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**PERFORMANCE AGREEMENT**

**Dated as of August 1, 2018**

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**BETWEEN**

**CITY OF LEE'S SUMMIT, MISSOURI**

**AND**

**SUMMIT SQUARE RESIDENCE II, LLC**

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**Prepared By:**

**Gilmore & Bell, P.C.  
Kansas City, Missouri**

## PERFORMANCE AGREEMENT

**THIS PERFORMANCE AGREEMENT**, dated as of August 1, 2018 (the “**Agreement**”), between the **CITY OF LEE’S SUMMIT, MISSOURI**, a constitutional charter city and municipal corporation duly organized and existing under the laws of the State of Missouri (the “**City**”), and **SUMMIT SQUARE RESIDENCE II, LLC**, a Delaware limited liability company (the “**Company**”);

### RECITALS:

**1.** The City is authorized and empowered pursuant to the provisions of Article VI, Section 27(b) of the Missouri Constitution and Sections 100.010 through 100.200, inclusive, of the Revised Statutes of Missouri, as amended (collectively, the “**Act**”), to purchase, construct, extend and improve certain projects and to issue industrial development revenue bonds for the purpose of providing funds to pay the costs of such projects and to lease or otherwise dispose of such projects to private persons or corporations for manufacturing, commercial, research and development, warehousing and industrial development purposes upon such terms and conditions as the City shall deem advisable.

**2.** Pursuant to the Act, the City Council of the City gave notice to the affected taxing jurisdictions in accordance with Section 100.059.1 of the Act and held a public hearing to finance the costs of a project (the “**Project**”) for the Company consisting of the improvement of certain real property located at the southeast corner of the intersection of NW Ward Road and NE Tudor Road in the City (the “**Project Site**”), including the construction and improvement of a commercial facility on the Project Site, out of the proceeds of the industrial development revenue bonds to be issued under the Act to provide funds to pay the costs of the Project, and to lease or sell the Project to the Company for the purpose of financing the costs of the Project.

**3.** Pursuant to an ordinance (the “**Ordinance**”) passed by the City Council on August \_\_\_\_, 2018, the City has approved a plan for the Company’s economic development project and has been authorized to execute and deliver (a) a Trust Indenture of even date herewith (the “**Indenture**”) between the City and BOKF, N.A., Kansas City, Missouri, as trustee (the “**Trustee**”), for the purpose of issuing and securing the City’s Taxable Industrial Development Revenue Bonds (Summit Square Apartments Phase II Project), Series 2018 in the maximum principal amount of \$48,460,000 (the “**Bonds**”), (b) a Lease Agreement of even date herewith (the “**Lease**”) with the Company under which the City, as lessor, will construct, extend and improve the Project and will lease the Project to the Company, in consideration of rentals which will be sufficient to pay the principal of and interest on the Bonds, and (c) this Agreement for the purpose of setting forth the terms and conditions of the Project’s exemption from ad valorem real property taxes and certain payments in lieu of taxes to be made by the Company with respect to the Project.

**4.** Pursuant to the foregoing, the City desires to enter into this Agreement with the Company in consideration of the Company’s desire to construct, extend and improve the Project upon the terms and conditions hereinafter set forth.

**NOW, THEREFORE**, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the City and the Company hereby represent, covenant and agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.1. Definitions of Words and Terms.** In addition to the terms otherwise defined herein, the following words and terms as used herein shall have the following meanings:

“**Agreement**” means this Performance Agreement dated as of August 1, 2018, between the City and the Company, as from time to time amended and supplemented in accordance with the provisions hereof.

“**Commercial Facility**” means a facility comprised of rentable space operated for profit by the Company in accordance with this Agreement, including a residential apartment complex and associated uses.

“**Company**” means Summit Square Residence II, LLC, a Delaware limited liability company, and its successors and assigns.

“**Indenture**” means the Trust Indenture dated as of August 1, 2018, between the City and BOKF, N.A., Kansas City, Missouri, as Trustee, relating to the issuance of the Bonds, as amended or supplemented from time to time.

“**PILOT Payments**” or “**PILOTS**” means the payments in lieu of taxes provided for in **Article III** hereof.

“**Project**” means, collectively, the Project Site and the Project Improvements as they may at any time exist.

“**Project Improvements**” shall have the same meaning as provided in **Exhibit B** to the Indenture.

“**Project Site**” means all of the real estate described in **Exhibit A** attached hereto and by this reference made a part hereof.

