
CONTRACT
FOR
PRIVATE DEVELOPMENT

By and Between
THE CITY OF MANKATO

and

SKILBRED DEVELOPMENT, LLC

This document drafted by:

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¹ NTD: TOC to be updated following edit and review.

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FORM OF INVESTMENT LETTER

CONTRACT FOR PRIVATE DEVELOPMENT

This Contract for Private Development (the “**Agreement**”) is made this ____ day of _____, 2026, by and between the city of Mankato, a municipal corporation under the laws of Minnesota, having its principal office at 10 Civic Center Plaza, Mankato, Minnesota 56001 (the “**City**”), and Skilbred Development, LLC, a limited liability company under the laws of Minnesota, having its principal office at 200 Essex Road, Mankato, Minnesota, 56001 (the “**Developer**”).

WITNESSETH:

WHEREAS, the City has established Development District No. 51 (the “**Development District**”) and adopted a Development Program pursuant to Minnesota Statutes, sections 469.124 through 469.133 to encourage development and redevelopment in the Development District; and

WHEREAS, the City finds that it is in the public interest, helpful for the tax base and beneficial for the health, safety and welfare of the City as a whole to promote the construction of affordable owner-occupied housing in the community in locations where it is compatible with surrounding land uses; and

WHEREAS, the City finds that, due to market conditions which exist today and are likely to persist for the foreseeable future, the private sector alone is not able to accomplish construction of affordable housing and, therefore, such will not occur without public intervention; and

WHEREAS, to foster the development described above, the City has also established Tax Increment Financing District No. 51-1, a housing district (the “**TIF District**”), within the Development District and adopted a tax increment financing plan related thereto (the “**TIF Plan**”), all pursuant to Minnesota Statutes, sections 469.174 through 469.1794, as amended (the “**TIF Act**”); and

WHEREAS, the Developer has proposed to develop the property legally described in Exhibit A attached hereto, and defined in this Agreement as the Development Property, through horizontal development and pad preparation necessary to deliver 16 finished residential lots which will be offered for sale as development-ready sites for the construction of affordable homes (the “Minimum Improvements”), as more fully described herein; and

WHEREAS, the City intends that the cost of constructing the Minimum Improvements for each of the lots within the Development Property will be approximately \$31,717.24 and the finished lot sale price for each of the lots improved pursuant to this Agreement shall be \$15,000.00 in order to support affordable housing construction, which is estimated to cost approximately \$245,369.00; and

WHEREAS, the City believes the Developer’s proposal is in the vital and best interests of Mankato and the health, safety and welfare of its residents, and in accord with the public purposes

and provisions of the applicable state and local laws and requirements for which the Development District and the TIF District were established.

NOW, THEREFORE, in consideration of the covenants 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. In this Agreement the following terms shall have the meanings given below unless a different meaning clearly appears from the context:

“Administrative Expenses” means the administrative expenses incurred by the City regarding the TIF District as defined in section 469.174, subd. 14 of the TIF Act.

“Affiliate” means, with respect to the Developer, any person or entity that directly or indirectly controls, is controlled by, or is under common control with the Developer, and any entity in which the Developer or any of its principals holds a direct or indirect ownership interest.

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

“Assessor” means the Blue Earth County assessor.

“Available Tax Increment” means 95 percent of the Tax Increment paid to the City by the County with respect to the Development Property and the Minimum Improvements.

“Business Day” means any day except a Saturday, Sunday or a legal holiday or any day on which banking institutions are authorized by law to close.

“Business Subsidy Act” means Minnesota Statutes, sections 116J.993 through 116J.995, as amended.

“Certificate of Completion” means the certificate, in substantially the form attached hereto as Exhibit C, which will be provided by the City to the Developer pursuant to Article IV of this Agreement.

“City” means the city of Mankato, a municipal corporation under the laws of Minnesota.

“City Approvals” means, collectively, the plat, site plan/building materials review, and any other land use approvals required by the City prior to the Developer being authorized to construct the Minimum Improvements.

“Construction Plans” means the final plans for construction of the Minimum Improvements which shall be submitted by the Developer pursuant to section 4.2 of this Agreement.

“County” means Blue Earth County, Minnesota.

“Developer” means Skilbred Development, LLC, a limited liability company under the laws of Minnesota.

“Development Agreement” means the agreement between the City and the Developer which will be required to obtain the City Approvals.

“Development District” means the City’s Development District No. 51.

“Development District Act” means Minnesota Statutes, sections 469.124 through 469.133, as amended.

“Development Program” means the Development Program for the Development District, which was adopted on October 13, 2026.

“Development Property” means the property legally described in Exhibit A attached hereto.

“Event of Default” means an action by the Developer or the City listed in Article VIII of this Agreement.

“Final Payment Date” means the earliest of (i) the date on which the entire principal and accrued interest on the Note have been paid in full; or (ii) February 1, 2044 or (iii) any earlier date this Agreement or the Note is terminated or cancelled in accordance with the terms hereof; or (iv) the February 1 following the date the TIF District is terminated in accordance with the TIF Act; or (v) the date the City cancels the Note upon a written request for termination from the Developer and a determination in the City’s sole discretion that such termination will not limit or interfere with the City’s ability to pool Tax Increment generated by the TIF District for affordable housing in accordance with the TIF Act.

“Material Change” means a substantial change in the Construction Plans which requires new or revised City Approvals or one which will likely adversely affect the generation of Tax Increment.

“Maturity Date” means the date the Note has been paid in full or terminated, whichever is earlier.

“Minimum Improvements” means preparation and horizontal construction of the Development Property which results in the creation of 16 development-ready residential lots that

will be marketed for sale to qualifying owner-occupants. The Developer intends that vertical construction will be completed by one or more third-party homebuilders or Developer Entities (as defined in section 4.7 of this Agreement), which may vary from time to time, and those improvements are not included in the Minimum Improvements. After completion of the Minimum Improvements, the term shall mean the Development Property as improved by the Minimum Improvements.

“Note” means the taxable Tax Increment Revenue Note, in substantially the form set forth in Exhibit D, to be delivered by the City to the Developer to reimburse the Developer for the Qualifying Costs pursuant to Article III of this Agreement.

“Payment Date” means August 1, 2029 and each February 1 and August 1 thereafter to and including the Final Payment Date.

“Preliminary Plans” means the plans of the Minimum Improvements referenced in Exhibit B attached hereto.

“Public Assistance” means the financial assistance to be offered by the City to the Developer through issuance of the Note, which will be the lesser of the value of the Note or the Qualifying Costs actually incurred and paid by the Developer.

“Qualifying Costs” means the cost of land acquisition, site improvements, site preparation and other qualifying expenditures made by the Developer related to completion of the Minimum Improvements.

“Qualifying Owner-Occupants” shall mean owner-occupants of the lots comprising Development Property who have an income at or below 115 percent of the Area Median Income.

“State” means the state of Minnesota.

“Substantial Completion” means completion of the Minimum Improvements to a degree allowing the issuance of a building permit by the City’s building official.

