser. The election may only be made by written notice to Seller within sixty days after the damage occurs. Also, the election will only be permitted if the plans and specifications and contracts for the Repairs are approved by Seller, which approval Seller shall not unreasonably withhold or delay. If such a permitted election is made by Purchaser, Seller and Purchaser shall jointly deposit, when paid, such insurance proceeds into such escrow. If such insurance proceeds are insufficient for the Repairs, Purchaser shall, before commencement of the Repairs, deposit into such escrow sufficient additional money to insure the full payment for the Repairs. Even if the insurance proceeds are unavailable or insufficient to pay the cost of the Repairs, Purchaser shall at all times be responsible to pay the full cost of the Repairs. All escrowed funds shall be disbursed by the escrowee in accordance with generally accepted sound construction disbursement procedures. The costs incurred or to be incurred on account of such escrow shall be deposited by Purchaser into such escrow before the commencement of the Repairs. Purchaser shall complete the Repairs as soon as reasonably possible and in a good and workmanlike manner, and in any event the Repairs shall be completed by Purchaser within one year after the damage occurs. If, following the completion of and payment for the Repairs, there remains any undisbursed escrow funds, such funds shall be applied to payment of the amounts payable by Purchaser under this Contract in accordance with paragraph 8(a) above.
- (c) **Owners' Association.** If the Property is subject to a recorded declaration, so long as the owners' association maintains a master or blanket policy of insurance against

fire, extended coverage perils and such other hazards and in such amount as are required by this Contract, then : (i) Purchaser's obligation in this Contract to maintain hazard insurance coverage on the Property is satisfied; (ii) the provisions of Paragraph 8(a) of this Contract regarding application of insurance proceeds shall be superseded by the provisions of the declaration or other related documents; and (iii) in the event of a distribution of insurance proceeds in lieu of restoration or repair following an insured casualty loss to the Property, any such proceeds payable to Purchaser are hereby assigned and shall be paid to Seller for application to the sum secured by this Contract, with the excess, if any, paid to Purchaser.

9. **INJURY OR DAMAGE OCCURRING ON THE PROPERTY.**

- (a) **Liability.** Seller shall be free from liability and claims for damages by reason of injuries occurring on or after the date of this Contract to any person or persons or property while on or about the Property. Purchaser shall defend and indemnify Seller from all liability, loss, costs and obligations, including reasonable attorneys' fees, on account of or arising out of any such injuries. However, Purchaser shall have no liability or obligation to Seller for such injuries which are caused by the negligence or intentional wrongful acts or omissions of Seller.
- (b) **Liability Insurance.** Purchaser shall, at Purchaser's own expense, procure and maintain liability insurance against claims for bodily injury, death and property damage occurring on or about the Property in amounts reasonably satisfactory to Seller and naming Seller as an additional insured.

10. **INSURANCE, GENERALLY.** The insurance which Purchaser is required to procure and maintain pursuant to paragraphs 7 and 9 of this Contract shall be issued by an insurance company or companies licensed to do business in the State of Minnesota and acceptable to Seller. The insurance shall be maintained by Purchaser at all times while any amount remains unpaid under this Contract. The insurance policies shall provide for not less than ten days' written notice to Seller before cancellation, non-renewal, termination or change in coverage, and Purchaser shall deliver to Seller a duplicate original or certificate of such insurance policy or policies.

11. **CONDEMNATION.** If all or any part of the Property is taken in condemnation proceedings instituted under power of eminent domain or is conveyed in lieu thereof under threat of condemnation, the money paid pursuant to such condemnation or conveyance in lieu thereof shall be applied to payment of the amounts payable by Purchaser under this Contract, even if such amounts are not then due to be paid. Such amounts shall be applied in the same manner as a prepayment as provided in paragraph 5 of this Contract. Such payments shall not postpone the due date of the installments to be paid pursuant to this Contract or change the amount of such installments. The balance, if any, shall be the property of Purchaser.

