DEVELOPMENT AGREEMENT

BY AND BETWEEN

CITY OF MANKATO, MINNESOTA

AND

HOTEL MANKATO, LLC

This instrument was drafted by:
The City of Mankato
Community Development
10 Civic Center Plaza
Mankato, MN 56001

Table of Contents

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT, made as of the___day of October, 2024, by and between the City of Mankato, Minnesota (the "**City**"), a municipal corporation existing under the laws of the State of Minnesota and Hotel Mankato, LLC, a Minnesota limited liability company (the "**Developer**").

WITNESSETH:

WHEREAS, pursuant to Minnesota Statutes, Section 469.124 to 469.133 (the "**Cities Development District Act**"), the City has heretofore established Development District No. 50 (the "**Development District**") and has adopted a development program therefor (the "**Development Program**"); and

WHEREAS, pursuant to the provisions of Minnesota Statutes, Section 469.174 through 469.1794, as amended (hereinafter, the "**Tax Increment Act**"), the City has heretofore established, within the Development District, Tax Increment Financing District No. 50-1 (the "**Tax Increment District**") and has adopted a tax increment financing plan therefor (the "**Tax Increment Plan**") which provides for the use of tax increment financing in connection with certain development within the Development District; and

WHEREAS, the City has requested the County to certify the original tax capacity of the Tax Increment District pursuant to Section 469.177 of the Tax Increment Act; and

WHEREAS, the City has authority pursuant to the Cities Development District Act to provide financial assistance to projects that provide a public benefit to the City; and

WHEREAS, in order to achieve the objectives of the Development Program and particularly to make the land in the Development District available for development by private enterprise in conformance with the Development Program, the City has determined it will assist the Developer with the financing of certain costs of the Project (as hereinafter defined) to be constructed within the Tax Increment District as more particularly set forth in this Agreement; and

WHEREAS, the City believes that the development and construction of the Project, and fulfillment of this Agreement are vital and are in the best interests of the City, the health, safety, morals and welfare of residents of the City, and in accordance with the public purpose and provisions of the applicable state and local laws and requirements under which the Project has been undertaken and is being assisted;

NOW, THEREFORE, for valuable consideration and the mutual obligations of the parties hereto, each of them does hereby covenant and agree with the other as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. All capitalized terms used and not otherwise defined herein shall have the following meanings unless a different meaning clearly appears from the context:

Agreement means this Agreement, as the same may be from time to time modified, amended or supplemented;

Available Tax Increments means 95% of the remaining Tax Increments derived from the Development Property, which have been received by the City in accordance with the provisions of Minnesota Statutes, Section 469.177;

Business Day means any day except a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City are authorized by law or executive order to close;

Certificate of Completion means the certification in the form of the certificate attached hereto as *Exhibit C* and hereby made a part of this Agreement, to be provided to the Developer pursuant to Section 4.1 of this Agreement;

City means the City of Mankato, Minnesota;

County means Blue Earth County, Minnesota;

Developer means Hotel Mankato, LLC, a Minnesota limited liability company, its successors and assigns;

Developer Project Costs means the costs to be incurred by the Developer of correcting conditions that allow designation of the Development Property as a redevelopment district under Minnesota Statutes, Section 469.174, subdivision 10, which are more specifically described on *Exhibit D* attached hereto;

Development District means the real property included in Development District No. 50 heretofore established;

Development Program means the Development Program approved in connection with the Development District;

Development Property means the real property described in *Exhibit A* attached to this Agreement;

Event of Default means any of the events described in Section 4.1 hereof;

Legal and Administrative Expenses means the fees and expenses incurred by the City in connection with the review and analysis of the development proposed under this Agreement with the adoption and administration of the Tax Increment Financing Plan and establishment of the Tax Increment District, the preparation of this Agreement, the issuance of the TIF Note, including, but not limited to, attorney and municipal advisor fees and expenses. This term has the same meaning as Minnesota Statute 469.174, Subd. 14 of the TIF Act;

Note Payment Date means July 31, 2027, and each December 31 and July 31 of each year thereafter to and including December 31, 2052; provided, that if any such Note Payment Date should not be a Business Day, the Note Payment Date shall be the next succeeding Business Day;

Project means the redevelopment of existing property to include demolition and removal of the existing buildings on the site to accommodate construction of two adjoining hotels totaling approximately 250,000 square feet and no less than 278 hotel guest rooms.

State means the State of Minnesota;

Tax Increment Act means Minnesota Statutes, Sections 469.174 through 469.1794, as amended;

Tax Increment District means Tax Increment Financing District No. 50-1, located within the Development District, a description of which is set forth in the Tax Increment Financing Plan, which was qualified as a redevelopment district under the Tax Increment Act;

Tax Increment Financing Plan means the tax increment financing plan approved for the Tax Increment District by the City Council on October 15, 2024 and any future amendments thereto;

Tax Increments means the tax increments, as that term is defined in section 469.174, subd. 25 of the TIF Act, which have been paid to the City by the County with respect to the Development Property within the previous six months;

Termination Date means the earliest of (i) December 31, 2052, (ii) the date the Developer Project Costs are paid in full, (iii) the date on which the Tax Increment District expires or is otherwise terminated, or (iv) the date this Agreement is terminated or rescinded in accordance with its terms;

TIF Note means the Taxable Tax Increment Revenue Note (Hotel Mankato, LLC Project) to be executed by the City and delivered to the Developer pursuant to Article III hereof, the form of which is attached hereto as *Exhibit B*;

Unavoidable Delays means delays, outside the control of the party claiming its occurrence, which are the direct result of strikes, other labor troubles, supply chain delays and material shortages, declarations of any state, federal, or local government, pandemics, and epidemics, unusually severe or prolonged bad weather, acts of God, fire or other casualty to the Project, litigation commenced by third parties which, by injunction or other similar judicial action or by the exercise of reasonable discretion, directly results in delays, or acts of any federal, state or local governmental unit (other than the City) which directly result in delays.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the City. The City makes the following representations and warranties:

(1) The City is a municipal corporation and has the power to enter into this Agreement and carry out its obligations hereunder.

(2) The Tax Increment District is a "redevelopment district" within the meaning of Minnesota Statutes, Section 469.174, Subdivision 10, and was created, adopted and approved in accordance with the terms of the Tax Increment Act.

(3) The Project contemplated by this Agreement is in conformance with the development objectives set forth in the Development Program.

(4) To finance certain costs within the Tax Increment District, the City proposes, subject to the further provisions of this Agreement, to apply Available Tax Increments to reimburse the Developer for a portion of the Developer Project Costs incurred in connection with the Project as further provided in this Agreement.

(5) The City makes no representation or warranty, either expressed or implied, as to the Development Property or its condition or the soil conditions thereon, or that the Development Property shall be suitable for the Developer's purposes or needs.

