

COMPENSATION AGREEMENT

THIS COMPENSATION AGREEMENT (this “Agreement”) is made and entered into this _____ day of _____, 2016, by and between the City of Hudson, Ohio, a chartered municipality duly organized and validly existing under the Ohio Constitution and other applicable Ohio laws (the “City”) and the Hudson City School District, a city school district and political subdivision duly organized and validly existing under the laws of the State of Ohio, acting by and through its Board of Education (the “School District”).

W I T N E S S E T H:

WHEREAS, pursuant to Sections 5709.40, 5709.42 and 5709.43 of the Ohio Revised Code, the City has proposed to exempt from real property taxation one hundred percent (100%) of the increase in the assessed value of the improvement (the “Improvement”) of certain properties whose current permanent parcel numbers (or any new permanent parcel numbers if the parcels are re-subdivided) and depiction thereof are attached hereto as **Exhibit A** and incorporated herein (the “Property”) for a period of twenty (20) years, as further described in Ordinance No. 16-54, passed on _____, 2016 by the City Council, a copy of which Ordinance is attached hereto as **Exhibit B** and incorporated herein (the “TIF Ordinance”); and

WHEREAS, pursuant to the TIF Ordinance, City Council created the Downtown Phase II Incentive District which is comprised of the Property (the “Incentive District”); and

WHEREAS, the Property is located in the Incentive District; and

WHEREAS, it is expected that the Property will be acquired and developed for residential purposes (the “Project”); and

WHEREAS, as authorized by Section 5709.42 of the Ohio Revised Code, the TIF Ordinance will require each owner of a parcel within the Incentive District to make semi-annual payments in lieu of taxes (the “Service Payments”), which payments are approximately equivalent to the amount of real property tax which would be payable on the Improvement to that parcel but for the exemption from real property taxation of the Improvement; and

WHEREAS, under Ohio Revised Code Section 5709.40(D), the exemption from real property taxation provided by the TIF Ordinance may not exceed seventy-five per cent of the Improvement for a period of not more than ten years unless the TIF Ordinance specifies that Service Payments shall be paid to the School District in the full amount of the real estate taxes that would have been payable to the School District if the Improvements had not been exempted from taxation (“Full Compensation”); and

WHEREAS, pursuant to Ohio Revised Code Sections 5709.40 and 5709.82, the City and the School District may enter into an agreement to compensate the School District for any loss of property tax revenue resulting from that real property tax exemption of the Improvement in an amount for less than Full Compensation; and

WHEREAS, representatives of the City and the School District have negotiated this Agreement in order to compensate the School District for such loss of property tax revenue resulting from the real property tax exemption of the Improvement to the Property; and

WHEREAS, the City and the School District have determined that this Agreement is in the best interest of the City and the School District and will improve the health, safety and welfare of the constituents of the City and the School District by facilitating the financing of the Public Infrastructure Improvements (as hereinafter defined).

NOW, THEREFORE, in consideration of these recitals and the covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Amount of City Payments.

a. During the years in which the School District would have received real property tax payments derived from the Improvement to the Property within the Incentive District but for the real property exemption approved in the TIF Ordinance (the “Term”), the City agrees to pay the School District on or before thirty (30) days following each semi-annual payment of Service Payments by Summit County to the City during each year of the Term a sum equal to twenty-two and one quarter percent (22.25%) of the amount of the Service Payments received by it, subject to Section 1.c. hereof.

b. The remaining seventy-seven and three quarters percent (77.75%) of the amount of Service Payments described in Section 1.a. above will be used by the City for reimbursement of costs related to the Bus Facility (as defined in Section 2 hereof) and certain public infrastructure improvements that will benefit or serve parcels in the Incentive District as said improvements are set forth in Exhibit C attached hereto and incorporated by reference herein (the “Public Infrastructure Improvements”).

c. The City further agrees to pay the School District annually during the Term, on or before thirty (30) days following each semi-annual payment by Summit County to the City during each year of the Term, one hundred percent (100%) of the amount of any Service Payments received by the City attributable to any new property tax levies approved by the voters of the School District after the date of this Agreement (not including any renewal or replacement levies). The payments required by this paragraph may be reduced to the extent any new property tax levies approved by the voters of the School District after the date of this Agreement are subsequently repealed or expire and in both cases, such levies are not replaced or renewed.

d. In the event that the payroll on new employees employed within the Incentive District in any calendar year during the Term equals or exceeds One Million Dollars (\$1,000,000.00), the City shall also pay to the School District, on or before August 31 of the following year, an amount equal to fifty percent (50%) of the income taxes paid to the City on the new employee payroll (without reduction for infrastructure costs) in excess of One Million Dollars (\$1,000,000.00). In determining the amount of the income taxes paid to the School District hereunder, the income taxes shall not include the current Issue 3 Community Learning Center tax,

which shall be deducted from those income taxes (to the extent included therein) prior to the determination of the School District's fifty percent (50%) share. "Infrastructure costs" and "new employee" shall have the meanings set forth in Section 5709.82(A)(1) and (2) of the Ohio Revised Code, but the term "new employee" shall not include persons employed in the construction of improvements to the Property within the Incentive District as provided in Section 5709.82(A)(1)(a) of the Ohio Revised Code.