12. **WASTE, REPAIR AND LIENS.** Purchaser shall not remove or demolish any buildings, improvements or fixtures now or later located on all or a part of the Property, nor shall Purchaser commit or allow waste of the Property. Purchaser shall maintain the Property in

good condition and repair. Purchaser shall not create or permit to accrue liens or adverse claims against the Property which constitute a lien or claim against Seller's interest in the Property. Purchaser shall pay to Seller all amounts, costs and expenses, including reasonable attorneys' fees, incurred by Seller to remove any such liens or adverse claims.

13. **COMPLIANCE WITH LAWS.** Except for matters with Seller has created, suffered or permitted to exist prior to the Effective Date of this Contract, Purchase shall comply or cause compliance with all laws and regulations of any governmental authority which affect the Property or the manner of using or operating the same, and with all restrictive covenants, if any, affecting title to the Property or the use thereof.
14. **RECORDING OF CONTRACT; DEED TAX.** Purchaser shall, at Seller's expense, record this Contract in the office of the county recorder or registrar of titles in the county in which the Property is located within four (4) months after the date hereof. Purchase shall pay any penalty imposed under Minnesota Statutes Section 507.235 for failure to timely record the Contract. Seller shall, upon Purchaser's full performance of this Contract, pay the deed tax due upon the recording of the deed to be delivered by Seller.
15. **NOTICE OF ASSIGNMENT.** If either Seller or Purchaser assigns their interest in the Property, the assigning party shall promptly furnish a copy of such assignment to the non-assigning party.
16. **PROTECTION OF INTERESTS.** If Purchaser fails to pay any sum of money required under the terms of this Contract or fails to perform any of Purchaser's obligations as set forth in this Contract, Seller may, at Seller's option, pay the same or cause the same to be performed, or both, and the amounts so paid by Seller and the cost of such performance shall be payable at once, with interest at the rate stated in paragraph 4 of this Contract, as an additional amount due Seller under this Contract. If there now exists, or if Seller hereafter creates, suffers or permits to accrue, any mortgage, contract for deed, lien or encumbrance against the Property which is not herein expressly assumed by Purchaser, and provided Purchaser is not in default under this Contract, Seller shall timely pay all amounts due thereon, and if Seller fails to do so, Purchaser may, at Purchaser's option, pay any such delinquent amounts or take any actions reasonably necessary to cure defaults there under and deduct the amounts so paid together with interest at the rate provided in this Contract from the payments next coming due under this Contract.
17. **DEFAULTS AND REMEDIES.** The time of performance by Purchaser of the terms of this Contract is an essential part of this Contract. **If Purchaser fails to timely perform any of the terms of this Contract, Seller may, at Seller's option, elect to declare this Contract cancelled and terminated by notice to Purchaser in accordance with applicable law or elect any other remedy available at law or in equity. If Seller elects to terminate this Contract, all right, title and interest acquired under this Contract by Purchaser shall then cease and terminate, and all improvements made upon the Property and all payments made by Purchaser pursuant to this Contract (including escrow payments, if any) shall belong to Seller as liquidated damages for breach of this Contract. Neither the extension of the time for payment of any sum of money to be paid hereunder nor any waiver by Seller of Seller's rights to declare this Contract forfeited by reason of any breach shall in any manner affect**

Seller's right to cancel this Contract because of defaults subsequently occurring, and no extension of time shall be valid unless agreed to in writing. After service of notice of default and failure to cure such default within the period allowed by law, Purchaser shall, upon demand, surrender possession of the Property to Seller, but Purchaser shall be entitled to possession of the Property until the expiration of such period. Failure by Seller to exercise one or more remedies available under this paragraph 17 shall not constitute a waiver of the right to exercise such remedy or remedies thereafter.

18. **BINDING EFFECT.** The terms of this Contract shall run with the land and bind the parties hereto and their successors in interest.
19. **HEADINGS.** Headings of the paragraphs of this Contract are for convenience only and do not define, limit or construe the contents of such paragraphs.
20. **ADDITIONAL TERMS:**

(a) Purchaser shall substantially complete construction of a minimum 30,000 square foot warehouse (the "**Warehouse**"), which will accommodate existing and projected storm water drainage and flows subject to the approval of the City Engineer, in compliance with City of Cannon Falls' building, zoning and other codes and regulations ("**Minimum Improvements**") on the Subject Property prior to the end of the term of the Contract for Deed.