“Tax Increment” means the tax increment, as that term is defined in Minnesota Statutes, section 469.174, subd. 25, which is paid to the City by the County with respect to the Minimum Improvements and the Development Property.

“Tax Increment Financing Act” or “TIF Act” means Minnesota Statutes, sections 469.174 through 469.1794, as amended.

“Tax Increment Financing District” or “TIF District” means Tax Increment Financing District No. 51-1, a housing district.

“Tax Increment Financing Plan” or “TIF Plan” means the tax increment plan for the TIF District which was approved by the City on October 13, 2026.

“Tax Official” means the Assessor, County auditor, County or state board of equalization, the commissioners of revenue of the State, or any State or federal district court, the tax court of the State, or the State Supreme Court.

“Termination Date” means the earliest of: (i) the date the TIF District is terminated in accordance with the TIF Act; or (ii) the date the Note is paid in full; or (iii) the date the City cancels the Note upon a written request for termination from the Developer and a determination in the City’s sole discretion that such termination will not limit or interfere with the City’s ability to pool Tax Increment generated by the TIF District for affordable housing in accordance with the TIF Act;

“Total Development Costs” means the total cost to the Developer of acquiring the Development Property and constructing the Minimum Improvements.

“Transfer” means any sale, assignment, conveyance, lease or transfer in any other mode or manner of this Agreement, the Note, the Development Property or the Minimum Improvements or any interest therein.

“Unavoidable Delays” means a failure or delay in a party’s performance of its obligations under this Agreement, or during any cure period specified in this Agreement which does not entail the mere payment of money, not within the party’s reasonable control including but not limited to force majeure; delays which are the direct result of adverse weather conditions; strikes or other labor troubles; fire or other casualty to the Minimum Improvements; litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays; or, except those of the City reasonably contemplated by this Agreement, any acts or omissions of any federal, State or local governmental unit which directly result in delays in construction of the Minimum Improvements; default or unanticipated delay by the City under this Agreement; or any other cause beyond the reasonable control of a party.

Section 1.2. Exhibits. The following exhibits are attached to and by reference made a part of this Agreement:

- Exhibit A. Legal Description of Development Property
- Exhibit B. List of Preliminary Plans
- Exhibit C. Form of Certificate of Completion
- Exhibit D. Form of Note
- Exhibit E. Form of Investment Letter

Section 1.3. Rules of Interpretation. (a) This Agreement shall be interpreted in accordance with and governed by the laws of Minnesota.

(b) The words “herein” and “hereof” and words of similar import, without reference to any particular section or subdivision, refer to this Agreement as a whole rather than any particular section or subdivision hereof.

(c) References herein to any particular section or subdivision hereof are to the section or subdivision of this Agreement as originally executed.

(d) Any titles of the several parts, articles and sections of this Agreement are inserted for convenience and reference only and shall be disregarded in construing or interpreting any of its provisions.

ARTICLE II

Representations and Warranties

Section 2.1. Representations by the City. The City makes the following representations as the basis for the undertaking on its part herein contained:

(a) The City is a municipal corporation under the laws of Minnesota. The City has the authority to enter into this Agreement and carry out its obligations hereunder.

(b) The City has approved execution of this Agreement. The individuals executing this Agreement and related agreements and documents on behalf of the City have the authority to do so and to bind the City by their actions.

(c) The Development District is a development district which was created, adopted and approved in accordance with the Development District Act.

(d) The TIF District is a housing tax increment financing district within the meaning of Minnesota Statutes, Section 469.174, Subd. 11 of the TIF Act and was created, adopted and approved in accordance with the TIF Act.

(e) There are no agreements currently in effect to which the City is a party pertaining to the Development Property which would preclude the parties from entering into this Agreement or which would impede the fulfillment of the terms and conditions of this Agreement.

(f) The activities of the City pursuant to this Agreement are undertaken pursuant to the Development Program and the TIF Plan and are for the purpose of construction of the Minimum Improvements on the Development Property.

(g) The City will act in a timely manner to consider all approvals required under this Agreement and will cooperate with the Developer in seeking consideration of any approvals which must be granted by other public entities.

Section 2.2. Representations and Warranties by the Developer. The Developer makes the following representations and warranties as the basis for the undertaking on its part herein contained:

(a) The Developer is a limited liability company validly existing under the laws of the state of Minnesota. The Developer has the authority to enter into this Agreement and carry out its obligations hereunder.

(b) The persons executing this Agreement and related agreements and documents on behalf of the Developer have the authority to do so and to bind the Developer by their actions.

(c) The Developer will construct the Minimum Improvements in substantial accordance with the terms of this Agreement, the Development Program, the TIF Plan, the Construction Plans and all local, State and federal laws and regulations, including, but not limited to, environmental, zoning, building code and public health laws and regulations, that are applicable to the Development Property and all improvements constructed thereon.

(d) The Developer will use commercially reasonable efforts to apply for and use all reasonable efforts to obtain, in a timely manner, all other required permits, licenses and approvals from the City and other relevant governmental entities, and will use commercially reasonable efforts to meet, in a timely manner, the requirements of all applicable local, State and federal laws and regulations which must be obtained or met before the Minimum Improvements may be lawfully constructed or used for their intended purpose.

(e) The Developer has analyzed the economics of construction of the Minimum Improvements and concluded that, absent the Public Assistance to be offered under this Agreement, it would not undertake this project.

(f) 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 provisions of any corporate organizational documents or any 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.

(g) No more than 20 percent of the square footage of the Minimum Improvements will consist of commercial, retail or other non-residential uses.

(h) The Developer acknowledges that the City may subsidize or encourage the development of other projects in Mankato which compete with the Minimum Improvements and that such subsidies may be more favorable than the terms of this Agreement.

ARTICLE III

Public Assistance

Section 3.1. Intentionally Omitted.

Section 3.2. Issuance of Pay-As-You-Go Note. (a) The Developer has represented that the Total Development Costs for the Minimum Improvements are approximately \$507,475.84 and that

in order to sell the Development Property at rates which will support the City's affordable housing goals public assistance is needed. Upon request, the Developer must provide the City copies of all executed financing documents related to the Total Development Costs.

(b) In consideration of the Developer incurring and paying Qualifying Costs of at least \$507,475.84 while constructing the Minimum Improvements, the City will issue to the Developer the Note in the principal amount of \$485,000 in substantially the form set forth in Exhibit D. The City and the Developer agree that the consideration from the Developer for the purchase of the Note will consist of the Developer's payment of the Qualifying Costs which are eligible for reimbursement with Tax Increment and which are incurred by the Developer in at least the principal amount of the Note. The Note may be issued by the City Manager upon satisfaction by the Developer of all the conditions precedent specified in section 3.3 of this Agreement.