(6) The City has no knowledge of anything, which would prevent the Project from being completed by December 31, 2026 subject to Unavoidable Delays, including within its knowledge, an estimate of the reasonable time for review of the Project by the City and its agencies and commissions. It is anticipated construction will begin in late 2024 or early 2025, commencing with the demolition of the two (2) buildings located on the Development Property.

(7) To the City's actual knowledge, no member of the City Council, or officer of the City, has either a direct or indirect financial interest in this Agreement, nor will any member of the City Council, or officer of the

City, benefit financially from this Agreement within the meaning of Minnesota Statutes, Section 471.87.

Section 2.2. Representations and Warranties of the Developer. The Developer makes the following representations and warranties:

(1) The Developer has the power to enter into this Agreement and to perform its obligations hereunder and is not in violation of any local, state or federal laws.

(2) The Developer is a Minnesota limited liability company and operates under the laws of this State and has full power and authority to enter into this Agreement and carry out the covenants contained herein.

(3) Upon receipt of the permits, licenses and approvals therefor, the Developer will cause the Project to be completed in accordance with the terms of this Agreement, the Development Program and all local, state and federal laws and regulations (including, but not limited to, environmental, zoning, energy conservation, building code and public health laws and regulations).

(4) The Developer will use commercially reasonable efforts to obtain or cause to be obtained, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state, and federal laws and regulations which must be met before the Project may be constructed and occupied.

(5) To Developer's actual knowledge, the Developer has not received any notice or communication from any local, state or federal official that the activities of Developer or the City with respect to the Development Property may or will be in violation of any environmental law or regulation, except that there are some hazardous materials on the Development Property that will be remediated or encapsulated as part of the Project. As of the date of the execution of this Agreement, to Developer's actual knowledge, Developer is aware of no facts the existence of which would cause it to be in violation of any local, state or federal environmental law, regulation or review procedure which would give any person a valid claim under the Minnesota Environmental Rights Act.

(6) The Project would not be undertaken by the Developer, and in the opinion of the Developer would not be economically feasible within the reasonably foreseeable future, without the assistance and benefit to the Developer provided for in this Agreement.

(7) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provision of any contractual restriction, evidence of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(8) The Developer will fully cooperate with the City with respect to any litigation commenced with respect to the Project provided, however, that any such litigation settled by the City, which would require payment by the Developer or would materially change the nature and scope of the development would require that the City obtain the prior written consent of the Developer. Developer agrees not to unreasonably withhold such consent, it being agreed by the City and the Developer that if the settlement would require a payment of funds by the Developer or would result in a material, adverse change in the nature or scope of the development, it would be reasonable for the Developer to not give such consent.

(9) The Developer agrees to pay the total amount of any reasonable costs, charges, expenses and attorneys fees reasonably incurred or paid as of the execution of this Agreement by the City because of any

Event of Default by the Developer as to any stipulation, agreement, and covenant of this Agreement, resulting in any suit or proceeding at law or in equity to which the City shall become a party in reference to the Developer's interest in the Development Property or the Project, if the Developer is found at fault and ordered to pay damages through a court trial action.

(10) The Developer will cooperate in a commercially reasonable manner with the City to resolve any traffic, parking, trash removal or public safety problems, which may arise in connection with the construction of the Project as a result of the act or omissions or Developer or its contractors.

(11) The Developer will participate in a Site Plan Review by the City's Planning Department and the City Planning Commission, and will comply with the City's design standards and covenants as reasonably enforced by said Planning Department and Planning Commission.

(12) Barring Unavoidable Delays, the Project will be substantially completed by December 31, 2026, such that the City will issue a Certificate of Completion on or about that date.

(13) To the Developer’s actual knowledge, no member of the City Council, or officer of the City, has either a direct or indirect financial interest in this Agreement, nor will any member of the City Council, or officer of the City, benefit financially from this Agreement within the meaning of Minnesota Statutes, Section 471.87.

As used herein, “Developer’s actual knowledge” or similar words means the current, actual knowledge of Bryan Sowers as Vice President on behalf of Developer (the “**Named Individual**”), without duty of inquiry or investigation, and without any liability of or on the Named Individual.

ARTICLE III
UNDERTAKINGS BY DEVELOPER AND CITY

Section 3.1. Project Costs. The parties agree that the Developer Project Costs to be incurred by the Developer are essential to the successful completion of the Project. The Developer Project Costs associated with the redevelopment are delineated in *Exhibit D* of this Agreement. The City shall reimburse the Developer, for a period up to 26 years of tax increment, for the lesser of (a) $5,152,848; or (b) the amount of the Developer Project Costs actually incurred and paid by the Developer, as further provided in Section 3.3 hereof, with Available Tax Increment through the issuance and administration of the TIF Note. The City is not obligated for any shortfall of tax increment payments prior to the final Note Payment Date. If Available Tax Increment is not realized in an amount sufficient to reimburse Developer for the Developer Project Costs, the City is not liable or expected to make up the difference from any other source. The City is not obligated to reimburse the Developer, regardless of tax increment received, for more than 26 years of tax increment payments.

Section 3.2. Limitations on Undertaking of the City. Notwithstanding the provisions of Sections 3.1, the City shall have no obligation to the Developer under this Agreement to reimburse the Developer for the Developer Project Costs, if the City, at the time or times such payment is to be made, is entitled under Section 4.2 to exercise any of the remedies set forth therein as a result of an Event of Default which has not been cured. If such Event of Default is cured in accordance with the terms of this Agreement, the City will so reimburse the Developer.

Section 3.3. Reimbursement: Tax Increment Revenue Note. The City shall reimburse the payments made by the Developer under Section 3.1 for the Developer Project Costs through the issuance of the City's TIF Note in substantially the form attached to this Agreement as *Exhibit B*, subject to the following conditions:

(1) The TIF Note shall be dated, issued and delivered when the Developer shall have: (a)

demonstrated in writing to the reasonable satisfaction of the City that the construction of the Project has been completed; (b) incurred and paid all Developer Project Costs, as described in and limited by Section 3.1; (c) submitted paid invoices for the Developer Project Costs, or final lien waivers for Developer Project Costs; and (d) executed and submitted the Investment Letter, a form of which is attached hereto as *Exhibit E*.

(2) The unpaid principal amount of the TIF Note shall bear simple, non-compounding interest from the date of issuance of the TIF Note, at 5.00% per annum. Interest shall be computed on the basis of a 360 day year consisting of twelve (12) 30-day months.

(3) The principal amount of the TIF Note, and interest accrued on the TIF Note, shall be payable solely from the Available Tax Increments.

(4) On each Note Payment Date and subject to the provisions of the TIF Note, the City shall pay, against the principal outstanding on the TIF Note, the Available Tax Increments received by the City during the preceding 6 months. All such payments, less the 5% administration charge, made by the City under the TIF Note shall first be applied to accrued interest and the balance to principal reduction.