(b) Seller represents and warrants to Purchaser through the Date of Closing on the Contract for Deed:

- (i). Seller will have good and marketable title, free and clear of all liens, security interests and encumbrances, except as otherwise provided under this Agreement.
- (ii). To the best of Seller's knowledge, without investigation, there are no actions, suits or proceedings pending or threatened against or affecting either Seller or the Subject Property and all services or material which have been furnished to the Property at the request of Seller have been fully paid for or will be fully paid for prior to the date of delivery of the Contract for Deed so that no lien for services or materials rendered (commonly known as mechanic's or materialmen's liens) may be asserted against the Property.
- (iii). Seller has operated the Subject Property in compliance with all applicable federal, state and local environmental laws, ordinances, rules and regulations relating to the handling, storage and disposal of hazardous and toxic wastes and substances, petroleum products and other regulated substances. Seller's operation of the Subject Property is now and shall on the date of delivery of the Contract for Deed be in compliance with all such environmental laws, ordinances, rules and regulations, including but not limited to the maintenance of all required permits and approvals.

Seller has not used or stored hazardous wastes or substances, petroleum products and other regulated substances on the Subject Property, nor has Seller discharged or released any such substances upon the Subject Property, including, but not limited to, underground injection of such substances, in violation of any federal, state or local environmental law, ordinance, rule or regulation. To the best of Seller's knowledge, no other party has engaged in any such use, storage, discharge or release.

- (iv). To the Seller's actual knowledge, there are no underground or above ground storage tanks currently upon the Subject Property.
- (v). Seller knows of no wells on the Property and hereby makes the disclosure pursuant to Minn. Stat. § 103I.235(1).
- (vi). Solely for purposes of satisfying the requirements of Minn. Stat. § 115.55, Seller represent that there is no "individual sewage treatment system" (within the meaning of said statute) on or serving the Subject Property.
- (vii). Solely for purposes of satisfying the requirements of Minn. Stat. § 152.0275, to the actual knowledge of Seller no methamphetamine production has occurred on the Subject Property.
- (viii). Seller has full power and authority to enter into the Contract for Deed and to perform all of its obligations hereunder, and has taken all action required by law, its governing instruments, or otherwise to authorize the execution, delivery, and performance of the Contract for Deed and all the deeds, agreements, certificates, and other documents contemplated herein.
- (ix). Neither the execution or delivery of this Purchase Agreement to which this Contract for Deed is attached as an Exhibit nor the consummation of the transactions contemplated herein will conflict with or result in a breach of any contract, license, or undertaking to which Seller is a party or by which the Subject Property is bound, or constitute a default hereunder or, except as contemplated herein, result in the creation of any lien or encumbrance upon the Subject Property.
- (x). Water and sewer lines and systems having adequate capacity for transmission of water, sanitary and storm fluids are available to and currently service the Subject Property. Gas and electric services are available to the Subject Property via adjacent dedicated public streets. Seller has received no notice of actual or threatened reduction or curtailment of any utility service now supplied to the Subject Property.
- (xi). Seller shall maintain the Subject Property in substantially the same manner as it is presently being maintained, such that at closing on the Contract for Deed, the Property shall be in substantially the same or better physical condition as on the Effective Date of the Purchase Agreement, normal


wear and tear and damage or destruction by fire or other casualty excepted.

- (xii) Except to rezone the property to an industrial zoning, Seller shall not change zoning, plat or restrict, excavate the property, commence any action to protest or appeal real estate taxes payable in the year of delivery of the Contract for Deed.
- (xiii) Seller shall continue all insurance associated with the Subject Property up until delivery of the Contract for Deed.
- (xiv) Seller shall afford Purchaser an opportunity to be granted a tax abatement for the Subject Property in accordance with Minn. Stat. § 469.1813.
- (xv) Seller shall provide any and all documents, testimony or any other information as required by the Goodhue County Assessor or Minnesota Commissioner or Revenue, as applicable, for purpose of characterizing the Subject Property as tax-exempt through the date of delivery of the Contract for Deed in accordance with Minn. Stat. § 272.02.