(c) Subject to the provisions thereof, the Note shall bear simple, non-compounding interest at the rate of 5.0% per annum. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Principal and interest on the Note will be payable on each Payment Date; however, the sole source of funds required to be used for payment of the City's obligations under this Agreement and under the Note shall be the Available Tax Increment received in the 6-month period preceding each Payment Date. On each Payment Date the Available Tax Increment shall be credited against the accrued interest then due on the Note and then applied to reduce the principal. In the event the Available Tax Increment is not sufficient to pay the accrued interest, the unpaid accrued interest shall be carried forward without interest. All Tax Increment in excess of the Available Tax Increment necessary to pay the principal and accrued interest on the Note is not subject to this Agreement, and the City retains full discretion as to any authorized application thereof. To the extent that the Available Tax Increment is insufficient through the Final Payment Date to pay all amounts otherwise due on the Note, said unpaid amounts shall then cease to be any debt or obligation of the City whatsoever. No interest will accrue during any period in which payments have been suspended pursuant to this Agreement.

(c) The Developer understands and acknowledges that the City makes no representations or warranties regarding the amount of Available Tax Increment, or that revenues pledged to the Note will be sufficient to pay the Note. Any estimates of Tax Increment prepared by the City or its municipal advisors in connection with the TIF District or this Agreement are for the benefit of the City and are not intended as representations on which the Developer may rely.

Section 3.3. Conditions Precedent to Issuance of the Note. The City Manager is authorized to issue the Note to the Developer only after all of the following conditions precedent have been satisfied:

(a) The Developer has acquired the Development Property in fee;

(b) The Developer has executed this Agreement and it has been recorded against the Development Property;

(c) The Developer has executed a Development Agreement with the City regarding the City Approvals;

(d) The Developer has paid the fees provided for in section 9.12 of this Agreement and all other fees due to the City;

(e) The Developer has submitted evidence that it has incurred and paid for the Qualifying Costs in an amount not less than the principal amount of the Note;

(f) The Developer has submitted the Investment Letter in the general form attached hereto as Exhibit E; and

(g) There has been no Event of Default on the part of the Developer which has not been cured.

To verify that it has incurred and paid the Qualifying Costs, the Developer shall submit paid invoices, lien waivers or other written proof and documentation as may be reasonably satisfactory to the City of the exact amount and nature of the Qualifying Costs, together with such other documentation or information as may be reasonably necessary to substantiate the Developer's expenditure for the Qualifying Costs and to comply with the tax increment reporting requirements of the Minnesota Department of Revenue, the Office of the State Auditor or other applicable authorities.

In accordance with section 469.1763, subd. 3 of the TIF Act, all conditions for delivery of the Note must be satisfied within five years of the date of certification of the TIF District by the County. If the conditions are not met by such date, the City will have no further obligation to issue the Note.

Section 3.4. Records. Prior to the Maturity Date, the City and its representatives will have the right at all reasonable times after reasonable notice to inspect, examine and copy invoices paid by the Developer and/or its general contractor relating to the Minimum Improvements and the Qualifying Costs for which the Developer will be reimbursed under the Note.

Section 3.5. Terms, Execution and Delivery of Note.

(a) Denomination, Payment. The Note will be issued as a single typewritten note numbered R-1. The 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.

(b) Principal and interest of the Note will be payable by mail to the owner of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date, whether or not the day is a business day.

Section 3.6. Registration. 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) Register. The Registrar will keep at his office a bond register in which the Registrar will provide for the registration of ownership of the Note and the registration of transfers and exchanges of the Note.

(b) Transfer of Note. Upon surrender for transfer of the 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 Note of a like aggregate principal amount, interest rate and maturity, as requested by the transferor. Notwithstanding the foregoing, the Note will not be transferred to any person other than an affiliate, or other related entity, of the Owner unless the City has been provided with an investment letter in a form substantially similar to the investment letter submitted by the Owner or a certificate of the transferor, in a form satisfactory to the City, that the transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Payment Date and until the Payment Date.

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

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

(e) Persons Deemed Owners. The City and the Registrar may treat the person in whose name the Note is at any time registered in the bond register as the absolute owner of the Note, whether the Note is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on the 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 Note to the extent of the sum or sums so paid.

(f) Taxes, Fees and Charges. For every transfer or exchange of the 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) Mutilated, Lost, Stolen or Destroyed Note. In case the Note becomes mutilated or is lost, stolen, or destroyed, the Registrar will deliver a new Note of like amount, interest rate, maturity dates and tenor in exchange and substitution for and upon cancellation of the mutilated Note or in lieu of and in substitution for the 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 Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that the 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 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 Note has already matured or been called for redemption in accordance with its terms, it will not be necessary to issue a new Note prior to payment.

Section 3.7. Preparation and Delivery. The 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 Note ceases to be the officer before the delivery of the 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 Note has been so executed, it will be delivered by the City to the Owner following the delivery of the necessary items delineated in Section 3.3 of the Agreement.

Section 3.8. Security Provisions.

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

(b) Bond Fund. Until the date the Note is no longer outstanding and no principal thereof or interest thereon (to the extent required to be paid) 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 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 Note.

Section 3.9. Certification of Proceedings. The officers of the City are hereby authorized and directed to prepare and furnish to the Owner of the 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 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 3.10. No Business Subsidy. The Public Assistance offered to the Developer under this Agreement and the Note is related to the construction of housing and therefore is not a “business subsidy” within the meaning of Minnesota Statutes, sections 116J.993 to 116J.995 (the “**Business Subsidies Act**”). As such, the City and the Developer will not enter into a business subsidy agreement pursuant to the Business Subsidies Act.

ARTICLE IV

Construction of Minimum Improvements

Section 4.1. Construction of Minimum Improvements. The Developer agrees that it will construct the Minimum Improvements on the Development Property substantially in accordance with the Preliminary Plans and the Construction Plans. The Developer acknowledges that, in addition to the requirements of this Agreement, construction of the Minimum Improvements will necessitate compliance with the City Approvals and possible approvals by other governmental entities. To the extent such approvals have not already been obtained, the Developer agrees to use commercially reasonable efforts to submit in a timely manner all applications for and pursue to their conclusion all other approvals needed prior to constructing the Minimum Improvements.

Section 4.2. Preliminary Plans and Construction Plans. (a) The Developer has submitted and the City has approved the Preliminary Plans listed in Exhibit B attached hereto. Prior to beginning construction on the Minimum Improvements, the Developer shall submit dated Construction Plans to the City. The Construction Plans shall provide for the construction of the Minimum Improvements and shall be in substantial conformity with the Preliminary Plans and this Agreement. The City will approve the Construction Plans if they (1) are substantially consistent with the Preliminary Plans; (2) conform to all applicable federal, State and local laws, ordinances, rules and regulations; (3) are adequate to provide for the construction of the Minimum Improvements; (4) conform to the State building code; and (5) if there has occurred no uncured Event of Default on the part of the Developer. Except as otherwise set forth herein, no approval by the City shall relieve the Developer of the obligation to comply with the terms of this Agreement and the terms of all applicable federal, State and local laws, ordinances, rules and regulations in the construction of the Minimum Improvements. Except as otherwise set forth herein, no approval by the City shall constitute a waiver of an Event of Default. The City shall use good faith efforts to review the Construction Plans and either approve or reject them in writing within 15 business days after receipt. Any rejection, in whole or in part, shall set forth in detail the reasons for rejection.