(5) The TIF Note shall be a special and limited obligation of the City and not a general obligation of the City, and only Available Tax Increments shall be used to pay the principal of and interest on the TIF Note.

(6) The City's obligation to make payments on the TIF Note on any Note Payment Date or any date thereafter shall be conditioned upon the requirements that: (A) there shall not at that time be an uncured Event of Default that has occurred and is continuing under this Agreement and (B) this Agreement shall not have been rescinded pursuant to Section 4.2.

(7) The TIF Note shall be governed by and payable pursuant to the additional terms thereof, as set forth in *Exhibit B*. In the event of any conflict between the terms of the TIF Note and the terms of this Section 3.3, the terms of the TIF Note shall govern. The issuance of the TIF Note pursuant and subject to the terms of this Agreement, and the taking by the City of such additional actions as bond counsel for the TIF Note may require in connection therewith, are hereby authorized and approved by the City.

(8) The City is not obligated to reimburse the Developer for the Developer Project Costs, regardless of Available Tax Increment received, for more than 26 years of tax increment payments. The City is not obligated for any shortfall of Available Tax Increment payments during that period. If Available Tax Increment is not realized in an amount sufficient to satisfy the TIF Note, the City is not liable or expected to make up the difference from any other source.

(9) The TIF Note will be issued as a single typewritten note numbered R1. The TIF Note will be issuable only in fully registered form. Principal and interest of the Note will be payable by check or draft issued by the Registrar described herein.

(10) Principal and interest of the TIF Note will be payable by mail to the owner of record (the "**Owner**") as of the close of business on the fifteenth day of the month preceding the Note Payment Date, whether or not the day is a Business Day.

(11) The City hereby appoints the City Manager to perform the functions of registrar, transfer agent and paying agent (the "**Registrar**"). The effect of registration and the rights and duties of the City and the Registrar with respect thereto will be as follows:

(a) The Registrar will keep at their office a bond register in which the Registrar will provide for the registration of ownership of the TIF Note and the registration of transfers and exchanges of the TIF Note.

(b) Upon surrender for transfer of the TIF Note duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form reasonably satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar will authenticate and deliver, in the name of the designated transferee or transferees, a new TIF Note of a like aggregate principal amount, interest rate and maturity, as requested by the transferor. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Note Payment Date and until the Note Payment Date.

(c) The TIF Note surrendered upon any transfer will be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(d) When the TIF Note is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until the Registrar is satisfied that the endorsement on the TIF Note or separate instrument of transfer is legally authorized. The Registrar will incur no liability for their refusal, in good faith, to make transfers which they, in their judgment, deems improper or unauthorized.

(e) The City and the Registrar may treat the person in whose name the TIF Note is at any time registered in the bond register as the absolute owner of the TIF Note, whether the TIF Note is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on the TIF Note and for all other purposes, and all the payments so made to any registered owner or upon the owner's order will be valid and effectual to satisfy and discharge the liability of the City upon the TIF Note to the extent of the sum or sums so paid.

(f) For every transfer or exchange of the TIF Note, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to the transfer or exchange.

(g) In case the TIF Note becomes mutilated or is lost, stolen, or destroyed, the Registrar will deliver a new TIF Note of like amount, interest rate, maturity dates and tenor in exchange and substitution for and upon cancellation of the mutilated TIF Note or in lieu of and in substitution for the TIF Note lost, stolen, or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case the TIF Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that the TIF Note was lost, stolen, or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the City and the Registrar will be named as obligees. The TIF Note so surrendered to the Registrar will be cancelled by them and evidence of the cancellation will be given to the City. If the mutilated, lost, stolen, or destroyed TIF Note has already matured or been called for redemption in accordance with its terms, it will not be necessary to issue a new TIF Note prior to payment.

(12) The TIF Note will be prepared under the direction of the City Manager and will be executed on behalf of the City by the signatures of its Mayor and City Manager. In case any officer whose signature appears on the TIF Note ceases to be the officer before the delivery of the TIF Note, the signature will nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery. When the TIF Note has been so executed, it will be delivered by the City to the Owner following

the delivery of the necessary items delineated in this Section 3.3 of the Agreement.

(13) The City hereby pledges to the payment of the principal and interest of the TIF Note all Available Tax Increment as defined in the TIF Note. Available Tax Increment will be applied to payment of accrued interest first, then the principal of the TIF Note in accordance with the terms of the form of TIF Note set forth in *Exhibit B* of this Agreement.

(14) Until the date the TIF Note is no longer outstanding and no principal thereof or interest thereon (to the extent required to be paid pursuant to this resolution) remains unpaid, the City will maintain a separate and special "Bond Fund" to be used for no purpose other than the payment of the principal of and interest on the TIF Note. The City irrevocably agrees to appropriate to the Bond Fund in each year Available Tax Increment. Any Available Tax Increment remaining in the Bond Fund will be transferred to the City's account for the TIF District upon the payment of all principal and interest to be paid with respect to the TIF Note.

(15) The officers of the City are hereby authorized and directed to prepare and furnish to the Owner of the TIF Note certified copies of all proceedings and records of the City, and the other affidavits, certificates, and information as may be required to show the facts relating to the legality and marketability of the TIF Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all the certified copies, certificates, and affidavits, including any heretofore furnished, will be deemed representations of the City as to the facts recited therein.

Section 3.4. Business Subsidies Act. The Developer represents that the Developer's investment in the purchase of the Development Property and in site preparation is seventy percent (70%) or more of the assessor's current year's estimated market value for the Development Property, and therefore the requirements of the Business Subsidy Law, Minnesota Statutes Section 116J.993 through 16J.993 do not apply to this agreement.

In order to use this exception, the developer must warrant and represent that its investment in the purchase of the Development Property and the site preparation on such Development Property (net of any portion of such costs to be reimbursed with tax increment or any other subsidies provided by the City, HRA, Port Authority, EDA, or any other subsidy from a governmental entity) will equal at least seventy percent (70%) of the County assessor's estimated market value for the Development Property for the 2024 assessment year, calculated as follows:

Development property cost	$7,856,000
Plus Estimated cost of site preparation	$6,361,000[1]
Equals land cost and site preparation	$14,217,000
2024 Assessor's Estimated Fair Market Value of development property	$3,087,500

[1] NTD: Need to confirm if number should be consistent with TIF application or later number provided to DEED (i.e. $6,361,000).

$14,217,000 (acquisition and site preparation cost) *less $5,152,848 (amount of financial assistance provided by the City, Authority, or another government entity for acquisition and site preparation),* equals $9,064,152 which is 294% of $3,087,500 (assessor's current estimated fair market value)

Section 3.5. Use of Project. The Developer agrees that for itself, its successors and assigns it shall devote the Development Property and Project to, and in accordance with, the uses specified in this Agreement.

