

## SEVERANCE AND SURRENDER AGREEMENT

This Agreement is made this 3<sup>rd</sup> day of July 2024, between and among the City of Mankato, a Minnesota municipal corporation ("Landlord"); KMKT, LLC, a Minnesota limited liability company, North Star Aviation, Inc., a Minnesota Corporation; North Star Companies, Inc., a Minnesota Corporation, collectively known as the Tenant ("Tenant"); and Frandsen Bank & Trust, a National Banking Association, with an address of 240 Belgrade Ave., North Mankato, MN 56003 (the "Lender").

### RECITALS

WHEREAS, Tenant has acquired all of the rights of the tenant under a certain Ground Lease dated as of September 1, 2021, which was amended by that certain First Amendment to Ground Lease agreement dated September 1, 2022 and

WHEREAS, the Ground Lease covers the premises located at 3030 North Airport Road, Mankato, Minnesota, ("Land") more particularly described as follows:

See attached legal description.

WHEREAS, pursuant to the terms of the Ground Lease the Tenant has the right to construct its separate improvements on the Land, which the Landlord, Tenant and Lender agree shall be the separate property of the Tenant until the termination of the Ground Lease; and

WHEREAS, the Ground Lease provides that upon termination of the Ground Lease, all improvements constructed on the Land shall attach to the real estate and become the property of the Landlord; and

WHEREAS, pursuant to Lender's certain Loan No. 1440856537, Lender made a loan to Tenant in the original principal amount of \$2,785,000 which is secured by a mortgage on the leasehold interest in the Land from Tenant to Lender ("the Mortgage"). The Mortgage was recorded on September 28, 2022 in the office of the Blue Earth County Recorder as Document No. 602CR315 and Modified by Modification dated October 31, 2022 and recorded march 27, 2023 as Document No. 605CR 005;

WHEREAS, Lender made a loan to Tenant in the original principal amount of \$1,900,000 which is secured by a mortgage on the leasehold interest in the Land from Tenant to Lender ("the Mortgage"). The Mortgage was recorded on \_\_\_\_\_ in the office of the Blue Earth County Recorder as \_\_\_\_\_; and

WHEREAS, Landlord, Tenant and Lender have made this Agreement to insure that upon termination of Ground Lease, all improvements made by the Tenant upon the Land, shall become the property of the Landlord upon the termination of the Ground Lease, but shall remain free and clear of all liens and encumbrances, during the term of the Ground Lease, except liens and encumbrances in favor of Lender.

NOW, THEREFORE, in consideration of the premises and the sum of \$1.00 by each party in hand paid to the other, the receipt and sufficiency of which is hereby acknowledged, it is agreed as follows:

1. All merchandise, supplies and movable apparatus ("Personal Property") owned by Tenant shall remain property of Tenant, subject to a Landlord lien pursuant to the Ground Lease.
2. All improvements and structures and all parts and components thereof, including supporting columns therefor and all additions, alterations, restorations, repairs, and replacements thereof and all other improvements now or hereafter located on the Land, or any part thereof, and used in connection with the Land and improvements; and all other improvements now or hereafter constructed, affixed or located thereon (the "Improvements") shall be and remain the absolute property of Tenant during the term of the Ground Lease and shall, upon the termination of the Ground Lease, become the sole and absolute property of Landlord, subject to any existing mortgage of record. The Improvements are now and shall be at all times hereafter be deemed real property for all purposes.
3. Tenant, Landlord and Lender agree that all claims of any creditor or encumbrancer of Tenant shall automatically extinguish at the termination of the Ground Lease, and neither Tenant nor its creditors or successors in interest shall thereafter have or possess any claim thereto.
4. This Severance Agreement shall, at the option of Landlord and Lender, extinguish upon the termination of Ground Lease, and the Improvements shall become and remain property of the Landlord, and shall reattach to the Land and become a part thereof. All non-permanent alterations, additions, improvements and fixtures made and/or installed by Tenant on the Land shall remain the property of Tenant.
5. This Lese may be executed in any number of counterparts with the same force and effect as if all signatures were appended to one document, each of which shall be deemed an original.



“TENANT”

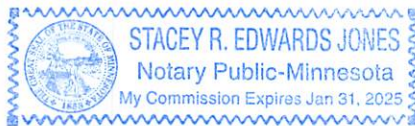
NORTH STAR AVIATION, INC.

By: [Signature]

Its: President

STATE OF MINNESOTA     )  
                                          ) ss.  
COUNTY OF BLUE EARTH    )

The foregoing instrument was acknowledged before me this 3<sup>rd</sup> day of July 2024, by Kyle Smith, the Chief Manager of KMKT, LLC, a Minnesota limited liability company, on behalf of the company.



[Signature]  
Notary Public

“TENANT”

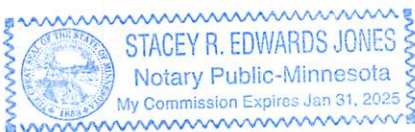
NORTH STAR COMPANIES, INC.

By: [Signature]

Its: \_\_\_\_\_

STATE OF MINNESOTA     )  
                                          ) ss.  
COUNTY OF BLUE EARTH    )

The foregoing instrument was acknowledged before me this 3<sup>rd</sup> day of July 2024, by Kyle Smith, the Chief Manager of KMKT, LLC, a Minnesota limited liability company, on behalf of the company.



[Signature]  
Notary Public

CITY OF MANKATO

Its: \_\_\_\_\_

**STATE OF MINNESOTA            )**

) ss.

COUNTY OF BLUE EARTH )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2024 by \_\_\_\_\_, the City Manager for the city of Mankato, a Minnesota municipal corporation, on behalf of the corporation.

**Notary Public**

**This document was drafted by:**

**Jones Law Office**  
212 Madison Avenue  
Mankato, MN 56001  
(507) 385-4488