e. In no event shall the aggregate of the payments to the School District under this Section 1 with respect to any single year exceed the amount of real property tax revenues and any related rollback payments the School District would have otherwise derived from the Improvement to the Property within the Incentive District for that year, but for the real property tax exemption related to the Improvement of the Property within the Incentive District provided for in the TIF Ordinance.

f. All payments by the City to the School District under this Section 1 shall be by bank or cashier's check or wire transfer.

g. Any late payments by the City to the School District under this Section 1 shall bear interest at the then current rate established under Section 323.121(B) and 5703.47 of the Ohio Revised Code, unless a late payment is beyond the City's control.

Section 2. Payments in Lieu of Taxes; Land Swap; Approval of Bus Garage. The City agrees that it will use the Service Payments it receives as a result of the real property tax exemption provided for in the TIF Ordinance consistent with the provision of Section 5 of the TIF Ordinance and this Agreement. The City and the School District agree that certain land (current Permanent Parcel No. 3200823) within the Incentive District (the "New City Parcel"), now owned by the School District, shall be transferred in fee simple to the City and that certain land constituting approximately three (3) acres over portions of current Permanent Parcel Nos. 3001702 and 3001703 as shown in **Exhibit D** attached hereto and incorporated by reference herein, now owned by the City, shall be split from those City-owned parcels and transferred in fee simple to the School District (the "New School Parcel"), in each case by quit-claim deed and without any liens or encumbrances as approved by the City or the School District, as applicable.

The New School Parcel shall be used by the School District for a new bus garage and storage facility (the "Bus Facility"). The City further agrees to construct upon the New School Parcel the Bus Facility of an equivalent size and function as the existing School District bus garage and storage facility currently located on New City Parcel, but based on design and bid specifications mutually agreed upon by the School District and the City, and to transfer ownership in fee simple of the Bus Facility to the School District contemporaneously with the transfer of the New School Parcel to the School District, at which time the School District will convey the New City Parcel to the City. At the time of transfer of the Bus Facility to the School District, it shall meet all then current codes of the City, County and State and have adequate access to a public road. The cost of the Bus Facility shall be borne by the City, subject to reimbursement of costs of the Public Infrastructure Improvements, including the Bus Facility, from available Service Payments as provided for by the TIF Ordinance and this Agreement. The costs of any upgrades and additional amenities to the Bus Facility that exceed the equivalent size and function of the School District's current bus garage and storage facilities shall be at the sole expense of the School District, provided

that the costs of any wash bay that is to be utilized by both the City and the School District shall be shared equally (or otherwise in conformity with their respective uses of the wash bay, as agreed upon by the City and the School District). The City and School District shall meet and agree in writing on the design and bid specifications of the Bus Facility.

Section 3. Review of Records. The School District may from time to time, with reasonable advance notice, review the records of the City relating to the municipal income taxes or other taxes it derives from the Property, in each case to the extent such information may be made available to the School District without violating applicable laws, including laws relating to confidentiality of municipal income tax information. During the years the real property tax exemption provided for in the TIF Ordinance remains in effect, the City shall submit annually to the School District a copy of any status report required to be filed under Section 5709.40(I) of the Ohio Revised Code promptly following that filing, together with such additional information, including a summary of the payroll on new employees employed within the Incentive District during the prior calendar year and the income taxes paid to the City on the new employee payroll for that calendar year, as will be sufficient for the School District to determine the amount of any compensation payable to the School District pursuant to Section 1.d. hereof. At the request of either party, there shall also be an annual review meeting between the City Manager and Finance Director of the City, on the one hand, and the Superintendent and Treasurer of the School District, on the other hand.

Section 4. School District Approval and Agreement. In consideration of the covenants and provisions of the City contained herein, the School District hereby approves the TIF Ordinance and the real property exemption in the amount of one hundred percent (100%) for twenty (20) years for the Property within the Incentive District provided for therein and agrees to receive municipal income tax payments from the City under Section 5709.82 of the Ohio Revised Code with respect to the Property within the Incentive District, to the extent provided for in Section 1 hereof. The School District further acknowledges and agrees that it has received sufficient notice of the proposed passage of the TIF Ordinance and the exemption provided for therein, consents to the same and waives the right to any further notice as may be required pursuant to Ohio Revised Code Sections 5709.40 or 5709.83 with respect to the TIF Ordinance. It is understood by the parties hereto that the School District has not approved nor been requested to approve any amendments to the TIF Ordinance or any other real estate tax exemption with respect to the Property within the Incentive District.