Section 3.6. Developer Fees. The City and Developer agree and acknowledge that Developer has made payment to the City in the amount of $4,400 for the Tax Increment Financing application fee which is nonrefundable. The Developer shall make a second payment to the City in the amount of $4,400 for the costs to create the Tax Increment District within 30 days of receiving an invoice. The Developer shall be reimbursed for such $4,400 by the City out of the 5% administrative charge retained by the City at the time tax increment administrative revenue is received. The reimbursement will occur when full tax increment revenue and administrative costs contemplated in the tax increment plan are received by the City and only after the City reimburses itself for administrative expenses. The reimbursement may occur over several periods of receipt of tax increment and administrative revenue.

Section 3.7. Prohibition against Transfer of Development Property and Assignment of Agreement The Developer represents and agrees that prior to the Termination Date of this Agreement, the Developer shall not transfer in any form the Development Property or the Project or any part thereof or any interest therein, or enter into any contract or agreement to do any of the same without the prior written approval of the City, which approval shall not be unreasonably withheld, conditioned or delayed by the City, provided, however, Developer may enter into any lease agreement for the Development Property or any portion thereof without the prior written approval of the City. If the City consents to the transfer, said consent shall be delivered to the Developer in writing no later than 45 business days from that date the City receives notice of such assignment or transfer. Upon approval, the assignee shall execute and submit the Investment Letter attached hereto as Exhibit E to the City. The Developer may also grant liens on the Development Property to construct or rehabilitate the Development Property, or to subsequently refinance such debt or obtain new debt to finance additional improvements to the Development Property, without the City's consent. The City shall grant its consent if the following conditions are satisfied:

(1) Any proposed transferee shall have the qualifications and financial responsibility, in the reasonable judgment of the City, necessary and adequate to fulfill the obligations undertaken in this Agreement by the Developer.

(2) Any proposed transferee, by instrument in writing satisfactory to the City and in form recordable among the land records, shall, for itself and its successors and assigns, and expressly for the benefit of the City, have expressly assumed all of the obligations of the Developer under this Agreement and agreed to be subject to all the conditions and restrictions to which the Developer is subject.

(3) There shall be submitted to the City for review and prior written approval all instruments and other legal documents involved in effecting the transfer of any interest in this Agreement or the Development Property.

Notwithstanding anything to the contrary contained herein or in the TIF Note: (a) Developer may collaterally assign this Agreement and the TIF Note to any bank or lender with respect to any mortgage or mortgages securing financing for the Project or other financing secured by a pledge of the TIF Note; and (b) the prohibitions in Section 3.7 shall not apply to any transfer or assignment: (i) to any entity controlling, controlled by or under common control with Developer, (ii) to any entity in which the majority equity interest is owned by the parties that have a majority equity interest in Developer, (iii) that after giving effect to such transfer or assignment, does not result in a change in control of Developer, or (iv) any successor to the assets, membership or business of Developer, provided the assignee or successor of Developer assumes in writing, the obligations of Developer hereunder.

Section 3.8. Right to Collect Delinquent Taxes. The Developer acknowledges that the City is providing substantial aid and assistance in furtherance of the Project through reimbursement of the Developer Project Costs. To that end, the Developer agrees for itself, its successors and assigns, that in addition to the obligation pursuant to statute to pay real estate taxes, it is also obligated by reason of this Agreement, to pay before delinquency all real estate taxes assessed against the Development Property and the Project. The Developer acknowledges that this obligation creates a contractual right on behalf of the City through the Termination Date to sue the Developer or its successors and assigns, to collect delinquent real estate taxes related to the Development Property and any penalty or interest thereon and to pay over the same as a tax payment to the county auditor. In any such suit in which the City is the prevailing party, the City shall also be entitled to recover its costs, expenses and reasonable attorney fees.

Section 3.9. Review of Taxes.

(1) The Developer agrees that prior to the Termination Date it will not cause a reduction in the real property taxes paid in respect of the Development Property through: (i) willful destruction of the Development Property or any part thereof; or (ii) willful refusal to reconstruct damaged or destroyed property. The Developer also agrees that it will not, prior to the Termination Date, apply for an exemption from or a deferral of property tax on the Development Property pursuant to any law, or transfer or permit transfer of the Development Property to any entity whose ownership or operation of the property would result in the Development Property being exempt from real property taxes under State law.

(2) The Developer may seek through petition or other means to have the market value for the Development Property reduced (a "**Tax Appeal**"). Until the TIF Note is fully paid, such activity must be preceded by written notice from the Developer to the City indicating its intention to do so. Upon receiving such notice, or otherwise learning of the Developer's intentions, the City may suspend payments due under the TIF Note until the actual amount of the reduction is determined, whereupon the City will make the suspended payments less any amount that the City is required to repay the County as a result any reduction in market value of the Development Property. During the period that the payments are subject to suspension, the City may make partial payments on the TIF Note if it determines, in its reasonable discretion that the amount retained will be sufficient to cover any repayment which the County may require. The City's suspension of payments on the TIF Note pursuant to this Section shall not be considered a default under this Agreement.

Section 3.10. Insurance. The Developer or its general contractor will provide and maintain, at all times during the process of constructing the Improvements, a Special Form Basis Insurance Policy and, from time to time during that period, at the request of the City no more frequently than once annually, furnish the City with proof of payment of premiums on policies covering the following:

(1) Builder's risk insurance, written on the so-called "Builder's Risk – Completed Value Basis," in an amount equal to one hundred percent (100%) of the insurable value of the applicable portion of the

Project at the date of completion, and with coverage available in reporting form on the so-called "special" form of policy;

(2) Commercial general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual liability insurance) with limits against bodily injury and property damage of not less than $1,000,000 for each occurrence (to accomplish the above-required limits, an umbrella excess liability policy may be used); and

(3) Workers' compensation insurance, with statutory coverage.

Section 3.11. Evidence of Insurance. All insurance required in this Article of the Agreement must be taken out and maintained in responsible insurance companies selected by the Developer or its general contractor which are authorized under the laws of Minnesota to assume the risks covered thereby. In lieu of separate policies, the Developer or its general contractor may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein. Upon written request by the City, the Developer or its general contractor agrees to deposit with the City a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect.

ARTICLE IV
EVENTS OF DEFAULT

Section 4.1. Events of Default Defined. The following shall be "**Events of Default**" under this Agreement and the term "**Event of Default**" shall mean whenever it is used in this Agreement any one or more of the following events, provided that no Event of Default shall be deemed to have occurred until the cure period in this Section 4.1, Section 4.2, or any other applicable cure period has expired:

(1) Failure by the Developer to pay timely any ad valorem real property taxes and special assessments levied against the Development Property and all public utility or other City payments due and owing with respect to the Development Property, within 10 days of the due date.

(2) Failure by the Developer to cause the Project to be substantially completed pursuant to the terms, conditions and limitations of this Agreement. Upon completion of the Project contemplated by this Agreement, the City shall deliver to the Developer a Certificate of Completion in substantially the form as attached as *Exhibit C*.