(b) If the Developer desires to make any Material Change in the Construction Plans after approval, the Developer shall submit the proposed change to the City for its approval. If the proposed change is consistent with the Preliminary Plans or is otherwise acceptable to the City and meets all other requirements of section 4.2(a) above, the City shall approve the proposed change. Such change in the Construction Plans shall be deemed approved by the City unless rejected, in whole or in part, by written notice by the City to the Developer, setting forth in detail the reasons for rejection. Such rejection shall be made within 15 business days after receipt by the City of the written notice of such change from the Developer.

(c) No more than 20 percent of the square footage of the Minimum Improvements shall consist of commercial, retail or other non-residential uses.

Section 4.3. Commencement and Completion of Construction. (a) Subject to Unavoidable Delays, the Developer agrees to commence construction of the Minimum Improvements by no later than December 31, 2027. All work with respect to the Minimum Improvements to be

constructed or provided by the Developer on the Development Property shall be in substantial conformity with the Construction Plans. The Developer shall make such periodic reports to the City regarding construction of the Minimum Improvements as the City deems necessary or helpful in order to monitor progress on construction of the Minimum Improvements. Subject to Unavoidable Delays, the Developer agrees to have achieved Substantial Completion of the Minimum Improvements by no later than December 31, 2027.

(b) As soon as reasonably possible but in any event, within 30 days after the Developer becomes aware of an Unavoidable Delay, it shall give the City written notice of the delay and the estimated length of the delay. The Developer shall give the City notice of the actual length of the delay as soon as reasonably possible after the cause of the delay has ceased to exist. The parties shall pursue with reasonable diligence the avoidance and removal of any such delay. An Unavoidable Delay shall not extend performance of any obligation unless the notices required in this section 4.3 are given as herein required.

Section 4.4. Certificate of Completion (a) After Substantial Completion of the Minimum Improvements substantially in accordance with the Construction Plans and at the written request of the Developer, the City will, within 20 days thereafter, furnish the Developer with an appropriate Certificate of Completion so certifying in the form of Exhibit C attached hereto. Such Certificate of Completion by the City shall be a conclusive determination of satisfaction and termination of the agreements and covenants in this Agreement with respect to the obligations of the Developer to construct the Minimum Improvements and the dates for the beginning and completion thereof.

(b) The Certificate of Completion shall be in such form set forth in Exhibit C and as will enable it to be recorded in the proper County office for the recordation of deeds and other instruments pertaining to the Development Property. If the City shall refuse to provide a Certificate of Completion in accordance with the provisions of this section 4.4, the City shall promptly notify Developer within the same 20-day period following receipt of request by the Developer for the Certificate of Completion, and such notification from the City shall include a written statement, indicating in adequate detail in what respects the Developer has failed to complete the relevant portion of the Minimum Improvements substantially in accordance with the Construction Plans and what measures or acts will be necessary, in the opinion of the City, for the Developer to take or perform in order to obtain such certification. If the City fails to issue such a written statement within such 20-day period, the City shall be deemed to have waived its right to do so and shall be deemed to have issued a Certificate of Completion to the Developer. The Developer shall have 60 days following receipt of the City's written response to cure or agree to terms with the City regarding issues to be resolved prior to the Developer obtaining a Certification of Completion from the City.

Section 4.5. Income Restrictions; Qualification of the TIF District. The Developer agrees that the Minimum Improvements will be subject to the following owner-occupant income restrictions:

(a) All of the Public Assistance to be offered to the Developer by the City is related to the portion of the Minimum Improvements to be occupied by Qualifying Owner-Occupants. The Developer will cause at least 95 percent of the Minimum Improvements to be initially

purchased by Qualifying Owner-Occupants whose household income is 115 percent or less of the area median gross income or who otherwise meet the requirements of Minnesota Statutes, Section 469.1761, subd. 2.

(b) Each person who is intended to be a Qualifying Owner-Occupant will be required to sign and deliver to the Developer a certification in which the prospective Qualifying Owner-Occupant certifies as to his or her income prior to purchasing any home on the Development Property. The Developer may rely upon income certifications prepared by lenders, mortgage originators, housing agencies, community land trusts, down-payment assistance providers, or other qualified third parties. The Developer shall provide such certification to the City at least 15 days prior to the scheduled closing for the sale of any of the Development Property. The City shall review purchaser qualifications and provide written approval or specific notice of deficiency within 10 Business Days of receipt of all information reasonably necessary for the City to conduct its review. The City's review shall be limited to determining whether the submission complies with Minnesota Statutes, § 469.1761, subd. 2. Under no circumstances shall the City's approval of a prospective buyer's qualification as a Qualifying Owner-Occupant be deemed approved. The City's approval shall not be unreasonably withheld, conditioned, or delayed. In the event that Developer conveys any portion of the Property to a third party who is not a Qualifying Owner-Occupant, Developer shall ensure that restrictive covenants are recorded on the Property, in a form to be approved by the City, which ensure that the Development Property will be purchased by a Qualifying Owner-Occupant following completion of all construction. In the event that the City concludes that the proposed purchaser is not qualified pursuant to this Section, the Developer shall terminate any contract to purchase. The Developer shall ensure all purchase contracts contain terms and conditions which comply with this Section.

(c) While the covenants in this Section 4.5 are in effect, the City and its representatives will have the right at all reasonable times, and after reasonable notice, to inspect and to examine and copy all books and records of the Developer and its successors and assigns relating to the covenants described in this Section 4.5.

Section 4.6. Property. Until the Final Payment Date, without the prior written consent of the City, neither the Developer nor any successor in interest to the Developer will engage in any financing or any other transaction creating any mortgage or other encumbrance or lien upon the Development Property, or portion thereof, whether by express agreement or operation of law, or suffer any encumbrance or lien to be made on or attach to the Development Property except for the purpose of obtaining funds only to the extent necessary to finance or refinance the costs of the acquisition, construction and operation of the Minimum Improvements, including, but not limited to, land and building acquisition, labor and materials, professional fees, development fees, real estate taxes, reasonably required reserves, construction interest, organization and other direct and indirect costs of development and financing, costs of constructing the Minimum Improvements, and an allowance for contingencies; provided, however, this provision shall not be considered a waiver of the requirements of section 7.1 with respect to any Transfer of the Note in connection with any such financing or refinancing nor shall anything contained in this section prohibit the Developer from making Transfers in accordance with section 7.1. The City hereby consents to any mortgages securing the Developer's financing or refinancing of the costs of the acquisition and construction of the Minimum Improvements and to the succession of the mortgagee thereunder

(or any assignee of the mortgagee) or any purchasers at or after foreclosure thereof, by the successful bidder at the sale, to title to the Development Property; provided, however, this provision shall not be considered a waiver of the requirements of section 7.1 with respect to any Transfer of the Note in connection with any such mortgage.