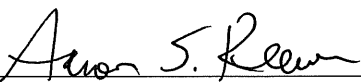
Seller shall indemnify and defend Purchaser and Purchaser's successors and assigns against (i) all claims, suits, actions, proceedings, judgments, liabilities, obligations, liens, losses, damages, penalties, fines, costs, and expenses, including attorney fees, court costs, and settlement costs, arising out of, or having to do with, the breach by Seller of any the foregoing representations, warranties or covenants, regardless of whether such breach is discovered before or after the delivery of the Contract for Deed; or (ii) any liabilities or obligations arising out of or relating to the Seller's ownership and operating of the Subject Property prior to the delivery of the Contract for Deed. Any and all representations and warranties of Seller set forth in this Section, shall survive the delivery of the Contract for Deed for a period of two (2) years from the date of delivery, and no action shall be brought, claim made or defense raised based on a breach of or inaccuracy in such representations, warranties and covenants at any time after two (2) years and one (1) month from the delivery of the Contract for Deed.

Seller:
CITY OF CANNON FALLS

Purchaser:
S & S INVESTMENT PROPERTIES, LLP

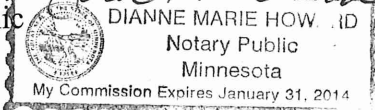
By: 
Robby Robinson, Mayor

By: _____
Scott Shultz, General Partner

And: 
Aaron S. Reeves, City Administrator

STATE OF MINNESOTA)
(SS
COUNTY OF GOODHUE)

The foregoing instrument was acknowledged before me this 1 day of March 2012, by Robby Robinson and Aaron S. Reeves, the Mayor and City Administrator of the above-named Seller.

Dianne Marie Howland
Notary Public  DIANNE MARIE HOWLAND
Notary Public
Minnesota
My Commission Expires January 31, 2014

STATE OF MINNESOTA)
(SS
COUNTY OF Goodhue)

The foregoing instrument was acknowledged before me this _____ day of _____, 2012, by Scott Shultz, the General Partner of the above-named Purchaser.

Notary Public

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

S&S Investment Properties, LP
110 Park Dr
Cannon Falls, MN 55009

THIS INSTRUMENT WAS DRAFTED BY:

Campbell Knutson, P.A.
Suite #317
Eagandale Office Center
1380 Corporate Center Curve
Eagan, MN 55121

FAILURE TO RECORD OR FILE THIS CONTRACT FOR DEED MAY GIVE OTHER PARTIES PRIORITY OVER PURCHASER'S INTEREST IN THE PROPERTY.

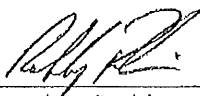
wear and tear and damage or destruction by fire or other casualty excepted.

- (xii) Except to rezone the property to an industrial zoning, Seller shall not change zoning, plat or restrict, excavate the property, commence any action to protest or appeal real estate taxes payable in the year of delivery of the Contract for Deed.
- (xiii) Seller shall continue all insurance associated with the Subject Property up until delivery of the Contract for Deed.
- (xiv) Seller shall afford Purchaser an opportunity to be granted a tax abatement for the Subject Property in accordance with Minn. Stat. § 469.1813.
- (xv) Seller shall provide any and all documents, testimony or any other information as required by the Goodhue County Assessor or Minnesota Commissioner or Revenue, as applicable, for purpose of characterizing the Subject Property as tax-exempt through the date of delivery of the Contract for Deed in accordance with Minn. Stat. § 272.02.

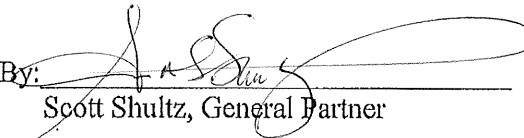
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Seller:
CITY OF CANNON FALLS

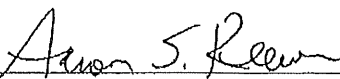
Purchaser:
S & S INVESTMENT PROPERTIES, LLP

By: 

Robby Robinson, Mayor

By: 

Scott Shultz, General Partner

And: 

Aaron S. Reeves, City Administrator