Section 5. Resolution of Disputes. In the event the School District disputes the amount of any payments received or to be received by it pursuant to Section 1 hereof, the School District shall certify, within sixty (60) days of receipt of the City's payment thereof, the basis for the dispute and the amount that the School District claims is the correct amount to be paid to the School District. Within ten (10) days thereafter, the School District's Superintendent and the City Manager shall meet to discuss and resolve the dispute. In the event the School District's Superintendent and the City Manager are unable to mutually agree on the correct amount of such payment, the parties shall seek and agree on a third party mediator to assist with settlement of the dispute. In the event the matter is not settled through mediation, the parties are entitled to pursue any legal remedies they may have available to them.

Section 6. Amendment. This Agreement may be amended or modified by the parties only in writing, signed by both parties to the Agreement.

Section 7. Entire Agreement. This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter hereof and merges and supersedes all prior discussions, agreements and undertakings of every kind and nature between the parties with respect to the subject matter of this Agreement.

Section 8. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party to this Agreement may execute this Agreement by signing any such counterpart.

Section 9. All payments, certificates and notices which are required to or may be given pursuant to the provisions of this Agreement shall be sent by registered or certified mail, postage prepaid, or by recognized overnight national commercial delivery service and shall be deemed to have been given or delivered when so mailed to the following addresses:

If to the City:	City of Hudson 115 Executive Parkway Suite 400 Hudson, OH 44236 Attention: City Manager and Finance Director
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If to the School District:	Hudson City School District 2400 Hudson Aurora Road Hudson, Ohio 44236 Attention: Superintendent and Treasurer
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Either party may change its address for receiving notices and reports by giving written notice of such change to the other party.

Section 10. Severability of Provisions. The invalidity of any provision of this Agreement shall not affect the other provisions of this Agreement, and this Agreement shall be construed in all respects as if any invalid provisions were omitted.

Section 11. Extent of Covenants; Binding Effect; No Personal Liability. All covenants, stipulations, obligations and agreements of the parties contained in this Agreement shall be effective to the extent authorized and permitted by applicable law. Each provision of the Agreement is binding upon the officer(s) or other person(s) and any political body or bodies as may from time to time have the authority under law to take the actions as may be necessary to perform all or any part of the duty required by a given provision of this Agreement. Each duty of a party and its bodies, officers and employees, undertaken pursuant to this Agreement, is established as a duty with the party and of each such officer, employee or body having authority to perform that duty, specifically and enjoined by law resulting from an office, trust or station within the meaning of Section 2731.01 of the Ohio Revised Code providing for enforcement by writ of mandamus. No such covenant, stipulation, obligation or agreement shall be deemed a

covenant, stipulation, obligation or agreement of any present or future member, officer, agent, or employee of any of the parties in their individual capacity.

Section 12. Governing Law. This Agreement shall be construed, interpreted, enforced, and the rights of the parties determined, in accordance with the laws of the State of Ohio.

Each of the parties has caused this Agreement to be executed by its duly authorized representatives as of the date first written above.

CITY OF HUDSON, OHIO

HUDSON CITY SCHOOL DISTRICT

By: _____
Jane Howington, City Manager

By: _____
Phillip T. Herman, Superintendent

By: _____
Jeffrey Knoblauch, Finance Director

By: _____
Kathryn L. Sines, Treasurer/CFO

Approved as to form and correctness:

R. Todd Hunt, City Solicitor
City of Hudson, Ohio

CITY FISCAL OFFICER'S CERTIFICATE

The undersigned, Finance Director of the City of Hudson, Ohio, hereby certifies that as of the above date, the monies, if any, required to meet the obligations of the City during the fiscal year 2016 under the foregoing Agreement have been lawfully appropriated by the City Council of such City for such purposes and are in the Treasury of the City or in the process of collection to the credit of an appropriate fund, from any previous encumbrances.

Finance Director
City of Hudson, Ohio

Date: _____

FISCAL OFFICER'S CERTIFICATE HUDSON CITY SCHOOL DISTRICT

As fiscal officer of the Hudson City School District, I certify that, as of the above date, the monies, if any, required to meet the obligations of the District during the fiscal year 2016 under the foregoing Agreement have been lawfully appropriated by the Board of Education for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances.