(3) The holder of any mortgage on the Development Property or any improvements thereon, or any portion thereof, commences foreclosure proceedings as a result of any default under the applicable mortgage documents.

(4) Failure by the Developer to substantially observe or perform any other covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement, and fails to correct such failure within thirty days of its receipt of written notice of such failure from the City.

(5) If the Developer:

(a) files any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act of 1978, as amended or under any similar federal or state law; or

(b) makes an assignment for the benefit of its creditors; or

(c) admits in writing its inability to pay its debts generally as they become due; or

(d) is adjudicated a bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Developer, as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within ninety (90) days after the filing thereof; or a receiver, trustee or liquidator of the Developer, or of the Project, or part thereof, shall be appointed in any proceeding brought against the Developer, and shall not be discharged within ninety (90) days after such appointment, or if the Developer, shall consent to or acquiesce in such appointment.

Section 4.2. Remedies on Default. Whenever any Event of Default referred to in Section 4.1 occurs and is continuing, the City, as specified below, may take any one or more of the following actions after the giving of thirty (30) days' written notice to the Developer, but only if the Event of Default has not been cured within said thirty (30) days (or if cure is not reasonably possible within 30 days, Developer has commenced cure within such 30 day period, and diligently prosecutes cure in a reasonable manner, and keeps City informed of such cure).

(1) The City may suspend its performance under this Agreement and the TIF Note until it receives assurances from the Developer, deemed reasonably adequate by the City, that the Developer will cure the default and continue their performance under this Agreement.

(2) The City may cancel and terminate this Agreement and the TIF Note, except that no cancellation may be effective at any time that the Developer is proceeding in good faith to cure the defect and/or reasonable assurances to the City as required in (1) above, or if there exists a good faith dispute with the City, mortgagee or creditor as to an event of default as defined above, and the Developer post a bond or other security as reasonably adequate to cure the alleged default.

(3) The City may take any action, including legal or administrative action, which may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant of the Developer under this Agreement.

Section 4.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 4.4. No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 4.5. Agreement to Pay Attorney's Fees and Expenses. Whenever any Event of Default occurs and the City shall employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer herein contained, the Developer agrees that they shall, on demand therefor, pay to the City the reasonable fees of such attorneys and such other reasonable expenses so incurred by the City.

Section 4.6. Indemnification of City.

(1) The Developer covenants and agrees that the City, its governing body members, officers, agents, including the independent contractors, consultants and legal counsel, servants and employees thereof (hereinafter, for purposes of this Section, collectively the "**Indemnified Parties**") shall not be liable for, and agrees to indemnify and hold harmless the Indemnified Parties against, any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Project, provided that the foregoing indemnification shall not be effective for any actions of the Indemnified Parties that are not contemplated by this Agreement including any losses, damages, or injuries occurring as a result of any gross negligence or willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties.

(2) Except for any losses, damages, or injuries occurring as a result of anygross negligence or willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties, the Developer agrees to protect and defend the Indemnified Parties, now and forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from the actions or inactions of the Developer (or if other persons acting on its behalf or under its direction or control) under this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Project; provided, that this indemnification shall not apply to the warranties made or obligations undertaken by the City in this Agreement or to any actions undertaken by the City which are not contemplated by this Agreement but shall, in any event and without regard to any fault on the part of the City, apply to any pecuniary loss or penalty (including interest thereon from the date the loss is incurred or penalty is paid by the City at a rate equal to the Prime Rate) as a result of the Project causing the Tax Increment District to not qualify or cease to qualify as a "redevelopment tax increment district" under Minnesota Statutes, Section 469.174, Subdivision 10.

(3) All covenants, stipulations, promises, agreements and obligations of the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any governing body member, officer, agent, servant or employee of the City, as the case may be.

ARTICLE V
DEVELOPER'S OPTION TO TERMINATE AGREEMENT

Section 5.1. <u>The Developer's Option to Terminate</u>. This Agreement may be terminated by the Developer if (i) Developer is in compliance with all material terms of this Agreement and no Event of Default has occurred that has not been cured; and (ii) the City fails to comply with any material term of this Agreement, and, after written notice by Developer of such failure, the City has failed to cure such noncompliance within sixty (60) days of receipt of such notice (or if cure is not reasonably possible within 60 days, the City has commenced cure within such 60 day period, and diligently prosecutes cure in a reasonable manner, and keeps the Developer informed of such cure).

Section 5.2. <u>Action to Terminate</u>. Termination of this Agreement pursuant to Section 5.1 must be accomplished by written notification by the Developer to the City.

Section 5.3. <u>Effect of Termination</u>. If this Agreement is terminated pursuant to this Article V, this Agreement shall be from such date forward null and void and of no further effect; provided, however, the termination of this Agreement shall not affect the rights of either party to institute any action, claim or demand for damages suffered as a result of breach or default of the terms of this Agreement by the other party, or to recover amounts which had accrued and become due and payable as of the date of such termination. Upon termination of this Agreement pursuant to this Article V, the Developer shall be free to proceed with the Project at its own expense and without regard to the provisions of this Agreement; provided, however, that the City shall have no further obligations to the Developer with respect to reimbursement of the Developer Project Costs or to make any further payments on the TIF Note.

ARTICLE VI
ADDITIONAL PROVISIONS

Section 6.1. Conflicts of Interest. No member of the governing body or other official of the City shall have any financial interest, direct or indirect, in this Agreement, the Development Property or the Project, or any contract, agreement or other transaction contemplated to occur or be undertaken thereunder or with respect thereto, nor shall any such member of the governing body or other official participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested.

Section 6.2. Titles of Articles and Sections. Any titles of the several parts, articles and sections of the Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 6.3. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by any party to any other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, delivered via reputable overnight courier, or delivered personally, and

(1) in the case of the Developer is addressed to or delivered personally to:

Hotel Mankato, LLC
Attention: Bryan Sowers
931 Madison Avenue
Mankato, Minnesota 56001

With copy to:

Fredrikson & Byron P.A.
Attn: Jessica Buchert, Esq.
111 South 2nd Street, Suite 400
Mankato, MN 56001

(2) in the case of the City is addressed to or delivered personally to the City at:

City of Mankato, Minnesota
Attention: City Manager
10 Civic Center Plaza
P.O. Box 3368
Mankato, Minnesota 56002-3368

With copy to:

Kennedy & Graven
Attn: Pamela Whitmore
150 South Fifth Street, Suite 700

Minneapolis, MN 55402

or at such other address with respect to any such party as that party may, from time to time, designate in writing and forward to the other, as provided in this Section.

Section 6.4. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 6.5. Governing Law and Venue. This Agreement will be governed and construed in accordance with the laws of the State of Minnesota. Any lawsuits regarding or arising out of this Agreement shall be instituted and venued in Blue Earth County state district court.

Section 6.6. Expiration. This Agreement shall expire on the Termination Date.