Section 4.7. Project Delivery Structure. The parties acknowledge that the Developer may satisfy all or a portion of its obligations under this Agreement through one or more Affiliates, joint ventures, builder entities, merchant-build entities, or special purpose entities formed for the development, construction, marketing, financing, or sale of homes within the Development Property (each, a “Developer Entity”). The Developer may participate directly or indirectly in any Developer Entity and may modify such structure from time to time, provided the Minimum Improvements and the homes constructed on the Development Property continue to satisfy the requirements of this Agreement, including section 4.5, and the TIF Act. Nothing in this section 4.7 shall be construed to require any particular ownership, builder, or capitalization structure for the development of the Development Property; provided, however, that any purported transfer of any of the obligations in this Agreement must

ARTICLE V

Insurance

Section 5.1. Insurance. The Developer or its general contractor will provide and maintain, at all times during the process of constructing the Minimum 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 Minimum Improvements 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 \$1,500,000 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 5.2. Evidence of Insurance. All insurance required in this Article V of this Agreement must be taken out and maintained in responsible insurance companies selected by the Developer which are authorized under the laws of Minnesota to assume the risks covered thereby. In lieu of separate policies, the Developer 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 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 VI

Payment of Taxes; Use of Tax Increment

Section 6.1. Taxes. The Developer agrees that prior to the Termination Date: (i) it will not seek administrative or judicial review of the applicability of any tax statute determined by any Tax Official to be applicable to the Minimum Improvements or the Development Property or raise the inapplicability of any such tax statute as a defense in any proceedings, including delinquent tax proceedings; (ii) it will not seek administrative or judicial review of the constitutionality of any tax statute determined by any Tax Official to be applicable to the Minimum Improvements or the Development Property or raise the unconstitutionality of any such tax statute as a defense in any proceedings, including delinquent tax proceedings; and (iii) except as described in paragraph (e) below, it will not cause a reduction in the assessed value of the Minimum Improvements or the Development Property through:

- (a) willful destruction of the Minimum Improvements or any part thereof;
- (b) an application to the commissioner of revenue of the State or to any local taxing jurisdiction requesting an abatement or deferral of real estate taxes on the Minimum Improvements or the Development Property;
- (c) a transfer of the Minimum Improvements or the Development Property, or any part thereof, to an entity exempt from the payment of real estate taxes under State law and that entity applies for tax exemption; or
- (d) any other proceedings, whether administrative, legal or equitable, with any administrative body within the County or the State or with any court of the State or the federal government.
- (e) The Developer may seek through petition or other means to have the market value for the Developer Property reduced. Until the Note is fully paid, such activity must be preceded by written notice from the Developer and approval from the City. Upon receiving such notice, or otherwise learning of the Developer's intentions, the City may suspend payments due under the 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 of 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 Note if it determines, in its sole and absolute 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 Note pursuant to this section shall not be considered a default under this Agreement.

Section 6.2. Right to Collect Delinquent Taxes and Special Assessments. The Developer acknowledges that at all times prior to the Termination Date the City shall have the right to sue the

Developer or its successors and assigns to collect delinquent real estate taxes and any penalty or interest thereon and special assessments due on the Development Property or the Minimum Improvements and to pay over the same as a tax payment to the County auditor. In any such suit in which the City prevails, the City shall also be entitled to recover its reasonable out-of-pocket costs and expenses, including attorney fees.

Section 6.3. Housing District; Use of Tax Increment. The TIF District is a housing district within the meaning of section 469.174, subd. 11 of the TIF Act. Except for payments to the Developer as provided for in this Agreement and the Note, the City shall be free to use any Tax Increment it receives from the County with respect to the TIF District for any purpose for which such increment may lawfully be used under the TIF Act and the City shall have no obligations to the Developer with respect to the use of such Tax Increment.

ARTICLE VII

Restrictions on Transfer; Termination of Agreement

Section 7.1. Limitations on Transfer and Assignment.

(a) The Developer represents and agrees that its use of the Development Property and its other undertakings pursuant to the Agreement, are, and will be, used for the purpose of construction of the Minimum Improvements on the Development Property and not for speculation in land holding. Except as provided herein, the Developer will not engage in a Transfer without the express written approval of the City, which consent will not be unreasonably withheld, conditioned or delayed. The City shall, within 30 Business Days after such a written request for approval of a Transfer, deliver a written statement to the Developer indicating whether the Transfer is approved or specifying the additional conditions to be satisfied in accordance with section 7.1(b). The provisions of this section 7.1 apply to all subsequent Transfers by authorized transferees;

(b) In the event of a Transfer prior to the issuance of the Certificate of Completion, the City shall be entitled to require, as conditions to any approval of any Transfer of this Agreement, the Development Property, the Project or the Note in connection therewith, which approval will not be unreasonably withheld, conditioned or delayed, that:

(1) Any proposed transferee shall have the qualifications and financial responsibility, as determined by 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 shall, for itself and its successors and assigns, and expressly for the benefit of the City have expressly assumed any of the remaining 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 all instruments and other legal documents involved in effecting transfer, and if approved by City, its approval shall be indicated to the Developer in writing;

(4) Any proposed transferee of the Note shall (i) execute and deliver to the City an Investment Letter in the form attached hereto as Exhibit E and (ii) surrender the Note to the City either in exchange for a new fully registered note or for transfer of the Note on the registration records for the Note maintained by the City;

(5) The Developer and its transferees shall comply with such other conditions as are necessary in order to achieve and safeguard the purposes of the Act, the TIF Act and this Agreement; and

In the event that the foregoing conditions are satisfied, the Developer will be released from its obligations under this Agreement.

(c) The Developer agrees to pay all reasonable legal fees and expenses of the City in connection with any Transfer requiring the City's approval under this section 7.1.

(d) Nothing contained in this section 7.1 shall prohibit the Developer from entering into easements or other agreements necessary for the construction or operation of the Minimum Improvements.

(e) After issuance of the Certificate of Completion, the Developer may transfer or assign the Development Property or the Developer's interest in this Agreement without the prior written consent of the City. The Developer shall provide to the City notice of any such transfer or assignment. Any transferee or assignee is bound by the Developer's obligations hereunder. The Developer must submit to the City written evidence of any transfer or assignment, including the transferee or assignee's express assumption of the Developer's obligations under this Agreement. If the Developer fails to provide evidence of transfer and assumption the Developer shall remain bound by all of its obligations under this Agreement.

(f) The restrictions contained in this section 7.1 shall not apply to: (i) transfers to Affiliates of the Developer; (ii) transfers to entities formed for purposes of developing, constructing, financing, marketing, or selling housing within the Development Property; (iii) transfers to builder entities or joint ventures in which the Developer or its principals retain a direct or indirect ownership interest; or (iv) sales of individual lots or homes within the Development Property as contemplated by this Agreement and the TIF Plan (each, a "Permitted Transfer"); provided that (A) any Permitted Transfer of all or a portion of the Development Property shall remain subject to the requirements of section 4.5, (B) the Developer shall provide the City written notice of any Permitted Transfer described in clauses (i) through (iii) within ten (10) Business Days thereafter, and (C) nothing in this section 7.1(f) shall permit a Transfer of the Note except in compliance with section 7.1(b)(4).