## ARTICLE II

### REPRESENTATIONS

**Section 2.1. City’s Representations.** The City hereby represents that the Project will significantly benefit the City and the State of Missouri by (i) stimulating economic development in the City and the State; and (ii) increasing local and state tax revenues.

**Section 2.2. Company’s Representations.** The Company hereby represents that the Project will significantly benefit the City and the State of Missouri by (i) stimulating economic development in the City and the State; and (ii) increasing local and state tax revenues.

## ARTICLE III

### PROPERTY TAX EXEMPTION; PAYMENT IN LIEU OF TAXES

**Section 3.1. Property Tax Exemption.** So long as the City owns title to the Project, the City expects that the Project will be exempt from ad valorem taxes on real property. The first year of the exemption period for purposes of this Agreement shall be 2018. Notwithstanding any other provision of this Agreement to the contrary, the last year of such exemption period shall be 2029. The Company covenants and agrees that, during each year the Project is exempt from ad valorem taxes by reason hereof, the Company will make annual payments in lieu of taxes to the City (each such payment, a “**PILOT**”) as described in this **Article III**. The City and the Company hereby agree that the tax abatement provided by this Agreement shall only apply to property financed with the proceeds of the Bonds (i.e., property constituting a part of the Project) and shall not apply to property not financed with proceeds of the Bonds (and specifically shall not apply to personal property relating to the Project other than construction materials).

**Section 3.2. Payments In Lieu of Taxes for Project.** The Company covenants and agrees to make PILOT Payments to the City on or before each December 31, commencing December 31, 2018, in the amounts, and in the years, set forth in **Exhibit B** attached hereto.

**Section 3.3. Termination for Failure to Operate the Project as a Commercial Facility.** If the Company fails to operate the Project as a Commercial Facility, other than temporary closures customary in the applicable industry, then in addition to any other remedies that may be available to the City under the Lease or hereunder, the PILOTS set forth in **Section 3.2** shall be increased to 100% of the ad valorem real property taxes that would otherwise have been due on the Project during each year following such failure, including the year in which the failure occurs, and during which the Project is exempt from ad valorem real property taxes as provided herein.

**Section 3.4. Distribution of PILOTS.** Within 30 days of the date of receipt of each PILOT, the City or designated billing/collection agent shall distribute each PILOT among the taxing jurisdictions. However, upon a termination under **Section 3.3**, the City or designated billing/collection agent shall distribute each PILOT among the taxing jurisdictions in proportion to the amount of taxes which would have been paid in each year had the Project not been exempt from taxation pursuant to this Agreement.

**Section 3.5. Obligation of City to Effect Tax Abatement.** The City agrees to take all actions within its control to obtain and/or maintain in effect the exemption referred to in **Section 3.1** above, including any filing required with any governmental authorities; provided, however, the City shall not be liable for any failure of Jackson County, Missouri or any other governmental taxing authority to recognize the exemption provided herein. The City covenants that it will not voluntarily take any action that may cause or induce the levy or assessment of ad valorem taxes on the Project. In the event such a levy or assessment should occur, the City shall, at the Company’s request and at the Company’s expense, fully cooperate with the Company in all reasonable ways to prevent and/or remove any such levy or assessment against the Project.

**Section 3.6. Administration Costs.** Under Section 100.050 of the Act, the City may require the Company to reimburse the City for its actual costs of issuing the Bonds and administering the plan including costs associated with this Agreement, in an amount of no greater than \$1,000 per year. The City will provide a statement for such costs to the Company not later than November 15th of each year and the Company will reimburse the City for its costs on or before December 31 of each year continuing until December 31 of the year in which this Agreement expires or is terminated.

**Section 3.7. Other Property Taxes In Connection with the Project.** The real property tax exemption provided by the City's ownership of the Project is expected to apply to all interests in the Project during the period it is owned by the City. If any ad valorem property taxes are levied by or on behalf of any taxing jurisdiction against any interest in the Project during the period the City owns the Project (including, without limitation, any ad valorem taxes levied against the Company's rights in the Lease), the amount of ad valorem tax payments related to such levy or levies which are paid by the Company and received by the City and other taxing jurisdictions shall be credited against and reduce on a *pro rata* basis the amount of the PILOT Payments the Company is obligated to pay pursuant to this Agreement. The Company shall be responsible for any taxes related to any interest in the Project which the Company owns in its own name or granted to the Company other than pursuant to the Lease.