Section 6.7. Provisions Surviving Rescission or Expiration. Sections 4.5 and 4.6 shall survive any rescission, termination or expiration of this Agreement with respect to or arising out of any event, occurrence or circumstance existing prior to the date thereof.

Section 6.8. Assignability of Agreement. This Agreement may be assigned only with the consent of the City pursuant to Section 3.7.

Section 6.9. Relationship of Parties. Nothing in this Agreement is intended, or shall be construed, to create a partnership or joint venture among or between the parties hereto, and the rights and remedies of the parties hereto shall be strictly as set forth in this Agreement. All covenants, stipulations, promises, agreements and obligations of the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any governing body member, officer, agent, servant or employee of the City.

Section 6.10. Termination of Agreement. After completion of the Developer's obligations hereunder and full payment of the TIF Note, upon the request of the Developer, the City will execute and deliver to the Developer a termination of this Agreement, in recordable form.

[Signatures contained on following page]

IN WITNESS WHEREOF, the City has caused this Agreement to be duly executed in its name and on its behalf and its seal to be hereunto duly affixed on or as of the date first above written.

THE CITY OF MANKATO

By ______________________________
Susan MH Arntz

Its City Manager

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

The foregoing instrument was acknowledged before me this_____day of_______________, 2024, by Susan MH Arntz the City Manager of the City of Mankato, a Minnesota municipal corporation, on behalf of the City.

Notary Public

IN WITNESS WHEREOF, the Developer has caused this Agreement to be duly executed in its name and on its behalf, on or as of the date first above written.

Hotel Mankato, LLC

By ________________________________

Bryan Sowers

Its Vice President

STATE OF ________________)
) : ss
COUNTY OF BLUE EARTH)

The foregoing instrument was acknowledged before me this day of __________, 2024 by Bryan Sowers, the Vice President of Hotel Mankato, LLC, a Minnesota limited liability company, on behalf of the company.

Notary Public

This instrument was drafted by:
The City of Mankato
Community Development
10 Civic Center Plaza
Mankato, MN 56001

EXHIBIT A

Description of Development Property

Legal Description:

Lot 1, Block 1, Key City Renewal Fifth Addition, Blue Earth County, State of Minnesota.
AND
All that part of the north - south running alley dedicated in Block 14, Map of Mankato, according to the recorded plat thereof, lying north of the Westerly extension of the north line of Lot 7, Block 14, Map of Mankato, according to the recorded plat thereof, City of Mankato, Blue Earth County, Minnesota.
AND
The Easterly 102.5 feet of the Northerly 23 feet of Lot 9 and the Easterly 102.5 feet of Lot 10, Block 14, City of Mankato, County of Blue Earth, State of Minnesota.
AND
The Westerly 55 feet of the Northerly 99 feet of Lots 9 and 10, Block 14, Map of Mankato.
AND
Commencing at the Southwest Corner of Lot 9, Block 14, Map of Mankato, on the east line of the alley running on the west side of said Lot 9, running thence in a southeasterly direction and at right angles with said alley 55 feet, thence in a northeasterly direction and at right angles with said last mentioned line 33 feet; thence in a northwesterly direction and at right angles with last described line 55 feet and thence in a southwesterly direction and at right angles with said last described line 33 feet to the place of beginning.
AND
Lot 8, Block 14, Map of Mankato, except the Southerly 6 feet of the Easterly 60 feet.
AND
The Southerly 43 feet of the Easterly 102 1/2 feet of Lot 9, Block 14, Map of Mankato.
AND
Beginning at the Southwesterly corner of Lot 8, Block 14, MAP OF MANKATO, according to the recorded plat thereof; thence easterly 66.00 feet along the southerly line of said Lot 8 to a point on the northerly extension of the westerly line of Lot 4, SPENCER'S SUBDIVISION OF LOTS 6 AND 7 IN BLOCK 14 MANKATO, according to the recorded plat thereof; thence southerly along said northerly extension 12.00 feet to the northwesterly corner of said Lot 4; thence westerly along the westerly extension of the northerly line of said Lot 4 to the westerly line of said Block 14; thence northerly along the westerly line of said Block 14 to the point of beginning.
AND
All that part of the 12.00 foot alley dedicated per the SPENCER'S SUBDIVISION OF LOTS 6 AND 7 IN BLOCK 14 MANKATO, according the recorded plat (alley being now vacated per recorded document 600CR931) described as follows: Being bound on the west by the northerly extension of the west line of Lot 4 of said SPENCER'S SUBDIVISION; and Being bound on the east by a line being 60.00 feet west of the northerly extension of the easterly line of said SPENCER'S SUBDIVISION.

Subject Property Address:

101 E. Main, 121 E. Main, and 118 S. 2nd Street, Mankato, Blue Earth County, Minnesota 56001

To Be Platted As:

Lot 1, Block 1, Hotel Mankato Redevelopment, Blue Earth County, Minnesota.

EXHIBIT B

Form of TIF Note

No. R-1 $______

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF BLUE EARTH, CITY OF MANKATO

TAXABLE TAX INCREMENT REVENUE NOTE, SERIES 202___

(Hotel Mankato, LLC)

The City of Mankato, Minnesota (the "**City**"), hereby acknowledges itself to be indebted and, for value received, hereby promises to pay the amounts hereinafter described (the "**Payment Amounts**") to Hotel Mankato, LLC, a Minnesota limited liability company (the "**Developer**") or its registered assigns (the "**Registered Owner**"), but only in the manner, at the times, from the sources of revenue, and to the extent hereinafter provided.

The principal amount of this Note shall be equal to the principal amount stated above, as reduced to the extent that such principal installments shall have been paid in whole or in part pursuant to the terms hereof; provided that the sum of the principal amount listed above shall in no event exceed $________________________ [the lesser of (1) $5,152,848 or (2) the actual aggregate amounts of the Developer Project Costs as entered on the Ledger which is attached to Exhibit D of the Development Agreement] as provided in that certain Development Agreement, dated as October ____, 2024, as the same may be amended from time to time (the "**Development Agreement**"), by and between the City and the Developer. The unpaid principal amount hereof shall bear interest from the date of this Note at the simple, non-compounded rate of 5 percent (5.0%) per annum. Interest shall be computed on the basis of a 360-day year consisting of twelve (12) 30-day months.

The amounts due under this Note shall be payable on July 31, 2027, and on each July 31 and December 31 thereafter to and including December 31, 2052, or, if any of the preceding dates should not be a Business Day (as defined in the Development Agreement), the next succeeding Business Day (the "**Payment Dates**"). However, in no event shall the City be obligated to make a payment to the Developer during the occurrence and continuance of an Event of Default under the Development Agreement. On each Payment Date the City shall pay by check or draft mailed to the person that was the Registered Owner of this Note at the close of the last Business Day of the City preceding such Payment Date Available Tax Increment received by the City. All payments made by the City under this Note shall be applied first to accrued interest and the balance to principal reduction.

