FIRST AMENDMENT TO

DEVELOPMENT AGREEMENT

BY AND BETWEEN

CITY OF MANKATO, MINNESOTA

AND

OLD TOWN HOLDINGS, LLC

This Document Was Drafted By:

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FIRST AMENDMENT TO DEVELOPMENT AGREEMENT

THIS First Amendment to Development Agreement (the "First Amendment"), is made as of the _______ day of _______________, 2026, between the city of Mankato, a municipal corporation under the laws of Minnesota (the "City"), and Old Town Holdings, LLC, a limited liability company under the laws of Minnesota (the "Developer"). The City and the Developer are hereinafter each a "Party" and, collectively, the "Parties."

RECITALS

WHEREAS, the City previously established Development District No. 47 (the "Development District"), pursuant to Minnesota Statutes, sections 469.124 to 469.133 and approved a tax increment financing plan (the "TIF Plan") for Tax Increment Financing District No. 47-1, a redevelopment tax increment financing district (the "TIF District"), pursuant to Minnesota Statutes, sections 469.174 to 469.179; and

WHEREAS, the City and the Developer entered into that certain Development Agreement dated August 22, 2023 and recorded on August 30, 2023 in the Office of the County Recorder, Blue Earth County, Minnesota as doc. no. 604CR761 and in the Office of the Registrar of Titles, Blue Earth County, Minnesota as doc. no. T149793 (the "Development Agreement"); and

WHEREAS, the Development Agreement provided for the demolition of a structurally substandard building and development of a mixed-use building including 72 apartments, 75 storage units and 9,650 sq. ft. of commercial space; and

WHEREAS, construction of the project as originally planned has been completed but due to changes in the market conditions, the Developer has been unable to lease the commercial space; and

WHEREAS, the Developer has requested and the City agrees to amend the Development Agreement to allow the Developer to convert the unused commercial space to additional apartments and make other modifications to its terms and conditions.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual obligations set forth in this First Amendment, the Parties hereby agree as follows:

1. Section 1.1 Definitions is amended by amending the following definitions by deleting the ~~stricken~~ material land adding the <u>underlined</u> material as follows:

<u>Available Tax Increment</u> means, after first deducting the City Reimbursement Amount on each Note Payment Date <u>beginning on July 31, 2027</u>, 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.

<u>City Reimbursement Amount</u> means the amount to be deducted on each Note Payment Date from Tax Increment received by the City necessary to reimburse the City fully for the City

Project ~~c~~Costs by December 31, ~~2040~~ 2041 plus interest at the annual of five percent on the unpaid balance. The exact amount of the City Reimbursement Amount will be determined after the City Project Costs have been determined at the time of adoption of the Interfund Loan.

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, on each Note Payment Date means ~~which are more specifically described on *Exhibit D* attached hereto;~~, but not to exceed $839,855.

Note Payment Date means July 31, ~~2026~~ 2027, and each December 31 and July 31 of each year thereafter to and including December 31, ~~2040~~ 2041; 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 a vacant blighted building located at 1247 Range Street by the Developer. The blighted site will be redeveloped with the construction of a new ~~mixed-use~~ residential building~~. The proposed new building will contain approximately 9,650 sf of commercial space~~, including ~~72~~ 85 units of multi-family housing, and 75 storage units.

Termination Date means the earliest of (i) December 31, ~~2040~~ 2041, (ii) the date the Developer Project Costs and City 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;

2. Section 2.2 Representation and Warranties of the Developer, subd. 12, is amended by deleting the ~~stricken~~ material and adding the underlined material as follows:

(12) Barring Unavoidable Delays, the Project will be substantially completed by ~~May 1, 2025~~ December 31, 2026, such that the City will issue a Certificate of Completion on or ~~before~~ shortly thereafter that date. The City has no knowledge of anything, which would prevent the Project from being completed by ~~May 1, 2025~~ such date 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 commence in 2023~~.