Section 7.2. Termination of Agreement. Upon the occurrence of the Termination Date, the parties agree to execute and record a document terminating this Agreement.

ARTICLE VIII

Events of Default

Section 8.1. Events of Default Defined. Each and every one of the following shall be an Event of Default under this Agreement:

(a) Failure by the Developer to seek approval from the City and other entities necessary to construct the Minimum Improvements diligently and in good faith; provided that if a Certificate of Completion is issued by the City, such failure shall no longer be an Event of Default;

(b) Failure by the Developer to pay real estate taxes or special assessments on the Minimum Improvements or the Development Property as they become due;

(c) Failure by the Developer to commence and complete construction of the Minimum Improvements pursuant to the terms, conditions and limitations of Article IV of this Agreement, including the timing thereof, unless such failure is caused by an Unavoidable Delay or waived by the Developer and the City;

(d) If the Developer shall file a petition in bankruptcy, or shall make an assignment for the benefit of its creditors or shall consent to the appointment of a receiver;

(e) If there is a violation by the Developer of the required income limitations for Qualifying Owner-Occupants or if the Developer fails to deliver the income verification required by this Agreement;

(f) Sale of the Minimum Improvements or the Development Property, or any portion thereof, by the Developer in violation of Article VII of this Agreement;

(g) Any action or inaction by the Developer which disqualifies the TIF District as a housing district under the TIF Act prior to the Termination Date; or

(h) Failure by either party to observe or perform any material covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement, including but not limited to any action necessary for the establishment of the TIF District.

Section 8.2. Remedies on Default. Whenever any Event of Default referred to in section 8.1 of this Agreement occurs, the non-defaulting party may take any one or more of the following actions after providing 30 days written notice to the defaulting party of the Event of Default, but only if the Event of Default has not been cured within said 30 days from the receipt of Notice or, if the Event of Default is by its nature incurable within 30 days, the defaulting party does not provide assurances to the non-defaulting party reasonably satisfactory to the non-defaulting party that the Event of Default will be cured and will be cured as soon as reasonably possible:

(a) Suspend its performance under this Agreement until it receives assurances from the defaulting party, deemed adequate by the non-defaulting party, that the defaulting party will cure its default and continue its performance under this Agreement;

(b) Prior to issuance of the Certificate of Completion, cancel and rescind or terminate this Agreement;

(c) If the default occurs after issuance of the Certificate of Completion, the City may suspend payments under the Note, subject to the provisions of section 8.3 of this Agreement; and

(d) Take whatever action, including legal or administrative action, which may appear necessary or desirable to the non-defaulting party to collect any payments due under this Agreement, including reimbursement of the Public Assistance previously granted, or to enforce performance and observance of any obligation, agreement, or covenant of the defaulting party under this Agreement.

The City recognizes and agrees that any lender who is the beneficiary of a mortgage recorded against the Development Property, shall have the opportunity, but not the obligation, to cure any default by the Developer under the same terms as the Developer, and any cure by such lender shall be accepted or rejected as if made by the Developer.

Section 8.3. Remedies after Certificate of Completion. The City may exercise its rights under Section 8.2(c) only for the following Events of Default:

(1) the Developer fails to pay real estate taxes or special assessments on the Minimum Improvements or the Development Property or any part thereof when due and the taxes or special assessments have not been paid, or provision satisfactory to the City made for their payment, within 45 days after written demand by the City to do so; or

(2) the Developer takes or permits an action prohibited by sections 4 or 6.1 of this Agreement; or

(3) the Developer takes an action or fails to take an action which disqualifies the TIF District as a housing district under the TIF Act prior to the Termination Date; or

(4) the Developer transfers the Minimum Improvements or the Development Property, or any part thereof, to an entity exempt from the payment of real estate taxes under State law.

Section 8.4. No Remedy Exclusive. No remedy conferred herein or reserved to the parties is intended to be exclusive of any other available remedy or remedies, but each and every 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. 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. To entitle the City or the Developer to exercise any remedy reserved to it, it

shall not be necessary to give notice, other than such notice as may be required under this Agreement.

Section 8.5. No Additional Waiver Implied by One Waiver. In the event any covenant or agreement contained in this Agreement should be breached by either party and thereafter waived by the 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 8.6. Reimbursement of Attorneys' Fees. If an Event of Default occurs and remains uncured and the City employs attorneys or incurs other reasonable expenses for the collection of payments due hereunder, or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer contained in this Agreement, the Developer will within 30 days reimburse the City for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

ARTICLE IX

Additional Provisions

Section 9.1. Conflict of Interests; Representatives Not Individually Liable. No member, official, or employee of the City shall have any personal financial interest, direct or indirect, in the Agreement, nor shall any such member, official, or employee participate in any decision relating to the Agreement which affects his or her personal financial interests or the interests of any corporation, partnership, or association in which he or she is, directly or indirectly, interested. No member, official, or employee of the City shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach or for any amount which may become due or on any obligations under the terms of this Agreement.

Section 9.2. Equal Employment Opportunity. The Developer, for itself and its successors and assigns, agrees that during the construction of the Minimum Improvements provided for in this Agreement, it will comply with all applicable equal employment and nondiscrimination laws and regulations.

Section 9.3. Restrictions on Use. The Developer agrees that through the Termination Date it will use the Minimum Improvements for only such uses as permitted under the City's land use regulations and in compliance with the City Approvals.

Section 9.4. Notices and Demands. Except as otherwise expressly provided in this Agreement, any notice, demand, or other communication under the Agreement or any related document by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified United States mail, postage prepaid, return receipt requested, or delivered personally to:

(a) in the case of the Developer: Skilbred Development, LLC
200 Essex Road
Mankato, MN 56001
Attn: Brett Skilbred

(b) in the case of the City: City of Mankato
10 Civic Center Plaza
Mankato, MN 56001
Attn: City Manager

and with a copy to: Kennedy & Graven, Chartered
150 South Fifth Street, Suite 700
Minneapolis, MN 55402
Attn: Andrew Biggerstaff

or at such other address with respect to either such party as that party may, from time to time, designate in writing and forward to the other as provided in this section 9.4.

Section 9.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 9.6. Disclaimer of Relationships. The Developer acknowledges that nothing contained in this Agreement nor any act by the City or the Developer shall be deemed or construed by the Developer or by any third person to create any relationship of third-party beneficiary, principal and agent, limited or general partner, or joint venture between the City and the Developer.

Section 9.7. Amendment. This Agreement may be amended only by the written agreement of the parties.