The Payment Amount due hereon shall be payable solely from Available Tax Increments (as defined in the Development Agreement) from the Development Property within the City's Tax Increment Financing District No. 50-1 (the "**Tax Increment District**") within its Development District No. 50 which are paid to the City and which the City is entitled to retain pursuant to the provisions of Minnesota Statutes, Sections 469.174 through 469.1794, as the same may be amended or supplemented from time to time (the "**Tax Increment Act**"). This Note shall terminate and be of no further force and effect following the last Payment Date defined above, on any date upon which the City shall have terminated the Development Agreement or the TIF Note under Section 4.2(2) thereof or the Developer shall have terminated the Development Agreement under Article V thereof, on the date the Tax Increment District is terminated, or on the date that all principal payable hereunder shall have been paid in full, whichever occurs earliest.

The City makes no representation or covenant, expressed or implied, that the Available Tax Increments will be sufficient to pay, in whole or in part, the amounts which are or may become due and payable hereunder.

The City's payment obligations hereunder shall be further conditioned on the fact that no Event of Default under the Development Agreement shall have occurred and be continuing at the time payment is otherwise due hereunder, but such unpaid amounts shall become payable if said Event of Default shall thereafter have been cured; and, further, if pursuant to the occurrence of and during the continuance of an Event of Default under the Development Agreement the City elects to cancel and rescind the Development Agreement, the City shall have no further debt or obligation under this Note whatsoever. Reference is hereby made to all of the provisions of the Development Agreement, including without limitation Section 3.2 thereof, for a fuller statement of the rights and obligations of the City to pay the principal of this Note, and said provisions are hereby incorporated into this Note as though set out in full herein.

This Note is a special, limited revenue obligation and not a general obligation of the City and is payable by the City only from the sources and subject to the qualifications stated or referenced herein. This Note is not a general obligation of the City and neither the full faith and credit nor the taxing powers of the City are pledged to the payment of the principal of this Note and no property or other asset of the City, save and except the above-referenced Available Tax Increments, is or shall be a source of payment of the City's obligations hereunder.

This Note is issued by the City in aid of financing a project pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including the Tax Increment Act.

This Note may be assigned only pursuant to the terms of Section 3.7 of the Development Agreement. In order to assign the Note, the assignee shall surrender the same to the City either in exchange for a new fully registered note or for transfer of this Note on the registration records for the Note maintained by the City. Each permitted assignee shall take this Note subject to the foregoing conditions and subject to all provisions stated or referenced herein.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to have happened, and to be performed precedent to and in the issuance of this Note have been done, have happened, and have been performed in regular and due form, time, and manner as required by law; and that this Note, together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional, charter or statutory limitation thereon.

IN WITNESS WHEREOF, City of Mankato, Minnesota, by its City Council, has caused this Note to be executed by the manual signatures of its Mayor and Manager and has caused this Note to be dated as of

___________________, 20___.

City Manager

Mayor

DO NOT EXECUTE UNTIL PAID INVOICES FOR PROJECT COSTS ARE GIVEN TO THE CITY – REFER TO SECTION 3.3(1).

CERTIFICATION OF REGISTRATION

It is hereby certified that the foregoing Note was registered in the name of ____________________________, and that, at the request of the Registered Owner of this Note, the undersigned has this day registered the Note in the name of such Registered Owner, as indicated in the registration blank below, on the books kept by the undersigned for such purposes.

Name and Address of Registered Owner	Date of Registration	Signature of Registrar
	______________________, 20___	____________________________

Hotel Mankato, LLC. Federal Tax Identification Number 87-3518197

EXHIBIT C

CERTIFICATE OF COMPLETION

The City of Mankato, Minnesota (the "**City**"), a municipal corporation hereby certifies that all building construction and other physical improvements specified to be done and made by the Developer with respect to the Project on the property legally described on Exhibit A attached hereto have been completed and the above covenants and conditions in said Development Agreement have been performed by the Developer therein and that the provisions for breach of condition subsequent by the City, contained therein, are hereby released absolutely and forever insofar as they apply.

THE CITY OF MANKATO

By ____________________________

Its ____________________________

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

The foregoing instrument was acknowledged before me this_____day of_________________________, 20__ , by_________________the________________of the City of Mankato, a Minnesota municipal corporation, on behalf of the City.

Notary Public

This instrument drafted by:
City of Mankato
Community Development
10 Civic Center Plaza
Mankato, MN 56001

Exhibit A to Certificate of Completion

The property subject to this Certificate of Completion is legally described as follows:

Legal Description:

Lot 1, Block 1, Key City Renewal Fifth Addition, Blue Earth County, State of Minnesota.
AND
All that part of the north - south running alley dedicated in Block 14, Map of Mankato, according to the recorded plat thereof, lying north of the Westerly extension of the north line of Lot 7, Block 14, Map of Mankato, according to the recorded plat thereof, City of Mankato, Blue Earth County, Minnesota.
AND
The Easterly 102.5 feet of the Northerly 23 feet of Lot 9 and the Easterly 102.5 feet of Lot 10, Block 14, City of Mankato, County of Blue Earth, State of Minnesota.
AND
The Westerly 55 feet of the Northerly 99 feet of Lots 9 and 10, Block 14, Map of Mankato.
AND
Commencing at the Southwest Corner of Lot 9, Block 14, Map of Mankato, on the east line of the alley running on the west side of said Lot 9, running thence in a southeasterly direction and at right angles with said alley 55 feet, thence in a northeasterly direction and at right angles with said last mentioned line 33 feet; thence in a northwesterly direction and at right angles with last described line 55 feet and thence in a southwesterly direction and at right angles with said last described line 33 feet to the place of beginning.
AND
Lot 8, Block 14, Map of Mankato, except the Southerly 6 feet of the Easterly 60 feet.
AND
The Southerly 43 feet of the Easterly 102 1/2 feet of Lot 9, Block 14, Map of Mankato.
AND
Beginning at the Southwesterly corner of Lot 8, Block 14, MAP OF MANKATO, according to the recorded plat thereof; thence easterly 66.00 feet along the southerly line of said Lot 8 to a point on the northerly extension of the westerly line of Lot 4, SPENCER'S SUBDIVISION OF LOTS 6 AND 7 IN BLOCK 14 MANKATO, according to the recorded plat thereof; thence southerly along said northerly extension 12.00 feet to the northwesterly corner of said Lot 4; thence westerly along the westerly extension of the northerly line of said Lot 4 to the westerly line of said Block 14; thence northerly along the westerly line of said Block 14 to the point of beginning.
AND
All that part of the 12.00 foot alley dedicated per the SPENCER'S SUBDIVISION OF LOTS 6 AND 7 IN BLOCK 14 MANKATO, according the recorded plat (alley being now vacated per recorded document 600CR931) described as follows: Being bound on the west by the northerly extension of the west line of Lot 4 of said SPENCER'S SUBDIVISION; and Being bound on the east by a line being 60.00 feet west of the northerly extension of the easterly line of said SPENCER'S SUBDIVISION.

