

DEVELOPMENT AGREEMENT

By and Between the Luverne Economic Development Authority and Dikun Properties MN LLC

This **Development Agreement** (the "Agreement") is made and entered into this **11th day of August, 2025**, by and between the **City of Luverne Economic Development Authority**, a public body corporate and politic under the laws of the State of Minnesota (the "EDA"), **Dikun Properties MN LLC**, a South Dakota limited liability company (the "Purchaser"), and **The Flower Shop MN LLC**, a member-managed Minnesota limited liability company (the "Company").

RECITALS

- A. The EDA is authorized under Minnesota Statutes Section 469.105 to sell and convey property it owns within the City of Luverne, Minnesota, when such sale furthers the EDA's general economic development plan and is in the best interest of the City.
- B. The EDA owns certain real property located in the City of Luverne, described as **Lot 1, Mayes Fourth Addition, City of Luverne, Rock County, Minnesota** (the "Property").
- C. The Purchaser desires to purchase the Property for construction of a **170' x 70' wood frame building** (the "Project") at an estimated cost of **\$1,500,000**, for the purposes of **operating a cannabis cultivation and cannabis manufacturing business**.
- D. The Purchaser intends to lease the completed building to The Flower Shop MN LLC, a Minnesota limited liability company, operating under the business name Minnesota Cannabis Company.
- E. The Project is anticipated to create at least **nine (9) full-time jobs** within the City of Luverne.
- F. The EDA has determined that the Project will further the City's economic development goals and objectives by increasing the local tax base and creating employment opportunities.
- G. The Property is fully improved with water and sewer hook-ups available to the property line.
- H. The EDA has held a public hearing on the sale of the Property, as required by Minnesota Statutes Section 469.105.

AGREEMENT

1. Sale of Property

- a. **Agreement to Sell.** The EDA agrees to sell, and the Purchaser agrees to purchase, the Property subject to the terms and conditions set forth in this Agreement.

2. Purchase Price

- a. The total purchase price for the Property shall be **Thirty Thousand Fifty-Six Dollars (\$30,056)** (the "Purchase Price").
- b. The Purchase Price shall be paid as follows:
 - i. **Earnest Money:** \$2,500 upon scheduling of the public hearing.
 - ii. **Balance:** The remaining balance shall be paid in cash or certified funds at the Closing (as defined in Section 5).

3. Development Requirements

- a. **Intended Use.** Purchaser shall construct a **170' x 70' wood frame building** on the Property for the purposes of **cannabis cultivation and cannabis manufacturing**. All costs related to development, construction, permitting, licensing, and operation shall be the sole responsibility of the Purchaser.
- b. **Job Creation.** Purchaser intends to lease the facility to The Flower Shop MN LLC. The Project shall result in the creation of **at least nine (9)** permanent full-time equivalent jobs within twelve (12) months of operational commencement. The Company shall provide a job creation report to the EDA for a period of one (1) year following occupancy.
- c. **Licensing & Endorsements.** Purchaser (or its lessee) shall obtain a cannabis license with a cultivation endorsement and a manufacturing endorsement from the Minnesota Office of Cannabis Management prior to operating.
- d. **Conditional Use Permit.** Cannabis businesses are permitted as a Conditional Use in the I-2 Zoning District. Purchaser must apply for and receive a Conditional Use Permit (CUP) from the City of Luverne prior to operating.
- e. **Commencement of Construction.** Purchaser shall begin construction within one (1) year of the Closing date (the "Development Period"). Construction shall be deemed commenced upon receipt of permits and initiation of substantial on-site work. The EDA may extend this period upon written request and good cause.
- f. **Failure to Develop.** If Purchaser fails to comply with Sections 3a. through 3e., the EDA may terminate this Agreement. The Property shall revert to the EDA, and Purchaser shall re-convey the Property to the EDA. This remedy is in addition to any other available legal or equitable relief.
- g. **Transfer Restriction.** Purchaser may not transfer title to the Property within one (1) year of Closing without prior written consent from the EDA.

4. Conditions Precedent

- a. The EDA's obligation to sell is subject to confirmation of Purchaser's financial capability to complete the Project.

- b. Purchaser shall provide documentation of financing, such as a bank pre-approval letter, prior to the public hearing.

5. Closing

- a. The closing of the sale of the Property (the "Closing") shall occur on a date mutually agreed upon by the parties, which shall coincide with the closing of Purchaser's bank financing. The parties shall cooperate in good faith to schedule the Closing so that it occurs simultaneously with the completion of said financing.
- b. At Closing:
 - i. The EDA shall deliver a Warranty Deed for the Property, subject to restrictions of record and this Agreement.
 - ii. Purchaser shall pay the remaining balance of the Purchase Price.
 - iii. Purchaser shall pay the \$46.00 recording fee.
 - iv. Seller shall pay the Deed Tax due.

6. Utilities

- a. Luverne Municipal Utilities hereby agrees to provide and install the required transformer for the project at no cost to the Purchaser.
- b. Purchaser is responsible for all costs associated to extend private utility service lines from the property line to the constructed building and hookup fees.

7. Default

- a. **Purchaser's Default.** If Purchaser fails to perform, the EDA may terminate this Agreement and retain the Earnest Money as liquidated damages, in addition to other available remedies.
- b. **EDA's Default.** If the EDA fails to perform, Purchaser may terminate this Agreement and recover the Earnest Money, in addition to any other legal or equitable relief.

8. Miscellaneous

- a. **Entire Agreement.** This Agreement constitutes the entire understanding between the parties.
- b. **Amendments.** Any modification must be in writing and signed by both parties.
- c. **Governing Law.** This Agreement shall be governed by the laws of the State of Minnesota.
- d. **Notices.** All notices shall be in writing and sent by certified mail or hand-delivered to:

i. EDA:

Luverne Economic Development Authority
305 E. Luverne St.
Luverne, MN 56156

ii. Purchaser:

Dikun Properties MN LLC
Attn: Peter Dikun
24668 South Garfield Avenue
Dell Rapids, SD 57022

- e. Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first written above.

**LUVERNE ECONOMIC DEVELOPMENT
AUTHORITY**

By: _____

Patrick T. Baustian, President

By: _____

Jill Wolf, Secretary

DIKUN PROPERTIES MN LLC

By: _____

Peter Dikun, Owner

THE FLOWER SHOP MN LLC

By: _____

Peter Dikun, Member