Section 9.8. Recording; Agreement Runs with the Land. The City intends to record this Agreement among the County land records and the Developer agrees to pay for the cost of recording same. This Agreement runs with the Development Property and shall bind the successors and assigns of the City and the Developer.

Section 9.9. Release and Indemnification Covenants. a) Except for any negligent act of the following named parties, the Developer hereby releases from and covenants and agrees that the City, and its governing body members, officers, agents, servants, and employees (the “**Indemnified Parties**”) shall not be liable for, and hereby 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 Minimum Improvements.

b) The aforesaid indemnification shall not apply to willful misrepresentation or any willful or wanton misconduct or negligence of the City.

c) Except for any negligent or willful act of the City, the Indemnified Parties shall not be liable for any damage or injury to the persons or property of the Developer or its partners,

officers, agents, servants or employees or any other person who may be about the Minimum Improvements or the Minimum Improvements due to any act of negligence of any person.

Section 9.10. Titles of Articles and Sections. Any titles of the several parts, articles, and sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 9.11. Governing Law; Venue. This Agreement shall be construed in accordance with the laws of Minnesota. Any dispute arising from this Agreement shall be heard in the State or federal courts of Minnesota, and all parties waive any objection to the jurisdiction thereof, whether based on convenience or otherwise.

Section 9.12. Fees and Charges. The Developer agrees to reimburse the City for all reasonable fees or costs for legal, financial advisory, engineering, planning or other staff time for preparation of the Development Program, the TIF Plan and related documents; the analysis, drafting or negotiating this Agreement and related documents and the recording thereof; and for reviewing any plans regarding the Minimum Improvements submitted in satisfaction of this Agreement. The Developer agrees to make an additional deposit of \$10,000 regarding such costs. The City will notify the Developer at such time as the deposit is near depletion and request an additional deposit if necessary. The City will attempt to estimate the additional costs and expenses likely to be incurred by the Developer but the Developer's financial obligations to the City in this regard are not limited by that estimate. The Developer agrees to pay such additional amounts as may be billed by the City within 30 days of receipt of an invoice from the City. If any balance of funds deposited remains upon the issuance of the Certificate of Completion, the City shall promptly return such balance to the Developer; provided, however, that the Developer shall remain obligated to pay subsequent administrative costs incurred by the City in connection with this Agreement.

Section 9.13. Provisions Surviving Rescission, Expiration or Termination. Sections 8.6 and 9.9 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 9.14. Superseding Effect. This Agreement reflects the entire agreement of the parties with respect to the financial assistance for development of the Development Property, and supersedes in all respects all prior agreements of the parties, whether written or otherwise, with respect to same.

Section 9.15. Interpretation; Concurrence. The language in this Agreement shall be construed simply according to its generally understood meaning, and not strictly for or against any party and no interpretation shall be affected by which party drafted any part of this Agreement. By executing this Agreement, the parties acknowledge that they (a) enter into and execute this Agreement knowingly, voluntarily and willingly of their own volition with such consultation with legal counsel as they deem appropriate; (b) have had a sufficient amount of time to consider this Agreement's terms and conditions, and to consult an attorney before signing this Agreement; (c) have read this Agreement, understand all of its terms, appreciate the significance of those terms and have made the decision to accept them as stated herein; and (d) have not relied upon any representation or statement not set forth herein.

* * * * *

IN WITNESS WHEREOF, the City and the Developer have caused this Agreement to be duly executed in their names and behalves on or as of the date first above written.

CITY OF MANKATO

By: _____
Najwa Massad, Mayor

By: _____
Susan Arntz, City Manager

STATE OF MINNESOTA)
) ss.
COUNTY OF _____)

The foregoing instrument as acknowledged before me this _____ day of _____, 2026, by Najwa Massad, the Mayor of the City of Mankato, a municipal corporation under the laws of Minnesota, on behalf of the City.

Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF _____)

The foregoing instrument as acknowledged before me this _____ day of _____, 2026, by Susan Arntz, the City Manager of the City of Mankato, a municipal corporation under the laws of Minnesota, on behalf of the City.

Notary Public

SKILLBRED DEVELOPMENT, LLC

By: _____

Its: _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was executed before me this _____ day of _____, 2026, by Brett Skilbred, the _____ of Skillbred Development, LLC, a limited liability company under the laws of Minnesota, on behalf of the company.

Notary Public

**EXHIBIT A TO
CONTRACT FOR PRIVATE DEVELOPMENT**

LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY

The Development Property is in Blue Earth County, Minnesota and legally described as follows:

Lots 5-12, Block 1, Quarry View Addition, according to the recorded plat thereof, Blue Earth County, Minnesota.

**EXHIBIT B TO
CONTRACT FOR PRIVATE DEVELOPMENT**

LIST OF PRELIMINARY PLANS

The following constitute the Preliminary Plans of the Minimum Improvements:

[•]²

² NTD: Do we have a list of Plans that we can reference as the official Plans for the Minimum Improvements?

**EXHIBIT C TO
CONTRACT FOR PRIVATE DEVELOPMENT**

**FORM OF
CERTIFICATE OF COMPLETION**

WHEREAS, the city of Mankato, a municipal corporation under the laws of Minnesota (the “City”), and Skilbred Development, LLC, a limited liability company under the laws of Minnesota (the “Developer”), have entered into a certain Contract for Private Development (the “Agreement”) dated the _____ day of _____, 2026, and recorded in the office of the _____ in Blue Earth County, Minnesota, as Document No. _____, which Agreement contained certain covenants and restrictions regarding completion of the Minimum Improvements, as defined in the Agreement; and

WHEREAS, the Developer has performed said covenants and conditions in a manner deemed sufficient by the City to permit the execution and recording of this certification.

NOW, THEREFORE, this is to certify that all construction of the Minimum Improvements specified to be done and made by the Developer has been completed and the _____ in Blue Earth County, Minnesota, is hereby authorized to accept for recording and to record the filing of this instrument, to be a conclusive determination of the satisfactory termination of the covenants and conditions relating to completion of the Minimum Improvements.

Dated: _____.

CITY OF MANKATO

By: _____
Its Mayor

By: _____
Its City Manager

STATE OF MINNESOTA)
) ss.
COUNTY OF _____)

The foregoing instrument as acknowledged before me this _____ day of _____, 202____, by _____, the Mayor of the City of Mankato, a municipal corporation under the laws of Minnesota, on behalf of the City.

Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF _____)

 The foregoing instrument as acknowledged before me this _____ day of _____, 202__,
by _____, the City Manager of the City of Mankato, a municipal corporation under
the laws of Minnesota, on behalf of the City.

Notary Public

This Instrument was Drafted by:
KENNEDY & GRAVEN, CHARTERED
150 South Fifth Street, Suite 700
Minneapolis, MN 55402
(612) 337-9300

**EXHIBIT D TO
CONTRACT FOR PRIVATE DEVELOPMENT**

FORM OF NOTE

CITY OF MANKATO

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

No. R-1

\$485,000

TAXABLE TAX INCREMENT REVENUE NOTE
SERIES 202__

Rate

Date
of Original Issue

5.0 percent

The city of Mankato (the “City”), for value received, certifies that it is indebted and hereby promises to pay to Skilbred Development, LLC, or registered assigns (the “Owner”), the principal sum of \$485,000 with interest thereon at the rate of 5.0% per annum, as and to the extent set forth herein.