**Section 3.8. Credits for Certain Tax Payments.** Nothing in this Agreement shall be construed to require the Company to make duplicate tax payments. The Company shall receive a credit hereunder to such extent it has made any payment for ad valorem real property taxes on the Project to Jackson County, Missouri.

**Section 3.9. Company's Right To Protest Taxes.** Notwithstanding any other provision of this Agreement to the contrary, nothing in this Agreement shall be construed to limit or in any way restrict the availability of any provision of Missouri law which confers upon the Company the right to appeal, protest or otherwise contest any property tax valuation, assessment, classification or similar action.

**Section 3.10. No Abatement on Special Assessments, Licenses or Fees.** The City and the Company hereby agree that the property tax exemptions described in this Agreement shall not apply to special assessments and shall not serve to reduce or eliminate any other licenses or fees owing to the City or any other taxing jurisdiction with respect to the Project. The Company hereby agrees to make payments with respect to all special assessments, licenses and fees which would otherwise be due with respect to the Project if such Project was not owned by the City.

**Section 3.11. PILOTS Following Cessation of Operations.** If for any reason the Company ceases operations of the Project during the term of this Agreement, the PILOTS set forth in **Section 3.2** shall be increased to 100% of the ad valorem real property taxes that would otherwise have been due on the Project for each year following such cessation of operations including the year of cessation of operations. "Ceases operations" or "cessation of operations" for the purpose of this paragraph means the Company completely vacates, abandons and permanently ceases operations for a period of 90 consecutive days during the term of this Agreement, unless the Project has been subject to a casualty and the Company is intending to rebuild the Project or the Company's interest in this Agreement has been transferred pursuant to **Article V** hereof and the Project continues in operation thereafter.

## ARTICLE IV

### COVENANTS, REPRESENTATIONS AND AGREEMENTS

**Section 4.1. Inspection.** The Company agrees that the City and its duly authorized agents shall have the right at reasonable times (during business hours), subject to at least 48 hours advance notice and to the Company's usual business proprietary, safety and security requirements, to enter upon the Project Site to examine and inspect the Project and the records of the Company which demonstrate compliance with this Agreement.

**Section 4.2. Compliance with Laws.** The Project will comply in all material respects with all applicable building and zoning, health, environmental and safety ordinances and laws and all other applicable laws, rules and regulations.

**Section 4.3. Construction and Improvement of the Project.** The Project will be constructed and improved consistent with the description of the Project herein. In the event the Project constructed and improved is materially inconsistent with the description of the Project contained herein, the City reserves the right to declare an Event of Default in accordance with **Section 6.1** hereof.

**Section 4.4. Representations and Warranties.**

(a) The Company represents, warrants and covenants that as of the date of this Agreement and during the term of this Agreement, or such shorter period as may be expressly provided for below:

(1) The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and authorized to conduct business in and in good standing under the laws of the State of Missouri;

(2) The Company has the right, power and authority to enter into, execute, deliver and perform this Agreement;

(3) The execution, delivery and performance by the Company of this Agreement has been duly authorized by all necessary corporate action, and does not violate the organizational documents of the Company, as the same may be amended and supplemented, or to the best of the Company's knowledge, any applicable provision of law, nor does it constitute a breach of or default under or require any consent under any agreement, instrument or document to which the Company is now a party or by which the Company is now or may become bound;

(4) To the best of the Company's knowledge, there are no actions or proceedings by or before any court, governmental commission, board, bureau or any other administrative agency pending, threatened or affecting the Company that would impair its ability to perform under this Agreement; and

(5) The Company has obtained (or prior to the applicable time required will obtain) and will maintain all government permits, certificates and consents (including without limitation appropriate environmental approvals) necessary to conduct its business and to construct, complete and operate the Project.

(b) The City represents, warrants and covenants that as of the date of this Agreement and during the term of this Agreement, or such shorter period as may be expressly provided for below:

(1) The City is a constitutional charter city and municipal corporation duly organized and validly existing under the laws of the State of Missouri;

(2) The execution, delivery and performance by the City of this Agreement have been duly authorized by all necessary City actions;

(3) The City has the right, power and authority to enter into, execute, deliver and perform this Agreement; and

(4) To the best of the City's knowledge, there are no actions or proceedings by or before any court, governmental commission, board, bureau or any other administrative agency pending, threatened or affecting the City that would impair its ability to perform under this Agreement.

**Section 4.5. Survival of Covenants.** All warranties, representations, covenants and agreements of the Company and the City contained herein shall survive termination of this Agreement for any reason.