3. Section 3.1 Project Costs is amended by deleting the ~~stricken~~ material and adding the underlined material as follows:

~~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 Developer Project Costs in an amount not to exceed $839,855 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 Project Costs shall be limited to the City's costs associated with the construction of Hiniker Parkway and West River Lane and are the sole obligation of the City and not that of the Developer. All other project costs shall be the responsibility of the Developer. The City shall use all Tax Increment received in 2026 towards reimbursement of the City Reimbursement Amount. Beginning on July 31, 2027, the City shall remain in first position for reimbursement of remaining City Project Costs through deduction of the City Reimbursement Amount from Tax Increment on each Note Payment Date. After the City Project Costs have been incurred, the City intends to adopt a resolution authorizing the Interfund Loan ~~and a note~~ which will specify the terms and conditions of ~~repayment of the Interfund Loan~~ reimbursement of the City Project Costs~~.The Interfund Loan will be repaid with the City Reimbursement Amount~~ ~~P~~prior to Available Tax Increment being paid on the TIF Note. ~~The estimated amount of the City Reimbursement Amount on each Note Payment Date is approximately $25, 000 plus interest.~~

4. Section 3.3 Reimbursement: Tax Increment Revenue Note, subd. (7), is amended by deleting the ~~stricken~~ material and adding the underlined material as follows:

(3) Beginning on July 31, 2027, ~~O~~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.

(7) The City is not obligated to reimburse the Developer for the Developer Project Costs, regardless of Available Tax Increment received, after December 31, ~~2040~~ 2041. 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.

5. Section 3.4 Business Subsidies Act is deleted in its entirety and the following underlined language added in its place:

The assistance provided in this First Amendment is entirely related to housing and therefore does not constitute a business subsidy under Minnesota Statutes, section 116J.993, subd. 3.

6. Exhibit A, Description of Development Property is deleted in its entirety and replaced with the new Exhibit A attached hereto.

7. Exhibit B, Form of TIF Note is deleted in its entirety and replaced with the new Exhibit B attached hereto.

8. This First Amendment will be governed by and construed in accordance with the laws of Minnesota, without giving effect to otherwise applicable principles of conflicts of law.

9. If any term or provision of this First Amendment or the application thereof to any person or circumstance shall, to any extent, be inconsistent with, invalid or unenforceable under the TIF Act, Business Subsidy Act, or any applicable laws or legal requirements, the remainder of

this First Amendment, or the application of such term or provision to persons or circumstances other than those as to which it was held invalid or unenforceable, shall not be affected thereby, and each term or provision of this First Amendment shall be valid and enforceable to the fullest extent permitted by the TIF Act, Business Subsidy Act, and any applicable laws or legal requirements.

10. This First Amendment may be executed in any number of counterparts. All such counterparts will be deemed to be originals and will together constitute but one and the same instrument. The executed counterparts of this First Amendment may be delivered by electronic means, such as email or facsimile, and the receiving party may rely on the receipt of such executed counterpart as if the original had been received.

11. Except as amended in this First Amendment, all of the provisions, covenants, terms and conditions of the ~~Amended and Restated CPD~~ Development Agreement shall remain unaltered and in full force and effect. If there is any inconsistency between the Development Agreement as originally drafted and this First Amendment, the First Amendment shall prevail.

[The remainder of this page is intentionally left blank.]

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

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 on this ____ day of ____________________, 2026, by Susan MH Arntz, the City Manager of the city of Mankato, a municipal corporation under the laws of Minnesota, on behalf of the City.

____
Notary Public

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

OLD TOWN HOLDINGS, LLC

By: ______________________________________

Its: ______________________________________

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

The foregoing instrument was acknowledged before me on this ___ day of _____________, 2026, by ____________________, the _____________________ of Old Town Holdings, LLC, a limited liability company under the laws of Minnesota, on behalf of the company.

____
Notary Public

EXHIBIT A

The Development Property is legally described as follows:

> Lots 1A, 1B and 1C, Block 2 and Outlot C, Axis, according to the recorded plat thereof in Blue Earth County, Minnesota

EXHIBIT B

Form of TIF Note

No. R-1 [$839,855 or lesser amount]

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

TAXABLE TAX INCREMENT REVENUE NOTE

(Old Town Holdings, 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 Old Town Holdings, LLC (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 $________________________ [the lesser of (1) $839,855 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 __________, 2023, as amended by the First Amendment to Development Agreement dated ______________, 2026 and as the same may be further 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 7 percent (7.0%) 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, 2041, 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 Amounts due hereon shall be payable solely from 95% of Available Tax Increments (as defined in the Development Agreement) from the Development Property within the City's Tax Increment Financing District No. 47-1 (the "**Tax Increment District**") within its Development District No. 47 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. As defined in the Development Agreement, Available Tax Increment will be calculated after first deducting the City Reimbursement Amount from the Tax Increment received by the City on each Payment Date.

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 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 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 with the consent of the City which consent shall not be unreasonably withheld. 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__	________________________