1. Payments. Principal and interest payments (“Payments”) will be paid on August 1, 2029, and each February 1 and August 1 thereafter until the earlier of payment in full or February 1, 2044 (“Payment Dates”), in the amounts and from the sources set forth in Section 3 herein.

Payments are payable by mail to the address of the Owner or any other address as the Owner may designate upon 30 days written notice to the City. Payments on this Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.

2. Interest. Interest shall be simple, non-compounding interest at a rate of 5.0% per annum. Interest shall be computed on the basis of a 360-day year consisting of 12 30-day months.

3. Available Tax Increment. Payments on this Note are payable on each Payment Date in the amount of and solely payable from “Available Tax Increment,” which will mean, on each Payment Date, 95 percent of the Tax Increment attributable to the Development Property and Minimum Improvements (as defined in the Agreement) and paid to the City by Blue Earth County, Minnesota in the six months preceding the Payment Date, all as the terms are defined in the Contract for Private Development between the City and Owner dated as of _____, 2026

(the “Agreement”). Available Tax Increment will not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default by the Owner under the Agreement.

The City will have no obligation to pay principal or interest on this Note on each Payment Date from any source other than Available Tax Increment, and the failure of the City to pay the entire amount of principal and interest on this Note on any Payment Date will not constitute a default hereunder as long as the City pays principal and interest to the extent of Available Tax Increment. The City will have no obligation to pay any unpaid balance of principal or interest that may remain after the Final Payment Date of February 1, 2044.

4. Optional Prepayment. The principal sum and accrued interest payable under this Note is pre-payable in whole or in part at any time by the City without premium or penalty. No partial prepayment will affect the amount or timing of any other regular payment otherwise required to be made under this Note.

5. Suspension of Payment. At the City’s option, the City’s obligation to make any payments under this Note will be suspended upon the occurrence of an Event of Default on the part of the Developer as defined in Section 8.1 of the Agreement, but only if the Event of Default has not been cured in accordance with Section 8.2 of the Agreement. The City may also suspend payments under this Note in accordance with Section 6.1(e) of the Agreement.

6. Nature of Obligation. This Note is a single note in the total principal amount of \$485,000 issued to aid in financing certain public costs of a Development District undertaken by the City pursuant to Minnesota Statutes, Sections 469.124 through 469.133, as amended, and is issued pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.174 to 469.1794, as amended. This Note is a limited obligation of the City which is payable solely from Available Tax Increment pledged to the payment hereof. This Note will not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the city of Mankato. Neither the State of Minnesota, nor any political subdivision thereof will be obligated to pay the principal of or interest on this Note or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of and interest on this Note or other costs incident hereto.

7. Estimated Tax Increment Payments. Any estimates of Tax Increment prepared by the City or its financial advisors in connection with the TIF District or the Agreement are for the benefit of the City, and are not intended as representations on which the Owner may rely.

THIS NOTE IS A SPECIAL, LIMITED REVENUE 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 THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS NOTE AND NO PROPERTY OR OTHER ASSET OF THE CITY, SAVE AND EXCEPT THE ABOVE-REFERENCED PLEDGED

TAX INCREMENTS, IS OR SHALL BE A SOURCE OF PAYMENT OF THE CITY'S OBLIGATIONS HEREUNDER. THE CITY MAKES NO REPRESENTATION OR WARRANTY THAT THE AVAILABLE TAX INCREMENT WILL BE SUFFICIENT TO PAY THE PRINCIPAL OF OR INTEREST ON THIS NOTE.

8. Registration and Transfer; Assignment. Subject to certain limitations set forth herein, this Note is issuable only as a fully registered note without coupons. This Note is transferable upon the books of the City kept for that purpose at the principal office of the City Manager as Registrar, by the Owner hereof in person or by the Owner's attorney duly authorized in writing, upon surrender of this Note together with a written instrument of transfer satisfactory to the City, duly executed by the Owner. Upon the transfer or exchange and the payment by the Owner of any tax, fee, or governmental charge required to be paid by the City with respect to the transfer or exchange, there will be issued in the name of the transferee a new Note of the same aggregate principal amount and interest rate and maturing on the same dates.

This Note may be transferred or assigned only as provided in section 7.1 of the Agreement; provided that this Note will not be transferred to any person other than an affiliate, or other related entity, of the Owner unless the City has been provided with an investment letter in a form substantially similar to the investment letter submitted by the Owner or a certificate of the transferor, in a form satisfactory to the City, that the transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. This Note may be assigned with the consent of the City, which will not be unreasonably withheld or delayed. Notwithstanding anything to the contrary in this Note, in no event will a lender providing funds to the Developer and taking an assignment of the Note as security for such funds be required to sign an investment letter at either the time of execution of an assignment or transfer of the Note as a result of the assignment.

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 exist, to happen, and to be performed to make this Note a valid and binding limited obligation of the City according to its terms, have been done, do exist, have happened, and have been performed in due form, time and manner as so required.

IN WITNESS WHEREOF, the city council of the City of Mankato, has caused this Note to be executed with the manual signatures of its Mayor and City Manager, all as of the Date of Original Issue specified above.

CITY OF MANKATO

Mayor

City Manager

REGISTRATION PROVISIONS

The ownership of the unpaid balance of the within Note is registered in the bond register of the City Manager, in the name of the person last listed below.

<u>Name and Address of Registered Owner</u>	<u>Date of Registration</u>	<u>Signature of Registrar</u>
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Skilbred Development, LLC 200 Essex Road Mankato, MN 56001 Attn: Brett Skilbred Federal Tax ID #_____		
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**EXHIBIT E TO
CONTRACT FOR PRIVATE DEVELOPMENT
FORM OF INVESTMENT LETTER**

To the city of Mankato (the “City”)
Attention: City Manager

Dated: _____, 2026

Re: \$485,000 Tax Increment Revenue Note (Skilbred Development, LLC Project)

The undersigned, as Owner of \$485,000 in principal amount of the above-captioned Tax Increment Revenue Note (Skilbred Development, LLC Project) (the “Note”), approved by the Mankato city council on _____, 202__, hereby represents to you and to Kennedy & Graven, Chartered, Minneapolis, Minnesota, 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 Contract for Private Development by and between the City and the Purchaser dated _____, 2026 (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 you that we are purchasing the Note for our own account and not for resale or other distribution thereto, except to the extent 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 Owner'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.

Skilbred Development, LLC
a limited liability company under the laws of Minnesota

By: _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was executed before me this _____ day of _____, 202__, by Brett Skilbred, the _____ of Skilbred Development, LLC, a limited liability company under the laws of Minnesota, on behalf of the company.

Notary Public