**Section 4.6. Indemnification.** The Company shall indemnify and defend the City to insure that the City and the Trustee are held harmless from and against all claims, demands, costs, liabilities, damages or expenses, including attorneys' fees, by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done in, on or about, the Project during the term of the Lease, and against and from all claims, demands, costs, liabilities, damages or expenses, including attorneys' fees, arising during the term of the Lease from any event described in **Section 10.5** of the Lease to the extent and subject to the limitations provided therein. The Company hereby grants such warranties regarding environmental matters as set forth in **Section 10.9** of the Lease. This section shall not apply to the negligence or willful misconduct of the City or its officers, employees or agents.

**Section 4.7. Sales Tax Exemption.** Promptly after the issuance of the Bonds, the City will issue a sales tax exemption certificate to the Company for construction materials to be purchased for the Project and the City shall provide such other documentation as may be necessary from time to time to effect said sales tax exemption. The Company shall use the exemption certificate only for the purchase of construction materials to be incorporated into the Project on the Project Site and shall not use the exemption certificate for the purchase of any personal property other than construction materials. The Company shall indemnify and defend the City and its respective officers, employees and agents against and from any and all causes of action or actions in law or equity, liens, claims damages, loss, costs or expenses of any nature whatsoever by any person or entity, arising out of the City's furnishing of the exemption certificate.

**Section 4.8. Costs of Issuance of the Bonds.** The Company agrees to pay on the date of the initial issuance of the Bonds, all costs of issuance incurred in connection therewith.

## ARTICLE V

### SALE AND ASSIGNMENT

The benefits granted by the City to the Company pursuant to this Agreement shall belong solely to the Company, and such benefits shall not be transferred (other than to an affiliate of the Company), assigned, pledged or in any other manner hypothecated without the express written consent of the City; but nothing herein shall preclude the Company from assigning or pledging its interest in the Project so long as the Company continues to operate the Project as a commercial apartment complex and otherwise remains responsible for its undertakings herein. Notwithstanding the foregoing, the Company may, without the City's consent, transfer its interests in this Agreement to any entity or person to whom the Lease has been assigned in accordance with **Article XIII** thereof.

## ARTICLE VI

### DEFAULT AND REMEDIES

**Section 6.1. Events of Default.** If any one or more of the following events shall occur and be continuing, it is hereby defined as and declared to be and to constitute an Event of Default hereunder:

- (a) the Company fails to make any PILOT Payments required to be paid hereunder within 10 days after written notice and demand by the City;
- (b) any representation of the Company contained herein proves to be materially false or erroneous and is not corrected or brought into compliance within 30 days (or such longer period as the City and the Company may agree in writing) after the City has given written notice to the Company specifying the false or erroneous representation and requiring it to be remedied; provided, that if such matter is not subject to cure within such 30 days (or such longer period as the City and Company agree in writing) after such notice, the Company fails to initiate action to cure the default within such 30 days after such notice and fails to pursue such action diligently; or
- (c) the Company fails to operate the Project as a Commercial Facility.

**Section 6.2. Remedies on Default.** Upon an Event of Default hereunder this Agreement may be terminated by written notice to the Company from the City. Within thirty days of such termination and upon written notice of the dollar amounts due, the Company shall make a PILOT to the City equal to (i) the pro rata amount payable pursuant to **Section 3.3** hereof from January 1 of the year in question through the effective date of termination, plus (ii) the pro rata amount of taxes that would be due for the remaining portion of the year assuming the Project was placed on the tax rolls effective on the date of termination through December 31; provided, however, the payment of PILOTS following cessation of operations shall be governed by **Section 3.11**.

Upon any termination of this Agreement the Company agrees to pay interest and penalties on all amounts due hereunder to the same extent as if such payments were taxes under Missouri law.

**Section 6.3. Payments on Defaulted Amounts.** Any amounts due hereunder which are not paid when due shall bear interest at the interest rate imposed by Missouri law on overdue ad valorem real estate taxes from the date such payment was first due.

**Section 6.4. Enforcement.** In addition to the remedies specified in **Section 6.2**, upon the occurrence of an Event of Default, the City or any taxing jurisdictions that would benefit from the PILOT Payments due and owing under this Agreement may bring an action for specific performance to enforce such payments. In the event of litigation pertaining to the enforcement of this Agreement, the losing party shall pay all costs of litigation, including reasonable attorneys' fees.