Subject Property Address:

101 E. Main, 121 E. Main, and 118 S. 2nd Street, Mankato, Blue Earth County, Minnesota 56001

To Be Platted As:

Lot 1, Block 1, Hotel Mankato Redevelopment, Blue Earth County, Minnesota.

EXHIBIT D

PROJECT COSTS – REIMBURSABLE

The table below illustrates the proposed tax increment reimbursable budget and the estimated amounts of the Developer Project Costs. The Developer shall submit proof of incurring the Developer Project Costs in the amounts specified in the attached ledger.

Developer – TIF Eligible Expenditures	Amount
Developer Project Costs - Developer Pay-Go Assistance (Principal Amount) • Building Demolition • Site Demolition • Environmental • Soil Corrections • Earth Retention • Dewatering • Site Improvements • Site prep, utilities reroute • Site Lighting • Water, Sanitary, and Storm • Construction fence • Utilities reroute • Acquisition • Design, engineering fees	$5,152,848
Developer TIF Reimbursable Project Costs	**$5,152,848**
Interest on Developer Pay-Go Note (5%)	$4,791,168
Total Developer TIF Reimbursable Budget	**$9,944,016**

The table below shows the complete schedule of estimated tax increment from the TIF District. Estimated Reimbursements for Developer Projects Costs are shown in column 11.

Projected Tax Increment Report

City of Mankato, Minnesota
Tax Increment Redevelopment District No. 50-1
Proposed City Center Hotel and Landmark Center Redevelopment
Draft TIF Projections based on $24,253,900 EMV

Annual Period Ending (1)	Total Market Value (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity (4)	Retained Captured Net Tax Capacity (5)	Times: Tax Capacity Rate (6)	Annual Gross Tax Increment (7)	Less: State Aud. Deduction 0.360% (8)	Subtotal Net Tax Increment (9)	Less: City Retainage 5.00% (10)	Annual Net Revenue (11)	P.V. Annual Net Rev. To 06/30/25 5.00%
12/31/25	2,643,400	51,368	51,368	0	95.377%	0	0	0	0	0	0
12/31/26	2,643,400	51,368	51,368	0	95.377%	0	0	0	0	0	0
12/31/27	12,126,950	241,789	51,368	190,421	95.377%	181,618	654	180,964	9,048	171,916	155,933
12/31/28	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	337,660
12/31/29	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	321,581
12/31/30	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	306,268
12/31/31	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	291,684
12/31/32	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	277,794
12/31/33	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	264,566
12/31/34	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	251,967
12/31/35	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	239,969
12/31/36	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	228,542
12/31/37	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	217,659
12/31/38	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	207,294
12/31/39	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	197,423
12/31/40	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	188,022
12/31/41	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	179,068
12/31/42	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	170,541
12/31/43	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	162,420
12/31/44	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	154,686
12/31/45	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	147,320
12/31/46	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	140,305
12/31/47	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	133,624
12/31/48	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	127,261
12/31/49	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	121,201
12/31/50	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	115,429
12/31/51	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	109,933
12/31/52	24,253,900	484,328	51,368	432,960	95.377%	412,944	1,487	411,457	20,573	390,884	104,698
						$10,505,218	$37,829	$10,467,389	$523,373	$9,944,016	$5,152,848

(1) Total estimated market value based on information provided by City and County

(2) Total net tax capacity based on commercial/industrial with a class rate of 1.5% up to $150,000 and 2% above $150,000

(3) Original net tax capacity based on existing land value for the property to be included in the development

(4) Total local tax capacity rate for taxes payable 2024

LEDGER

The City shall reimburse the actual Developer Project Costs an amount not to exceed $5,152,848 for items listed on this Ledger.

Description of Activity	Date	Amount	Signature of Representative of the City

Additional pages may be added to this Ledger, as may be needed.

EXHIBIT E

FORM OF INVESTMENT LETTER

To the City of Mankato (the "**City**")
Attention: City Manager

Dated: ___________________, 202__

Re: $____________ Tax Increment Revenue Note (Hotel Mankato, LLC Project)

The undersigned, as Purchaser of [$5,152,848 or lesser amount] in principal amount of the above-captioned Tax Increment Revenue Note (Hotel Mankato, LLC Project) (the "**Note**"), approved by the City of Mankato on _________________, 20___, hereby represents to the City and Kennedy & Graven, Chartered, as legal counsel to the City, as follows:

1. We understand and acknowledge that the Note is delivered to the Purchaser on this date pursuant to the Development Agreement by and between the City and the Purchaser dated October ____, 2024 (the "**Agreement**").

2. The Note is payable solely from Available Tax Increment pledged to the Note, as defined therein.

3. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the above-stated principal amount of the Note.

4. We acknowledge that no offering statement, prospectus, offering circular or other comprehensive offering document or disclosure containing material information with respect to the City and the Note has been issued or prepared by the City, and that in due diligence, we have made our own inquiry and analysis with respect to the City, the Note and the security therefor, and other material factors affecting the security and payment of the Note.

5. We acknowledge that we have either been supplied with or have access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Note and the security therefor, and that as reasonable investors we have been able to make our decision to purchase the above-stated principal amount of the Note.

6. We have been informed that the Note (i) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, or under federal securities laws or regulations, (ii) will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.

7. We acknowledge that the City and Kennedy & Graven, Chartered, as legal counsel to the City, have not made any representations or warranties as to the status of payments on the Note for the purpose of federal or state income taxation.

8. We represent to the City that we are purchasing the Note for our own account and not for resale or other distribution thereof, except to the extent otherwise provided in the Note or as otherwise approved in writing by the City.

9. All capitalized terms used herein have the meaning provided in the Agreement unless the context clearly requires otherwise.

10. The Purchaser's federal tax identification number is #_________.

11. We acknowledge receipt of the Note on the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Investment Letter as of the date and year first written above.

____

By: ____________________________

STATE OF _____________)
) ss.
COUNTY OF____________)

The foregoing instrument was executed before me this _____ day of ________________, 202__, by _______________, the ______________________ of Hotel Mankato, LLC, a limited liability company under the laws of Minnesota, on behalf of the company.

____
Notary Public

Summary report:
Litera Compare for Word 11.3.1.3 Document comparison done on 9/18/2024 2:17:32 PM

Style name: Default Style	
Intelligent Table Comparison: Active	
Original DMS: iw://ecdbb-mobility.imanage.work/FB1/83773200/1	
Modified DMS: iw://ecdbb-mobility.imanage.work/FB1/83773200/5	
Changes:	
Add	121
~~Delete~~	66
~~Move From~~	0
Move To	0
Table Insert	0
~~Table Delete~~	0
Table moves to	0
~~Table moves from~~	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	187