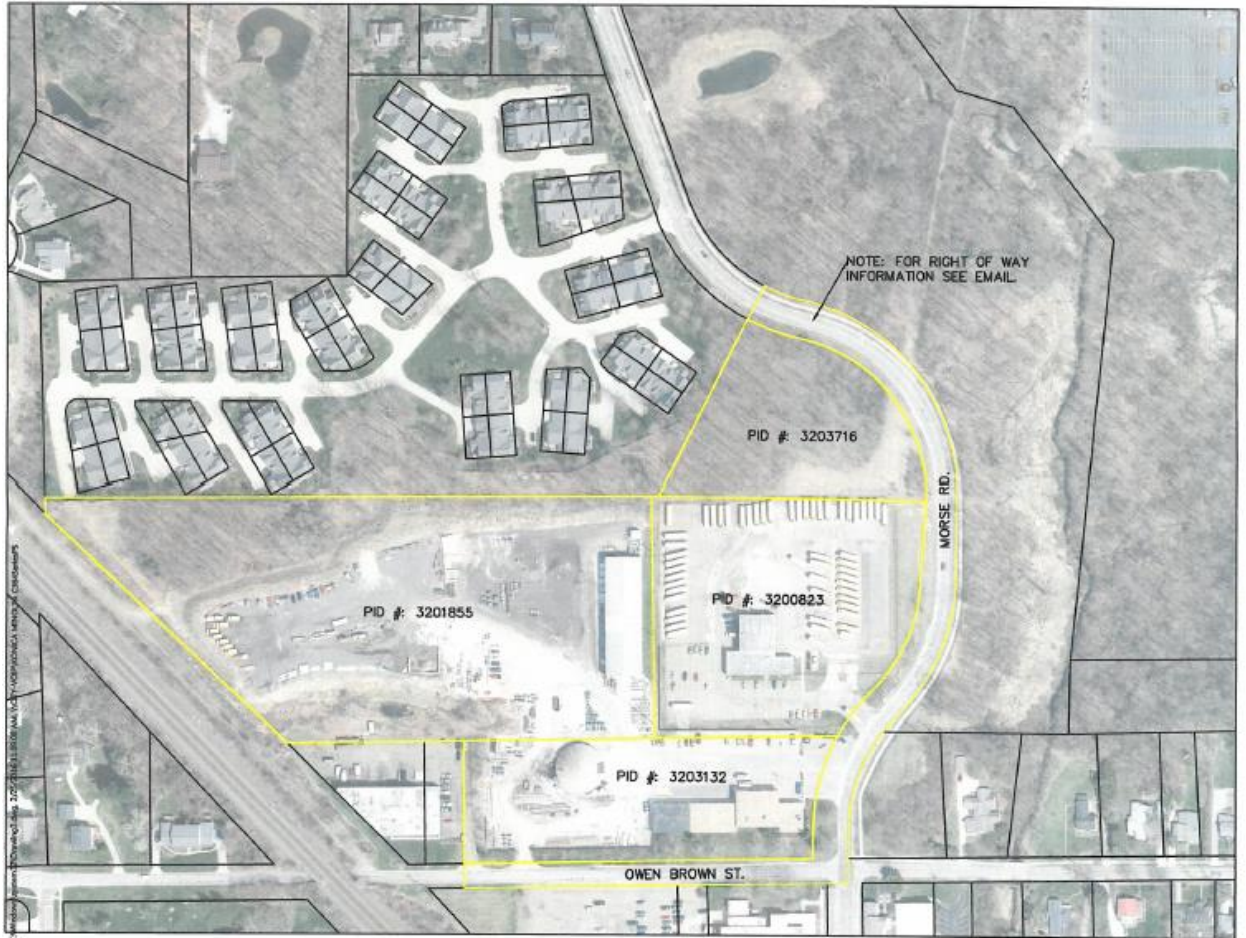
This Certificate is given in compliance with Ohio Revised Code §§ 5705.41 & 5705.44.

By: _____
Treasurer/CFO
Hudson City School District

Date: _____

EXHIBIT A

PERMANENT PARCEL NUMBERS AND DEPICTION OF THE PROPERTY AND THE INCENTIVE DISTRICT



Permanent Parcel No. 3203716
Permanent Parcel No. 3200823
Permanent Parcel No. 3201855
Permanent Parcel No. 3203132

EXHIBIT B

TIF ORDINANCE (CITY ORDINANCE NO. 16- ____)

EXHIBIT C

DESCRIPTION OF PUBLIC INFRASTRUCTURE IMPROVEMENTS RELATED TO THE INCENTIVE DISTRICT

The Public Infrastructure Improvements include the following:

1. Costs for acquisition of real property or interests therein;
2. Site preparation costs, including but not limited to: demolition, relocation and reconstruction of public infrastructure, environmental remediation, grading of land, etc.; and
3. Costs of the design and construction of the Bus Facility, costs of the reconstruction of the City's salt dome, costs of the relocation of the City's public power facilities; and
4. All other costs related to the above that are eligible for payment or reimbursement from service payments under Ohio law, including but not limited to reimbursement for legal, professional consulting, and engineering costs.

EXHIBIT D

DESCRIPTION OF NEW SCHOOL PARCEL

[To be provided]