**Section 6.5. Failure of the City to Perform its Obligations.** In the event the City shall fail to perform any of its obligations hereunder for (i) a period of 60 days (or such longer period as the Company and the City may agree in writing) following written notice to the City from the Company of such failure which notice shall include a specific description of the City's failure hereunder), or (ii) if such failure is not subject to cure within such 60 days, the City shall have failed to initiate action to cure such default and shall pursue such action diligently; the Company may declare that the City is in default under this Agreement and may pursue any legal remedy available to it to enforce this Agreement.



## ARTICLE VII

### TERM OF AGREEMENT

This Agreement shall become effective upon execution, and subject to earlier termination pursuant to the provisions of this Agreement (including particularly **Article VI** hereof), shall have an initial term commencing as of the date of this Agreement and terminating on December 1, 2029 (the “**Stated Expiration Date**”). This Agreement shall automatically terminate prior to the Stated Expiration Date in the event the Bonds (or any Bonds issued to refund the Bonds) are no longer outstanding.

## ARTICLE VIII

### MISCELLANEOUS PROVISIONS

**Section 8.1. Severability.** If for any reason any provision of this Agreement shall be determined to be invalid or unenforceable, the validity and enforceability of the other provisions hereof shall not be affected thereby.

**Section 8.2. Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Missouri.

**Section 8.3. Execution in Counterparts.** This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

**Section 8.4. Waiver.** The City and the Company acknowledge and agree that the amounts payable hereunder shall constitute payments due the City under the Lease executed in connection with the Bonds. The Company shall not be entitled to any extension of payment of such amounts as a result of a filing by or against the Company in any bankruptcy court.

**Section 8.5. Entire Agreement.** This Agreement constitutes the entire agreement relating to the subject matter contained herein and supersedes all prior agreements and understandings, both written and oral, between the City and the Company with respect to the subject matter hereof.

**Section 8.6. Electronic Storage of Documents.** The City and the Company agree that the transaction described herein may be conducted and related documents may be sent, received or stored by electronic means.

**Section 8.7. Notices.** All notices, certificates or other communications required or desired to be given hereunder shall be given in the manner specified in the Lease.

**Section 8.8. Employee Verification.** The Company will comply with and satisfy the requirements of Section 285.530.2, RSMo., as amended, which requires (1) any business entity receiving tax abatement to, by sworn affidavit and provision of documentation, annually affirm its enrollment and participation in a federal work authorization program with respect to the employees working in connection with the business entity receiving tax abatement, and (2) every such business entity to annually sign an affidavit affirming that it does not knowingly employ any person who is an unauthorized alien in connection with the entity receiving tax abatement. The Company shall provide such affidavits and documentation to the City on or before November 15 of each year during the term of this Agreement, beginning November 15, 2019, and also upon execution of this Agreement.

**Section 8.9. Complete Agreement.** The Company and the City understand that oral or unexpected agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable. To protect the Company and the City from misunderstanding or disappointment, any agreements the Company and the City reach covering such matters are contained in this Agreement and the Lease, which are the complete and exclusive statements of the agreement between the Company and the City, except as the Company and the City may later agree in writing to modify this Agreement and the Lease.

[The remainder of this page intentionally left blank]

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed in their respective corporate names, all as of the date first above written.

**CITY OF LEE'S SUMMIT, MISSOURI**

By: \_\_\_\_\_  
Name: Bill Baird  
Title: Mayor

[SEAL]

ATTEST:

By: \_\_\_\_\_  
Name: Trisha Fowler Arcuri  
Title: City Clerk

**SUMMIT SQUARE RESIDENCE II, LLC,**  
a Delaware limited liability company

By: NorthPoint Holdings, LLC,  
a Missouri limited liability company,  
a member

By: \_\_\_\_\_  
Nathaniel Hagedorn, Manager

**EXHIBIT A**

**Legal Description**

The following described real estate located in Jackson County, Missouri:

Lots 1 and 2, SUMMIT ORCHARD - FIRST PLAT, LOTS 1-4 & TRACT A, a subdivision in Lee's Summit, Jackson County, Missouri, according to the recorded plat thereof recorded August 26, 2016 as Document No. 2016E0079184 in Plat Book 163, Page 87.

**EXHIBIT B**  
**PILOT SCHEDULE**

<u>Year</u>	<u>Amount</u>
2018	\$1,404
2019	45,456
2020	207,733
2021	370,010
2022	370,010
2023	379,260
2024	379,260
2025	379,260
2026	379,260
2027	379,260
2028	388,742
2029	388,742